



The Institute of Certified Public Accountants of Kenya

FISCAL BUDGET SUBMISSIONS

FOR THE FINANCIAL YEAR 2021-2022

MARCH 2021

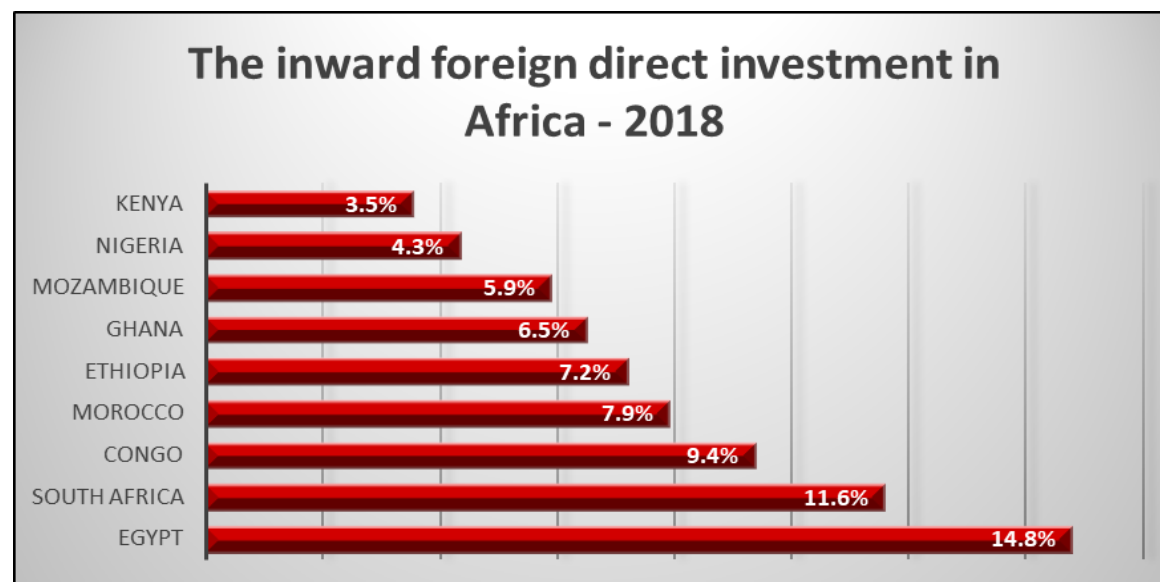
INTRODUCTION

1. Need for National Tax Policy for Kenya

Kenya and other governments around the world are constantly faced with fiscal policy challenges as they seek to deliver public services. They may have urgent issues to address, such as meeting budget deficits, increasing voluntary compliance, broadening the tax base, or more long-term and strategic goals, such as addressing trends in the digital economy.

A country's tax policy may negatively or positively influence investment into the country. A good tax policy should offer a tax system that is attractive to investment, while at the same time raising revenues to support the key pillars of a business-enabling environment such as provision of security, infrastructure etc. Lack of a tax policy or a poorly designed tax system where the rules and their application are non-transparent, overly complex or unpredictable, may discourage investment adding to project costs and uncertainty.

According to the United Nations Conference on Trade and Development (UNCTAD), 2019 report, the foreign direct investment (FDI) inflows into Africa in 2018 was US\$46 billion, out of which Kenya's share was US\$1.6bn. Kenya ranked 9th among the African countries as shown in the graph below.



Source: UNCTAD, 2019

From the graph above, Kenya should ensure that the current tax policies attract more FDI into the country. The Kenyan tax system should impose an acceptable tax burden that can be accurately determined, and which keeps tax compliance and tax administration costs in check. In addition, the national tax policy should support the economic blueprint for the country, in our case, Vision 2030.

Over the last few years, the reform of Kenya's Tax system has involved policy, legal and administrative reforms aimed at modernizing taxation and simplifying tax administration in Kenya. Recent efforts to modernize the tax regime have yielded a new Value Added Tax Act 2013, Tax Procedures Act 2015, Excise Duty Act 2015 and Tax Appeals Tribunal Act 2015. In January 2017, the National Treasury embarked on the process of the overhaul of the Income Tax Act (CAP 470), a process which is still ongoing.

ICPAK recognizes that any legislation, including subsidiary legislation, should trace its foundation on an agreed policy framework. As such, the Institute recommends that the National Treasury together with various stakeholders develops an overarching national tax policy. In addition, the National Treasury should also consider developing policies relating to various tax heads such as Income Tax, Value Added Tax, Excise Duty and Administrative policies to cover the Tax Procedures Act and the Tax Appeals Tribunal Act.

