

DRAFT SEPARATE FRAMEWORK FOR MICRODISTILLERIES

First, there needs to be a clear definition separating distillers from compounders or rectifiers:

A distiller is a manufacturer of a spirituous beverage through 2 fundamental processes of fermentation and distillation using a still (boiler).

N/B: This is different from compounding or rectifying.

"compound" means to communicate any flavour to, or to mix any ingredient or material with, spirits, but not so as to denature the spirits."

(Ref: Compounding of Potable Spirits, 2012)

"rectify" means to redistill spirits removed from a spirits receiver for the purpose of purifying or adding flavour."

(Ref: Excise Duty Act, 201, No. 23 of 2015, Revised 2017)

Suggestion:

A Microdistillery could be defined by Method and Size.

1. Uses still (Boiler) size to manufacture in batches: Still volume not exceeding 1,800 Litres* or less, AND

2. Annual Production: Not exceeding 100,000 Litres/Year**

Ref 1: Agro Chemical and Foods Company (ACFC) Production Capacity: 15 million Litres/Year (2022)

Ref 2 EABL (UDV): Production Capacity: 22.5 million Litres/Year (2021)

Therefore, A Microdistiller is a manufacturer of a spirituous beverage through 2 fundamental processes of fermentation and distillation using a still (boiler) not exceeding 1,800 Litres and whose annual production volume does not exceed 100,000 Litres per Year.

Suggested Framework:

KRA REQUIREMENT	Proposed Framework for Microdistilleries	Justification
1. Measuring Devices - Flowmeters	1.Exemption for Microdistilleries	-The flowmeters approved by Weights & Measures department, based on KRA request, are too expensive for Microdistilleries. The W&M regulations used to approve the flowmeters are too stringent, including OIML approval and thus all the meters approved are beyond the scope of capex for Microdistilleries. -Other countries such as South Africa which have a thriving industry do not require such stringent regulations for Microdistilleries.
2. Monitoring CCTVs, Data Transmission and Backup Systems	Microdistilleries can fully comply	
3. Production Line Automation and continuous piping	Exemption	Small-batch production, unlike continuous mass production of ENA at 96% Ethanol, requires minor adjustments for control of flavour and aroma, which is not possible on full automation.
4. Packaging and Labelling - Automation of packaging line - Automated KRA Stamp applicator	Semi-automation of packaging line and hand labelling.	Application of KRA stamps for imported alcoholic brands, or those made in EPZs, is also done by hand labelling.

*The size maximum size of the still and the maximum volume annual production to be discussed.

**A Microdistillery that exceeds the annual production limit (and/or scales up the boiler size could install a Mass flow meter after the final distillation.

Ref 1: Agrochemical Food Company Annual Report

https://www.treasury.go.ke/wp-content/uploads/2024/05/Agro-Chemical-Food-Company-LimitedF-1206-2-2021_2022.pdf

Ref 2: <https://www.businessdailyafrica.com/bd/corporate/companies/eabl-building-sh300m-new-spirits-line-on-high-demand-2184010>