



REPUBLIC OF KENYA

FINANCIAL STATEMENT

for the

Fiscal Year 2008/2009

(1st July – 30th June)

PART II

TAXATION PROPOSALS

This part of the Financial Statement summarises the proposed tax and other revenue measures included in the Finance Bill, 2008. Not all the individual items are specified therefore, reference should be made to the Finance Bill and related Subsidiary Legislation for full details.

The Proposed revenue measures are as follows:

1. In line with international best practice and in recognition of the increased cost of air travel, the supply of international air travel is zero-rated to make our national carrier competitive.
2. As a result of high international oil prices and rising cost of transport, which hurts wananchi, motorcycles of cc rating of up to 250 are zero-rated to encourage their wide use to reduce cost of transport and create employment in rural areas.
3. To accelerate recovery of the tourism industry by boosting hotel occupancy, import duty on all gymnasium equipment for use in the hotel industry will be removed.
4. To further reduce the cost of construction and infrastructure development in order to accelerate growth in our country, import duty on hot rolled sections will be reduced from 10 percent to 0 percent.
5. In order to encourage growth of our industries so as to create job opportunities for the youth and reduce cost of local goods, import duty on easy opening ends for cans used for food packaging will be reduced from 25% to 10%.
6. To promote the growth of our building industry by increasing use of locally manufactured goods, duty rate of 10% will be imposed on: (i) Sodium Sulphate; (ii) Aluminium Sulphate; and (iii) epoxide resin.
7. To further consolidate the growth of our construction industry and to accelerate the ongoing infrastructure development, import duty on cement will be reduced from 40% to 25% to make this product available to the users.

8. Import duty will be removed on telecommunication equipment to encourage investment in modern telecommunication equipment, improve efficiency in our telecommunication network and reduce the cost of telecommunication in the country.

9. In order to further promote the development of the ICT industry, duty on all printers, which are specifically used together with computers will be removed.

10. To promote environmental conservation and improve cleanliness in our cities and towns, in line with Vision 2030, duty on trucks specially designed for garbage collection will be removed.

11. To mitigate against the adverse effects of high food prices and make some basic food affordable to consumers, bread and rice will be zero-rated under VAT

12. In order to enable millers to import wheat grain to supplement local production, import duty payable on wheat will be reduced from 35% to 10% or USD.50 per tonne whichever is higher for a period of one year.

13. In order to address challenges associated with imported cigarettes and to move the current price-based practice to the characteristics-based practice, a hybrid of Retail Selling Price-based and product characteristics-based excise regime for cigarettes will be introduced. Excise duty applicable on cigarettes categories A, B, C and D will be increased to KShs.700; KShs.1,200; KShs.1,500 and KShs.2,500 per mille, respectively.

14. To harmonize excise taxation in beers and enhance equity in the tax system, excise duty on malt beer will be increased by KShs4 per litre to move them in line with stout. In addition, as a first step toward harmonizing beer taxes, excise duty on non malt beer will be increased from KShs.26 per litre to KShs.36 per litre.

15. To ensure equity and also to encourage low income Kenyans to take advantage of the NHC scheme, I propose to provide for relief of interest on tenant purchase provided by NHC up to a maximum of Kshs.150,000 per annum.

	KShs. Million
IMPORT DUTY	-2,471
EXCISE DUTY	2,204
VALUE ADDED TAX	- 200
TOTAL IMPACT	-467

FINANCIAL STATEMENT

	<i>Original 2007/2008</i>	<i>Revised 2007/2008</i>	<i>Forecast 2008/2009</i>
	<i>Kshs.M</i>	<i>Kshs.M</i>	<i>Kshs.M</i>
RECEIPTS			
Recurrent			
(i) Ordinary Revenue	389,205.00	402,654.00	467,893.00
(ii) Appropriations-in-Aid (including LATF)	38,155.00	42,070.00	39,715.91
Kshs	427,360.00	444,724.00	507,608.91
Development Receipts			
(i) Project Loans	17,286.00	16,692.00	16,546.07
(ii) Project Grants	15,240.00	15,912.00	16,763.97
(iii) Appropriations-in-Aid			
No-Cash Receipts:			
Grants	21,241.00	17,241.00	17,028.34
Loan	27,946.00	23,380.00	30,898.08
Local (PDL)	3,025.00	4,029.00	4,661.81
Kshs	84,738.00	77,254.00	85,898.27
Total Receipts	512,098.00	521,978.00	593,507.18
PAYMENTS			
Recurrent			
(i) Supply Services	337,764.00	357,437.00	388,947.45
(ii) CFS - Public Debt	128,482.00	129,010.96	146,527.61
- Pensions	23,341.00	23,340.81	26,158.47
- Salaries Allowances and Miscellaneous	2,199.00	2,199.00	1,900.78
- Subscriptions to International Organisations	133.00	55.00	55.00
Total Payments-Recurent	491,919.00	512,042.77	563,589.31
Development			
(i) Supply Services	116,912.00	124,422.00	110,326.91
(i) Donor - Project Grant	15,240.00	15,912.00	16,763.97
- Project Loans	17,286.00	16,692.00	16,546.07
(iii) No-Cash			
- Apropriation-in-Aid - Grants	21,241.00	17,241.00	17,028.34
- Loan	27,946.00	23,380.00	30,898.08
- Local	3,025.00	4,029.00	4,661.81
Total Payments-Development	201,650.00	201,676.00	196,225.18
Total Payments-Recurent&Development	693,569.00	713,718.77	759,814.49
Deficit (Financed as Shown Below)	(181,471.00)	(191,740.77)	(166,307.31)
FINANCING OF DEFICIT			
Treasurybill/bonds	33,959.00	20,900.00	54,500.00
Unspent Balances	0.00	0.00	1,794.60
Repayment of Arrears	(8,080.00)	0.00	0.00
Resheduling	0.00	0.00	456.00
Capital Receipts			
Safaricom	33,800.00	49,941.00	0.00
Telkom	5,600.00	24,302.00	0.00
Kengen	5,508.00	0.00	0.00
Kenya-Re	0.00	1,800.00	0.00
Others	0.00	0.00	8,000.00
Domestic Debt Rollover	58,801.00	59,258.77	67,956.71
Refinancing - Bank	1,062.00	1,062.00	0.00
Financing TKL Restructuring			
Pension & Bridging Finance	11,000.00	12,434.00	0.00
Tax liabilities	15,000.00	15,000.00	0.00
Financing TKL Restructuring			
Financing KBC tax liabilities	515.00	515.00	0.00
Other Receipts			
Commercial Borrowing	20,400.00	0.00	33,600.00
Securitization of Pending Bills	100.00	(100.00)	0.00
Programme Finance	3,806.00	5,089.00	0.00
Increase in Revenue	0.00	0.00	0.00
Cash Adjustment	0.00	1,539.00	0.00
Total	181,471.00	191,740.77	166,307.31