The need for a policy framework is driven by a myriad of needs, some of which are as follows:

i) Economic diversification

The development of Kenya's tax regime was based on agricultural and manufacturing sectors as the key sectors driving the economic agenda. This has since changed as there are many emerging sectors in modern Kenya. There is therefore a need to develop a framework that is responsive to emerging sectors to enable taxation of all sectors that were previously excluded.

ii) Harmonization with accounting standards

Kenya adopted IFRS then referred to as International Accounting Standards in 1999 providing a set of rules to abide by when preparing financial statements that ensure standardization across the market. The income tax legislation was however designed prior to adoption of IFRS.

Basic accounting principles e.g. revenue recognition have not been incorporated in the tax legislation. The design of income tax regime should therefore facilitate harmonization of various taxation aspects with accounting standards. For instance, the South Africa income tax law has incorporated provisions of IFRS 9 on financial instruments on deductibility of bad debts.

iii) Tax Incentives

Tax incentives provide favorable tax treatment of specific activities and are intended to encourage investments in specified sectors. The tax policy will provide an objective criterion to determine eligibility for incentives and minimize potential abuse. The tax policy framework should provide relief across the value chain, motivate investment and align to the economic agenda.

iv) Expansion of the tax base

Kenya has continued to rely on as small pool of taxpayers. According to KRA's 2018/19 performance report, Kenya has about 8 million registered taxpayers. Out of the registered taxpayers, only 3.8 Million filed returns in the above -mentioned period. This included corporate entities. This implies that out of a population of about 47 million people, about 8% of the population is contributing to income tax.

To expand the tax base, we propose that the national tax policy prescribes a single personal identifier from birth to death. This will ensure that all personal transactions are tracked, and tax paid on the same.

v) Predictable tax environment

Frequency of tax amendments have made it difficult to predict the Government's taxation policy thus disrupting businesses. There is need for the national tax policy to guide tax law changes and amendments. For instance, in the United Kingdom and Rwanda, tax changes occur every 3 years.

vi) Harmonization with the Constitution and Existing Legislation

Kenya is operating under the 2010 constitutional dispensation. This implies that several statutes have been enacted to modernize the regulatory environment for businesses. Additionally, the various reforms instituted to modernize tax administration in Kenya, has resulted in the drafting of new laws such as; the Tax Procedures Act 2015 and the Tax Appeals Tribunal Act, 2015 to support the implementation of the program. This has resulted in various inconsistencies between these acts and the Income Tax Act.

The introduction of the new Companies Act 2015 has further introduced provisions that would otherwise conflict with the current income tax provisions. The design of the income tax regime should facilitate alignment with the Constitution of Kenya, existing revenue statutes and the Companies Act 2015, to address the duplication and inconsistencies that will derail the effective implementation. It should further facilitate meaningful consultation through public participation at all stages of the development of legislation and subsidiary legislation.

The issue of the tax policy has been picked up by the Building Bridges Initiative (BBI) Taskforce. In its report, it is indicated that during validation, Kenyans called for a tax policy that looks at taxation as an incentive to production and consumption rather than the disincentive it is presently. They believe that they are over-taxed and at times taxed twice because of poor coordination between the two levels of Government. In addition, many Kenyans feel that the burden of paying taxes is not shared fairly, since many eligible taxpayers are not paying their taxes. For this reason, they concurred with the following BBI Taskforce recommendations: broadening the tax base; and ensuring that tax revenues are directed towards development outcomes that benefit taxpayers; simplifying taxation and avoiding over-taxation; reducing the number of permits.

2. Introduction of Minimum Tax in Kenya

The Finance Act 2020 introduced minimum tax payable at the rate of 1% of gross turnover effective 1 January 2021. Minimum tax is intended for taxpayers who are carrying out business in Kenya but their corporate tax payable is lower than 1% of their gross turnover. However, the Institute notes the following:

