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F I N A N C I A L S T A T E M E N T

1981/82

FINANCIAL STATEMENT 1981/82

PART I

ESTIMATED BUDGET OUT-TURN 1980/81

A. RECURRENT ACCOUNT

	<u>K£m</u>	<u>K£m</u>
1. Balance as at 30th June, 1980	-	-
2. Estimated Receipts 1980/81		
(i) Ordinary Revenue	642.65	
(ii) Appropriations-in-Aid*	<u>32.61</u>	675.26
3. *Estimated Issues 1980/81		
(i) Net Expenditure of Ministries	432.65	
(ii) Appropriations-in-Aid* (as above)	32.61	
(iii) Supplementaries	68.36	
(iv) Consolidated Fund Services	125.00	
(v) *Excess Votes 1977/78 and 1978/79	-	
(vi) Under Issues 1978/79	6.23	664.85
4. Transfer to Development Account	-	<u>+10.41</u>
5. Balance as at 30th June, 1981		Nil

<u>B. DEVELOPMENT ACCOUNT</u>	<u>K£M</u>	<u>K£M</u>	<u>K£M</u>
1. Balance as at 30th June, 1980			-72.43
2. Estimated Receipts 1980/81			
(a) External Grants and Loans			
(i) Cash grants	21.00		
(ii) Cash Loans	34.00	55.00	
(iii) <u>Purchases Under Aid</u>			
a) Grants*	8.02		
b) Concessionary*	50.95	58.97	
(iv) <u>Miscellaneous (Counterpart Funds)</u>			
IBRD Programme Loan/			
Misc. Revenue	27.72		
Eurodollar Loan	36.76	64.48	
(b) <u>Local Sources</u>			
(i) Long Term stock issues	51.50		
(ii) Transfer from Recurrent	10.41		
(iii) Misc. Revenue*	<u>0.99</u>	<u>62.90</u>	241.35
3. Estimated Issues 1980/81			
(i) Estimated Net Expenditure	197.00		
(ii) Appropriation-in-Aid*	59.96		
(iii) Under Issues 1978/79	14.58		
(iv) Supplementaries	15.00		<u>286.54</u>
4. Balance as at 30th June, 1981			- <u>117.62</u>

* Appropriations-in-Aid do not, in fact, pass through the Exchequer Account. They are included here as contra items to indicate gross revenue and expenditure.

C. SURPLUS/DEFICIT 1980/81

K£M

(i)	<u>Recurrent Account</u>	
	Recurrent Revenue	675.26
	Recurrent Expenditure	<u>664.85</u>
	Recurrent Surplus	+ 10.41
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(ii)	<u>Development Account</u>	
	Development Revenue*	230.94
	Development Expenditure	<u>-286.54</u>
	Development Deficit	<u>55.60</u>
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	*Excluding transfer of Recurrent Surplus	
(iii)	<u>Overall Deficit</u>	
	Recurrent Surplus	+ 10.41
	Development Deficit	<u>- 55.60</u>
	Overall Deficit	<u><u>- 45.19</u></u>

D. CHANGES IN SHORT-TERM FUNDS

Increase in Treasury Bills Issue	+ 50.54
Cereals & Sugar Finance Corporation Deposits	- 13.36
Tax Reserve Certificates	- 0.54
Change in Exchequer Cash (Increase=(-))	+ <u>3.11</u>
Finance for Deficit	<u>45.19</u>
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E. OUTSTANDING SHORT-TERM BORROWINGS

It is estimated that the balance of short-term funds as at 30th June, 1981, will be:-

(i)	Treasury Bills	120.00
(ii)	Tax Reserve Certificates	+ 1.90
(iii)	Cereals & Sugar Finance Corporation	+ <u>1.00</u>
	Total	<u><u>122.90</u></u>

F. OVERALL EXCHEQUER SUMMARY

It is estimated that the overall Exchequer balance as at 30th June, 1981, will be:-

	<u>K£ million</u>
Recurrent Exchequer	-
Development Exchequer	- 117.62
Treasury Bills	+ 120.00
Tax Reserve Certificate	+ 1.90
Cereals & Sugar Finance Corporation	+ 1.00
Exchequer Cash Balance	<u>+ 5.28</u>

This cash balance can be compared with the estimated cash balance as at 30th June, 1980, of K£12.59 million.

