



MISSING THE MARK

Consumers
ignore KRA's
excise labels

StoCK
STOP CRIME KENYA

March 2022

EXECUTIVE SUMMARY

Almost three out of every four Kenyan consumers cannot properly identify the digital tax stamps that are supposed to combat illicit trade.

Almost half don't know the purpose of the stamps, while one in three is happy to buy excisable goods, such as juices, alcohol and tobacco, even if they don't carry the stamps that are required by law.

These are the alarming findings of a new survey by Stop Crime Kenya (StoCK), which raises new concerns over the menace of illicit trade.

Kenya has one of the largest markets for fake goods and contraband in East Africa, according to the Anti-Counterfeits Authority. **The country loses more than Sh153 billion tax revenue annually to illicit trade**, with tobacco and alcohol products among the most illegally sold products.

The controversial Excisable Goods Management System (EGMS) is meant to curb this tax evasion. But since the Kenya Revenue Authority (KRA) began ordering manufacturers and importers of excisable goods to fix the EGMS stamps on products in 2013, criminal tax evaders have tried to game the system.

Last year the Kenya Association of Manufacturers (KAM) warned the market was being flooded with forged excise stamps. Although the KRA rolled out a new generation of stamps this year, our survey suggests most consumers don't know what they should look like – or even what they're for.

The nationwide poll of consumers found:

- Almost half of consumers don't know the purpose of digital excise stamps
- Of those who do know, almost half don't think they're fit for purpose
- Over half have knowingly bought goods that did not carry a genuine stamp
- Almost three out of four cannot properly identify the stamps
- Fewer than one in four says they actually bother to check for a stamp
- Fewer than one in three thinks the tax stamp system is well enforced

BACKGROUND

The Kenya Revenue Authority began ordering manufacturers and importers of excisable goods to affix traceable Excisable Goods Management System (EGMS) stamps on their products in 2013.

The products now covered include alcoholic beverages, tobacco and tobacco products, water, soft drinks and juices.

Since its launch, counterfeiters and other tax evaders have sought to circumvent the system, using forged stamps, reused stamps or selling goods with no stamps at all.

The crisis has been compounded by a legal wrangle between the KRA and Swiss company SICPA, which won a multi-billion-shilling contract to run the EGMS.

Last year, the Kenya Association of Manufacturers (KAM) revealed the market was being flooded with fake stamps.

KRA rolled out a new generation of tax stamps this year, hoping that enhanced security features would deter forgeries.

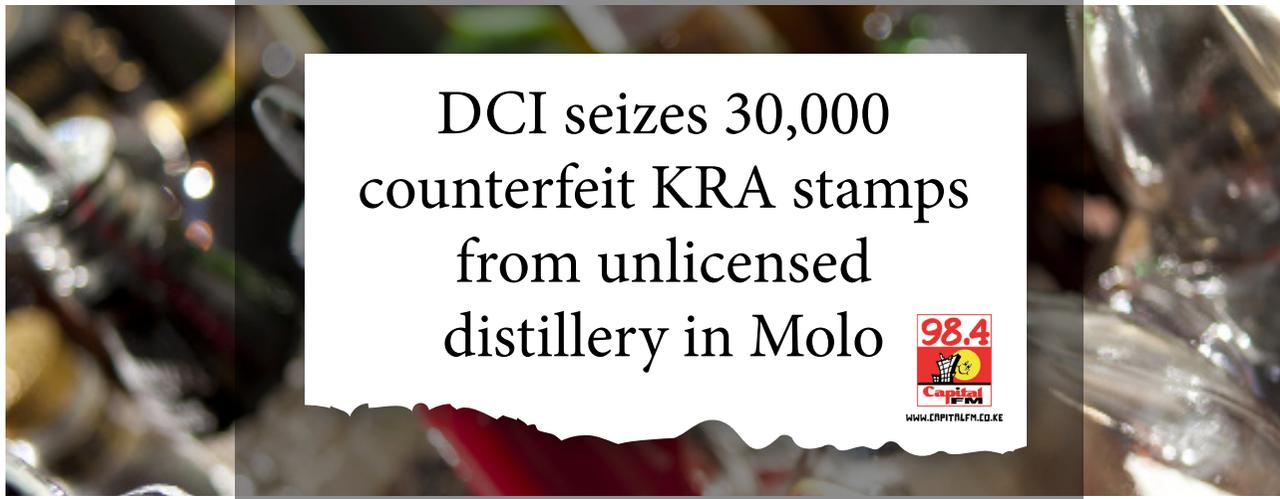
But illicit trade continues. In February police seized 30,000 counterfeit stamps from an unlicensed distillery in Molo.