- i) ***Kenya's minimum tax regime substantially differs with the minimum tax regime proposed by the OECD, the UN and ATAF*** – While the minimum tax regime being advanced by international organisations targets non-residents with an aim of taxing MNEs income in countries where the income is generated, Kenya's minimum tax targets resident entities with an aim of increasing the tax revenues.
- ii) ***Taxes based on turnover have been tried, tested and they failed*** – The US abolished its minimum tax regime in 2017, Ivory Coast has currently suspended implementation of minimum tax while Nigeria is constantly reviewing its minimum tax framework quite often thereby underscoring the need for Kenya's government to critically think of the proposed minimum tax. Further, the transition from turnover based taxes to net income-based taxes in the twentieth century is a clear indication that turnover based taxes do not yield the desired income in the long run.
- iii) ***Kenya's minimum tax rate is higher compared to the other countries*** – Other comparable jurisdictions such as Nigeria, Tanzania and Ivory Coast all have minimum tax rates which are less than or equal to 0.5%.
- iv) ***Kenya does not have minimum tax holidays*** – While jurisdictions such as Tanzania and Nigeria exempt new businesses and provide a different minimum tax rate for different sectors, Kenya's minimum tax regime does not provide for this.
- v) ***Kenya's minimum tax is a final tax and is not available for utilization against future corporate tax liabilities*** – As a final tax, minimum tax disadvantages loss making companies since it increases the cost of doing business. It thus creates an opportunity for minimum tax to become a consumption tax borne by companies whereby companies operating as monopolies will pass on the additional cost to consumers. Whereas, for companies operating in a perfect competition market, the cost may be absorbed resulting in exit of financial strained companies.
- vi) ***Kenya's minimum tax exemptions are not comprehensive*** – While the government has provided for exemptions from minimum tax for incomes stipulated in the earlier sections of this paper, these exemptions are not comprehensive. Capital intensive companies such as those in the power sector are not exempted. Further, low margins volume-based entities such as those in the e-commerce sector are equally within the ambit of minimum tax notwithstanding that their profit margins are meagre – taxing their turnover may have negative ramifications including clouding out the e-commerce sector.

Detailed paper outlining the impact of the proposed minimum tax and Institute proposals is herein attached.

PROPOSALS ON THE BUDGET FY 2021/2022

#	SECTION	ISSUE OF CONCERN	RECOMMENDATION	LIKELY IMPACT
A.	Income Tax			
1.	Definition of dividends Delete Section 7(1)(b)(v)	The definition includes an amount that reduces the taxable income or increases the loss of the company due to transactions with; a shareholder or a person related to the shareholder	We suggest that this definition should be deleted.	This is a very broad definition which will be open for abuse by the revenue authority. It goes against the canon of certainty and increases the cost of compliance for taxpayers.
2.	Introduction of Minimum Tax	<p>Businesses have largely been affected by covid-19 which has forced them to lay off most of their employees due to cashflow issues. Introduction of minimum tax at the time when businesses are struggling and hoping for a quick economic recovery appear ill-timed.</p> <p>Considering that the GoK instituted measures to cushion taxpayers from the effect of covid-19, introducing minimum tax at this time of uncertainty is counteractive.</p> <p>Detailed paper outlining the areas of concern and impact to the various has been separately provided herewith</p>	<p>Taxes based on turnover are retrogressive and have adverse effects on the economy.</p> <p>EBIT is an appropriate base since it allows a company to pay tax based on its income as opposed to turnover and it is therefore in line with the equity canon of taxation.</p> <p>Defer the introduction of minimum tax from 2021 to 2023 to give businesses and the economy at large an opportunity to recover from the negative effects of the Covid 19 pandemic.</p>	The proposed tax will negatively affect sustained business operations and significantly hamper cashflow and this will push struggling entities to premature closure leading to loss of jobs and taking the economy into a downward spiral of contraction. The business closures will affect all economic sectors including the manufacturing sector and at a critical time for the economy trying to recover from the impacts of COVID19.
3.	Negotiated tax rate Amend paragraph 2(k) of the Third Schedule	Entities that enter into a special operating framework with government will be taxed at the rate specified in the agreement.	We suggest that the rate agreed should be subject to the approval of the National Assembly	This will ensure that this noble provision is not open to abuse.