PART II

T A X A T I O N P R O P O S A L S

This part of the Financial Statement summarizes tax proposals set out in the Finance Bill, 1981.

A. CUSTOMS TARIFF

The following changes will be made in the Customs Tariff with effect from 17th June, 1981 (N.B. not all individual items affected are specified here and reference should be made to the Finance Bill for the details) -

- (a) duty on imported meat, edible vegetables and products of animal origin will be raised from (20 - 25) per cent;
- (b) duty on imported coffee, tea and other spices will be raised from (20 - 30) per cent to (30 - 40) per cent;
- (c) duty on imported cigarettes, cigars and cigarillos will be raised by 30 per cent;
- (d) duty on oil seeds and miscellaneous cereals will be raised from 20 per cent to 30 per cent;
- (e) duty on gums, resins and vegetable saps will be raised from 20 per cent to 30 per cent;
- (f) duty on fats and oils will be raised from 20 per cent to 30 per cent;
- (g) duty on mineral products will be raised from 20 per cent to 30 per cent;
- (h) duty on organic and inorganic chemicals will be raised from 20 per cent to 30 per cent;
- (i) duty on imported soap, washing preparations and shampoo will be raised from 50 per cent to 70 per cent;

- (j) duty on artificial resins and plastic materials will be raised from (20 - 30) per cent to (30 - 40) per cent;
- (k) duty on rubber and rubber products will be raised from 20 per cent to 30 per cent;
- (l) duty on imported hides, skins and leather will be raised from (20 - $30\frac{1}{3}$) per cent to (30 - 40) per cent.
- (m) duty on wood and wooden articles will be raised from 30 per cent to 40 per cent;
- (n) duty on waste paper and paperboard will be reduced from 50 per cent to 20 per cent;
- (o) duty on silk, silk yarn and some artificial fibres will be raised from (10 - 20) per cent to (20 - 40) per cent;
- (p) duty on glass and glassware will be raised from (20 - $33\frac{1}{3}$) to (30 - 40) per cent;
- (q) duty on iron, steel and articles thereof will be raised from (10 - 30) per cent to (20 - 50) per cent;
- (r) duty on copper, nickel, aluminium, tools and cutlery will be raised from (10 - 30) per cent to (20 - 40) per cent;
- (s) duty on boilers, mechanical appliances, electrical machinery and equipment will be raised from (10 -30) per cent to (20 - 40) per cent;

Considered together, the proposed changes in Customs Tariff will provide an additional Kf25 million revenue.

B. SALES TAX

The following changes will be made in sales tax with effect from 17th June, 1981 -

1. (a) Rate of tax on beer will be raised by 10 cents per litre.
- (b) Rate of tax on cider will be raised by 50 cents per litre.
- (c) Rate of tax on petrol and petroleum products will be raised by 20 cents per litre.
- (d) Cinematographic films and gramophone records will be made taxable at specific rates.
- (e) Rate of tax on spa waters, cameras, television and radio recorders and receivers will be increased from 25 per cent to 40 per cent.

2. Raw materials and capital goods will be exempted from tax.

Taken together these changes will provide the Exchequer with an additional K£7 million in revenue.

C. EXCISE TARIFF

1. The excise rates on cigarettes and tobacco will not change but the price levels at which they apply will be raised by 19 per cent. This will affect the retail price of some popular brands of cigarettes as follows:

<u>Brand</u>	<u>Present Price</u> <u>Sh.</u>	<u>New Price</u> <u>Sh.</u>
Rex	9.00	10.00
Sportsman	4.80	5.50
Embassy	6.50	7.00
Nyota	3.00	3.50

2. The rate of excise duty on spirits will be raised from Sh. 45/= per proof litre to Sh.47/50 per proof litre.

The above measures will bring an additional K£1 million in revenue.