KRA says consumers should be able to verify the stamps using the Soma label mobile phone app. Our survey was designed to see how effective the system is.



Fake stamps rock market as Swiss company mints billions

THE STAR



DCI seizes 30,000 counterfeit KRA stamps from unlicensed distillery in Molo



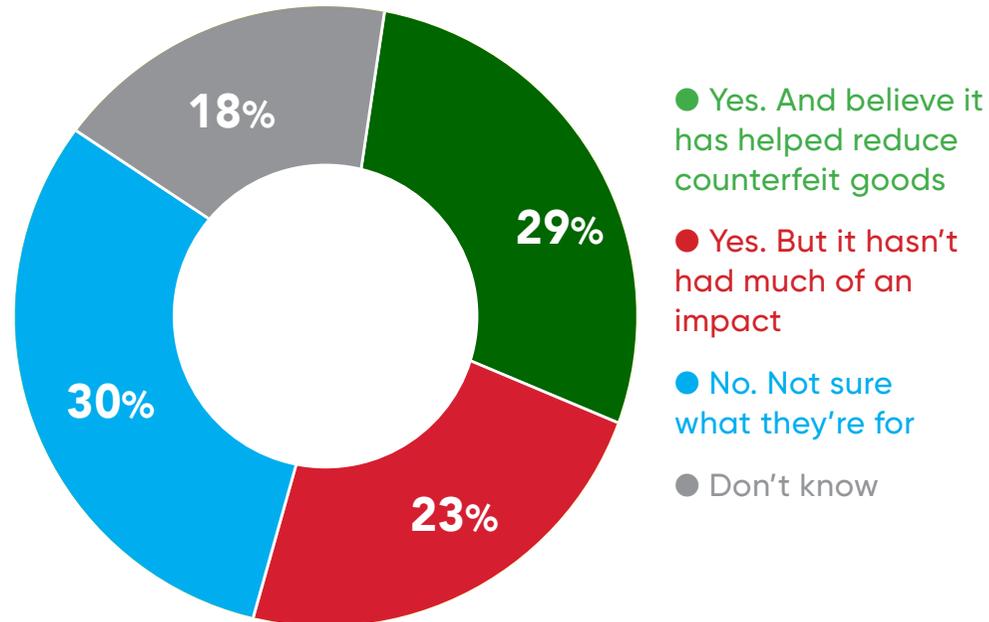
KAM raises alarm over taxable goods with fake stamps

