



M-SHWARI: CHANGE OF EXCISE DUTY COLLECTION PROCESS

Frequently Asked Questions (FAQs)

1. What is Excise Duty as it relates to M-Shwari?

As per the Excise Duty Act, 2015, all fees/charges due on services provided by financial institutions in Kenya are liable to a tax called Excise Duty Tax (EDT). Following the signing of the Finance Act of 2021 into law, the Government of Kenya introduced Excise Duty Tax on all loan-related fees/charges, including for M-Shwari loans. As a result, the facility fees charged on M-Shwari loans have been subject to a 20% Excise Duty Tax since the beginning of the financial year 2021/22.

2. What is new about Excise Duty on M-Shwari?

On M-Shwari, the Excise Duty charge has previously been collected at the point when customers pay back their loans. However, as part of an operational adjustment, the Excise Duty charge will now be collected at the point of disbursement, that is, when a customer receives their M-Shwari loan. This means that the loan amount received by the customer will be net of Excise Duty tax.

3. Does this mean the facility fees charged on M-Shwari loans has changed?

No. The facility fees charged on M-Shwari loans remains the same at 7.5%. As well, the Excise Duty Tax charged on the facility fees remains unchanged at the rate of 20%.

For example:

Loan amount applied for: KES 1,000

Facility Fees charged: 7.5% of 1,000

= KES 75

Excise Duty Tax due: 20% of KES 75

=KES 15

Loan amount received: KES 1,000 -15

=KES 985



4. Is this a new charge/tax?

No. This change does not introduce any new charges or taxes relating to M-Shwari loans. It is simply a change in the process of collecting Excise Duty on M-Shwari.

5. Who is impacted by this change?

This change affects all customers who borrow on M-Shwari because the loan facility fees are subject to Excise Duty tax.