D. INCOME TAX

1. Individual tax will be reduced by widening the brackets by K£300 with effect from 1st January, 1982.
2. Personal Reliefs will be raised as follows:-

Married	-	from Sh. 1,680	to	Sh. 1,800
Single person	-	" Sh. 600	to	Sh. 720
Special Single	-	" Sh. 720	to	Sh. 840
3. The maximum insurance premium allowance will be raised from Sh.4,800/= to Sh.7,200/=.
4. The maximum capital cost allowable on private motor vehicles employed in business will be raised from Sh.30,000/= to Sh.75,000/= effective 1st January, 1981.
5. Tax on individual capital gains will be reduced to a maximum of 17½ per cent on the gains.
6. Tax on capital gains accruing to companies will be reduced to a rate of 22½ per cent of the gains.
7. Interest earned on Housing Bonds will be exempted from tax subject to a maximum capital savings of K£25,000.

Taken together, these measures will cost the Exchequer some K£13 million.

OVERALL INCREASE IN TAXATION

The overall effect on revenue in 1981/82 of the measures announced in the budget is as follows:

	<u>K£ '000</u>
A. Import Duty	+ 25,000
B. Sales Tax	+ 7,000
C. Excise Duty	+ 1,000
D. Income Tax	- 13,000
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	+ 20,000
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P A R T I I I

FORECAST BUDGET OUT-TURN 1981/82

It is forecast that the out-turn of the Exchequer for the year 1981/82 will be as follows:-

	<u>K£M</u>	<u>K£M</u>
<u>A. RECURRENT ACCOUNT</u>		
1. Balance as at 30th June, 1981	-	-
2. Estimated Receipts 1981/82		
(i) Ordinary Revenue	729.00	
(ii) Appropriation-in-Aid*	<u>35.57</u>	764.57
3. Estimated Issues 1981/82		
(i) Net Expenditure	510.21	
(ii) Appropriation-in-Aid*	35.57	
(iii) Consolidated Fund Services	156.55	
(iv) Excess Votes 1977/78 & 78/79	12.90	
(v) Excess Votes 1979/80	32.14	
(vi) Under Issues 1979/80	<u>12.73</u>	760.10
4. Transfer to Development Account	-	<u>+ 4.47</u>
£. Balance as at 30th June, 1981		<u>N I L</u>

<u>B. DEVELOPMENT ACCOUNT</u>	<u>K£M</u>	<u>K£M</u>	<u>K£M</u>
1. Balance as at 30th June 1981			- 117.62
2. Estimated Receipts 1981/82			
a) <u>External Grants and Loans</u>			
(i) Cash grants	22.62		
(ii) Cash Loans	<u>46.36</u>	68.98	
(iii) <u>Purchase Under Aid</u>			
a) Grants*	9.06		
b) Concessionary*	<u>18.33</u>	27.39	
(iv) <u>Miscellaneous</u>			
Misc. Donors	70.50		
Eurodollar Loan	-	70.50	
b) <u>Local Sources</u>			
(i) Long term stock issues	50.00		
(ii) Transfer from Recurrent Account	+ 4.47		
(iii) Misc. Revenues	<u>0.94</u>	<u>55.41</u>	222.28
3. Estimated Issues 1981/82			
(i) Estimated Net Expenditure	253.52		
(ii) Appropriation-in-Aid*	28.33		
(iii) Excess Vote 1979/80	11.36		
(iv) Under Issues 1979/80	<u>24.18</u>		317.39
4. Balance as at 30th June 1982			- <u>212.73</u>

*Appropriations-in-Aid do not, in fact, pass through the Exchequer Account. They are included here as contra items to indicate gross revenue and expenditure.