The Standard

RESULTS

Q1

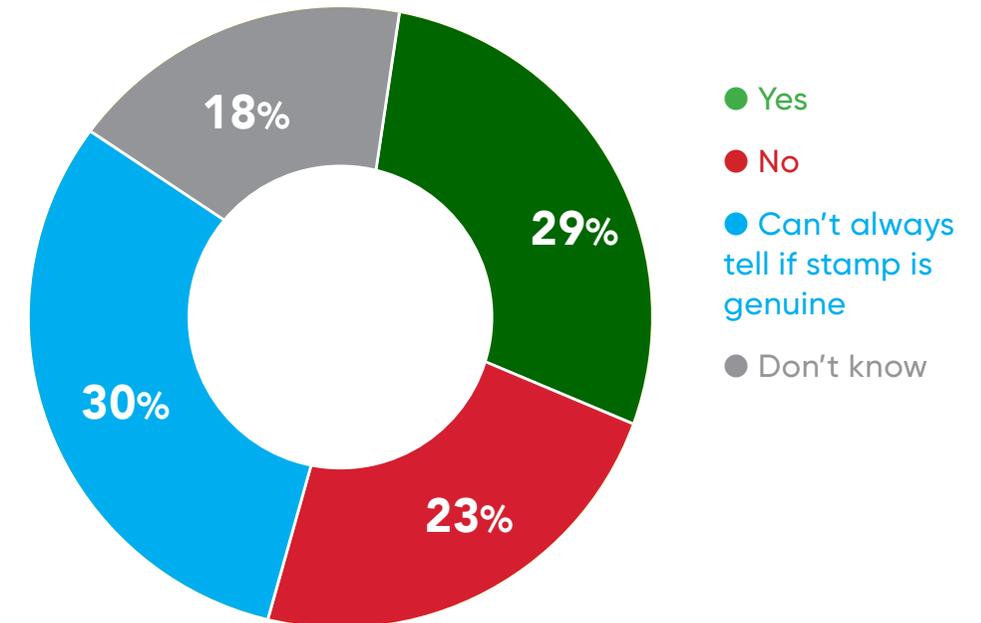
Do you appreciate the purpose of a KRA digital excise stamp?



- Almost half of Kenyan consumers (48%) don't know the purpose of digital excise stamps.
- Of those who do know, 44% don't think they're fit for purpose.

Q2

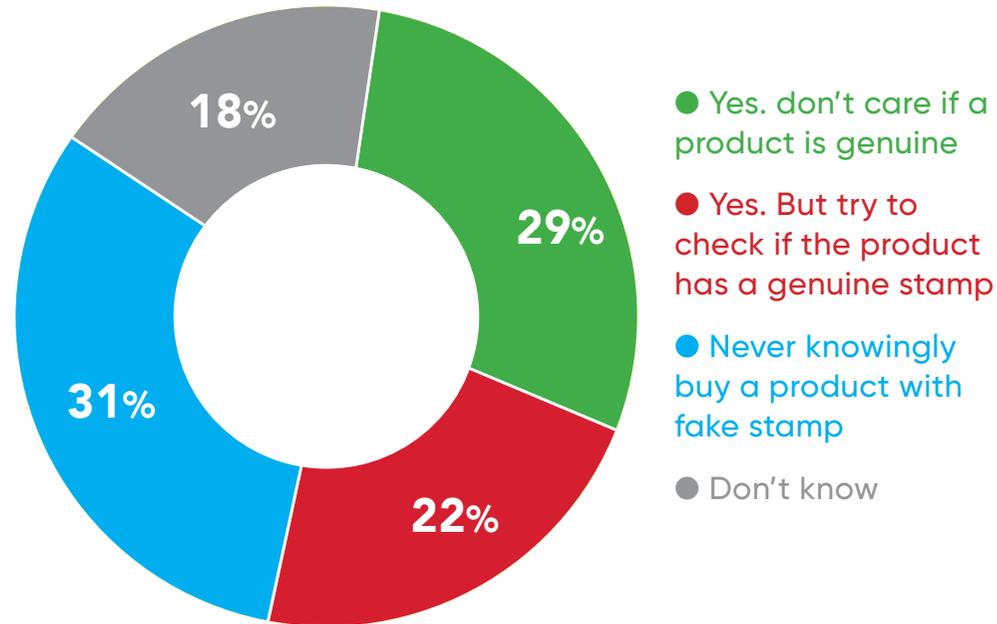
Can you tell the difference between a genuine and a fake digital excise stamp?



- Almost three in four consumers (71%) can't properly identify a fake excise stamp.
- Almost a quarter (23%) said they couldn't definitively tell the difference between a genuine and a fake stamp, while less than a third (29%) said they could.

