

BUSINESS DAILY KENYA

Tea packer says taxes killing exports

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A top tea packer has said the high cost of making packaging material locally and poor marketing of the commodity has made Kenyan beverage uncompetitive in the world market.

Kenya Tea Packers (Ketepa) says it incurs a duty of 25 percent in making the packaging material, making Kenya's tea one of the most expensive in the world.

The Kenya Tea Development Agency firm says despite Kenyan tea being in high demand, its competitiveness in the international market has been eroding due to costs and poor marketing of the commodity.

“Taxation on material for value addition have been eating into profits. This is despite the beverage being among the country’s leading foreign exchange earners,” says Ketepa managing director Albert Otochi.

“The high taxation of the material has a huge cost implication on the final product,” he said.

He said the firm is importing packaging material, especially tags, envelopes and filter paper from different parts of the world as it is exempted from duty.

Kenya is the world’s biggest tea exporter, accounting for 26 per cent of total, shipping out about 95 percent of the total production.

Last year, tea injected Sh140 billion into the Kenyan economy, making the beverage one of the largest exchange earners.

The rich flavour and high quality of Kenyan tea has made it popular around the world and a lot of buyers use it for blending with teas of other origins to improve on quality.

However, Ketepa says that punitive taxation particularly Value Added Tax on providers of packaging paper and lack of industry support have remained a stumbling block to value addition in Kenya.

“Kenya is known for quality tea; that way then we should be able to leverage on our strength, than having that singular approach to marketing,” he said.

To attract consumers, Ketepa has in the recent past invested in adding flavours as part of value addition.

When tea packers source the tea, it attracts 16 per cent VAT, claimable only after export.

Mr Otochi says if some of the issues are reviewed, the growth of the sector is certainly set to take off.

Kenya normally exports in bulk, creating much-needed jobs abroad instead of locally.