C. SURPLUS/DEFICIT 1981/82

K£m

(i) Recurrent Account

Recurrent Revenue	+764.57
Recurrent Expenditure	<u>-760.10</u>
Recurrent Surplus	<u>+ 4.47</u>

(ii) Development Account

Development Revenue*	+217.81
Development Expenditure	<u>-317.39</u>
Development Deficit	<u>- 99.58</u>

*Excluding transfer of Recurrent Surplus

(iii) Overall Deficit

Recurrent Surplus	+ 4.47
Development Deficit	<u>- 99.58</u>
Overall Deficit	<u>- 95.11</u>

D. FINANCING OF DEFICIT AND CHANGES IN SHORT-TERM FUNDS

Increase in Treasury Bill Issue	+ 93.31
Cereals and Sugar Finance Corporation Deposits	-
Tax Reserve Certificate	-
Change in Exchequer Cash (increase =(-))	<u>+ 1.80</u>
Finance for Deficit	<u>- 95.11</u>

E. OUTSTANDING SHORT-TERM BORROWING

It is estimated that the balance of short-term funds as at 30th June, 1982, will be:-

Treasury Bills	213.31
Tax Reserve Certificates	1.00
Cereals and Sugar Finance Corporation	<u>1.90</u>

T o t a l 216.21

F. OVERALL EXCHEQUER SUMMARY AS AT 30TH JUNE, 1982

It is forecast that the overall Exchequer balance as at 30th June, 1982, will be:-

	<u>K£m</u>
Recurrent Exchequer	Nil
Development Exchequer	-212.73
Treasury Bills & other Govt. securities	+213.31
Tax Reserve Certificate	+ 1.00
Cereals & Sugar Finance Corporation	<u>+ 1.90</u>
Exchequer Cash Balance	<u>+ 3.48</u>

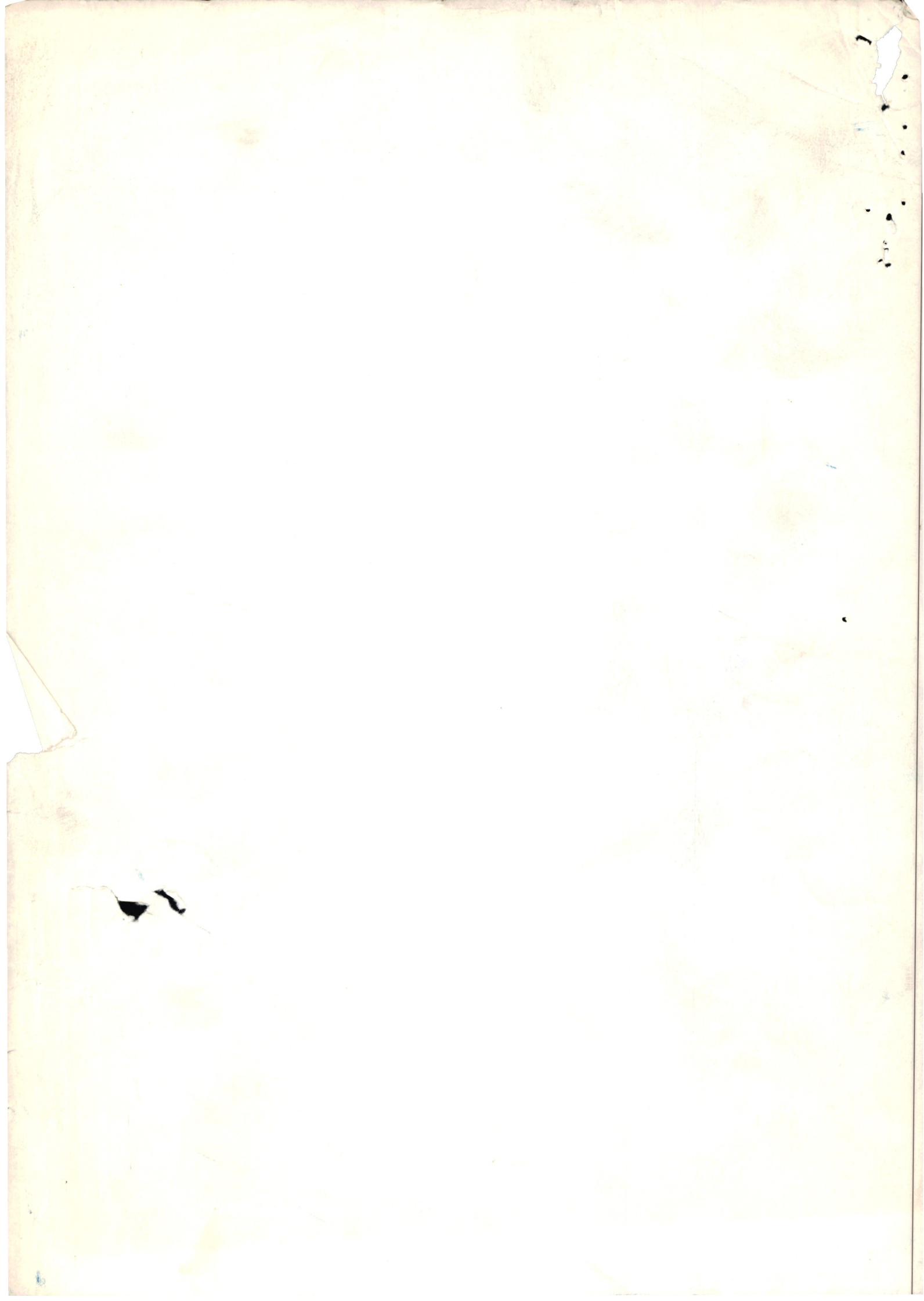
This cash balance can be compared with the estimated cash balance as at 30th June, 1981, of K£5.28 million.