Q3

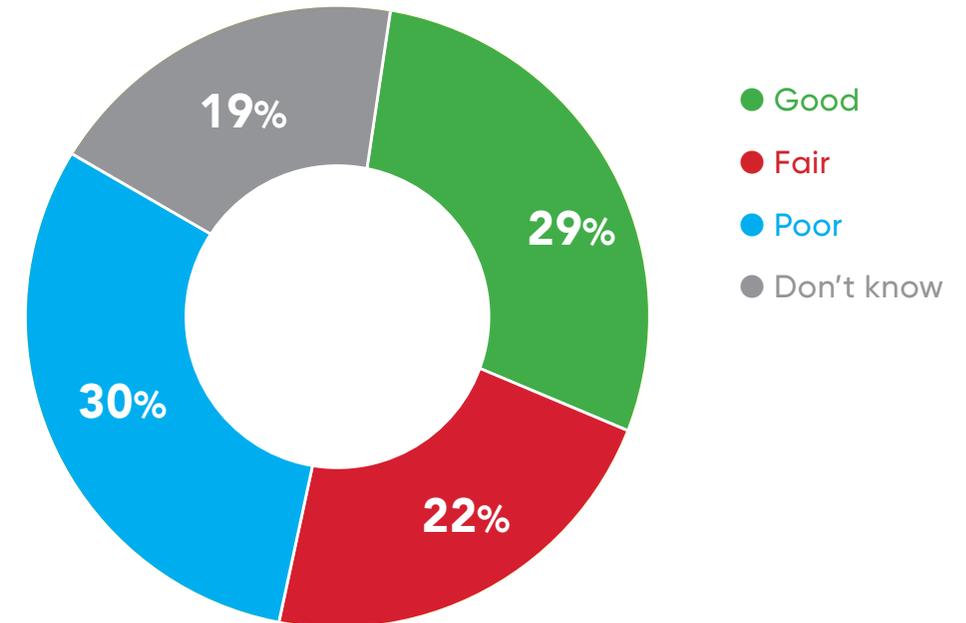
Have you bought or would you buy an excisable good (such as juice, alcohol or cigarettes) that did not carry a genuine digital excise stamp?



- Over half of consumers have knowingly bought goods that did not carry a genuine stamp.
- Almost one in three consumers are happy to do so.
- Fewer than one in four says they actually bother to check.

Q4

How do you rate enforcement of the digital tax excise system?



- Less than one in three consumers thinks the digital tax system is well enforced.
- The same number think it's poorly enforced, with a further 19% unable to make a judgment.



By StoCK chairman
Stephen Mutoro

CONCLUSION

The result of our latest survey should be ringing alarm bells at the KRA.

The tax authority has spent billions on the EGMS in a bid to stem excise-evading goods flooding Kenya's consumer market. But our research shows that the system is failing miserably and criminals are exploiting the situation at a huge cost to every Kenyan.

If consumers don't know what the stamps are, don't think they work and don't bother to check for them, then they are simply not fit for purpose.

Seemingly every week we read of a new bust by police who have uncovered illicit traders with huge volumes of fake stamps.

The KRA needs to rethink its approach, revise its strategy and reinforce its efforts to combat illicit trade that is robbing the nation of vital revenue.

ABOUT StoCK

Stop Crime Kenya (StoCK) is an unregistered, non-profit citizens' campaign fighting all forms of organised crime, especially illicit trade, tax evasion, counterfeits and smuggling. We advocate for asset recovery and the need to stop such crime by bringing perpetrators to book. Our Secretariat is housed by the Consumers Federation of Kenya (Cofek).

Follow us at [@stopcrimekenya](https://www.instagram.com/stopcrimekenya) and www.stopcrimekenya.co.ke

Our previous surveys, Robbed Blind and Fear Factor, are available online [here](#).