PART IV

FINANCING OF ACTUAL EXPENDITURE

The financing of the Budget, outlined in Part I and Part III, relates to the cash deficit in the Exchequer Account. An alternative way of considering the Government deficit is to compare the resources taken out of the economy by taxes, etc., in the year, with the resources put into the economy through Government expenditure but ignoring cash transactions between different Government accounts and showing borrowings net of repayments. Considered this way, the deficit in 1980/81 and 1981/82 can be compared as follows:-

	<u>K£ million</u>		<u>% Change</u>
	<u>1980/81</u>	<u>1981/82</u>	
Current Expenditure	610.9	635.6	+ 4.0
Development Expenditure	<u>272.0</u>	<u>281.9</u>	+ 3.6
Total Expenditure	882.9	917.5	+ 3.9
Current Revenue	676.3	765.5	+13.2
Foreign Grants	<u>29.0</u>	<u>31.7</u>	+ 0.9
Deficit to Finance	177.6	120.3	32.3
Financed by:-			
1. Non-Banks			
External Concessionary Loans (Net)	108.9	129.1	+18.5
External Commercial Borrowing (Net)	3.6	- 50.6	-1305
Domestic Borrowing (Non-Banks) (Net)	<u>40.1</u>	<u>39.1</u>	- 0.03
Total Non-Bank Borrowing(Net)	152.6	117.6	-22.9
2. Domestic Banking System			
Long term securities	-	-	
C.S.F.C. Deposits	- 13.3	-	
Treasury Bills	+ 50.5	+93.3	
Cash Balance (-)(increases)	<u>- 12.2</u>	<u>-90.6</u>	
Total Bank Borrowing (Net)	<u>+ 25.0</u>	<u>+ 2.7</u>	



To sustain the momentum of growth under these circumstances will require extra efforts and sacrifices by all. And to make the burden of leadership in these circumstances lighter will require our total loyalty to H.E. the President. I'm sure Hon. Members will join me in once again reaffirming our unswerving loyalty to the President in the true spirit of our Nyayo Philosophy of Peace, Love and Unity.

Mr. Speaker, I beg to move.