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4.	Taxation of Pension withdrawals	<ul style="list-style-type: none"> • Removal of exemption of payment of lumpsum to senior Citizens over the age of 65 year • Only pension withdrawals are tax free for Senior citizens 	<ul style="list-style-type: none"> • Removal of exemption of payment of lumpsum to senior Citizens over the age of 65 year • Only pension withdrawals are tax free for Senior citizens 	<ul style="list-style-type: none"> • To encourage savings to later years. • The law is currently discriminatory • To support fund values of the schemes. • Provide source of livelihood and medical care at a more senior age
B.	V.A.T			
5.	Section 17 of the VAT Act	<ul style="list-style-type: none"> • The provision requires that VAT is only claimable by a purchaser as input if the supplier has declared it in the VAT Return • Taking into account the number of transactions a business may have in a month may be significant, it is difficult for a tax payer to comply with this provision of the law. • The provision does not state the impact of time baring of invoices occasioned by the delay in the supplier declaring the sales in their returns. • Output VAT is payable at the earlier of invoice date and payment. Prohibiting a taxpayer the opportunity to claim input VAT upon receipt of a valid tax invoice has an impact on its cashflows which is critical now as businesses navigate the challenges that COVID 19 continues to present. • KRA already has other systems to enforce VAT collection. Passing this obligation to the tax payer is punitive. 	<p>Delete Section 17(2) and replace with the old wording of the section. the old wording:</p> <p>“If at the time when a deduction for input tax would otherwise be allowable under subsection (1), the person does not hold the documentation referred to in subsection (3), the deduction for input tax shall not be allowed until the first tax period in which the person holds such documentation.</p> <p>Provided that the input tax shall be allowable for a deduction within six months after the end of the tax period in which the supply or importation occurred.”</p>	<ul style="list-style-type: none"> • With the implementation of the Electronic Tax Invoice Regulations, missing trader fraud will no longer be possible. • In addition, KRA will be able to police declaration of output VAT on 21st of every month based on data remitted to KRA by the new ETRs/ESDs • Ensure cash is injected to business/ support business growth. If businesses remain afloat, more investment and revenue will accrue to government

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		<ul style="list-style-type: none"> Pending bills and VAT refunds take longer to be settled OECD paper to be used as support 		
6.	Withholding Value Added Tax (VAT) Refund Claims	<p>There are many challenges being faced in case of withholding VAT refund claims. The lodging of claim itself is difficult as i-tax is not geared up properly for filing claims due to the number of certificates involved. Even KRA team is unable to work on the claims filed due to number of certificates involved.</p> <p>This is resulting in delay in filing and processing of claims and affects manufactures access to capital and cash flows that they can maximize to spur economic growth.</p>	<ul style="list-style-type: none"> The i-tax system should be improved to support filing and processing of withholding VAT claims. Withholding VAT has already been paid by the customers to KRA and the taxpayers already has certificates issued by KRA to support these claims; hence there is no need for an audit/review to pay these claims. These claims should not be linked to other tax issues. This will speed up the claim payments and provide cash support to the manufacturers. We also propose to grant exemption from deduction of Withholding VAT to taxpayers engaged in export and they are already in VAT receivable position. 	This increases cost of doing business as funds blocked under these claims are being borrowed from bank at 12% and thus make as uncompetitive in the export market.
7.	Credit Adjustment Vouchers	KRA had issued regulation 8 in 2017 wherein a wrong formula was introduced for calculation of VAT refund amount. The formula was corrected in 2019. Due to this impugned formula, the amount of refund claims settled under regulation 8 were not settled in full in cash but credit adjustment vouchers were issued which were meant to be used for offsetting against future VAT liability.	KRA should pay for the amount of credit vouchers issued under regulation 8 in cash to bring down the VAT receivable position of exporters and help them reduce funds blocked in VAT receivable.	This has resulted in an increase in VAT receivable position for exporters as they are always in receivable position.

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		This has resulted in an increase in VAT receivable position for exporters as they are always in receivable position.		
8.	Insert New Section a. To include in zero rating schedule the transfer of business from one registered person to another as a going concern b. To include exempt VAT status on transfer of assets in a group restructuring or reorganization	<p>Prior to introduction of VAT on transfer of business as going concern on 25 April 2020 vide the Tax Laws (Amendment) Act, 2020 which introduced VAT at the standard rate of 14% on TOGC, the VAT Act exempted these transfers from VAT. Prior to 1 July 2018, the transfer of a business as a going concern was zero-rated.</p> <p>Further, transfer of asset within the group either due to restructuring or reorganization attract VAT at a standard rate yet normally the transfers are done for strategic reasons and not benefit a third party.</p> <p><u>Treatment on other developed jurisdictions</u></p> <p>In other jurisdictions (highlighted below) give exemption or zero-rating status on transfer of business given that the aim or reorganization is not to add value to the third party.</p> <p>a. The UK – which has both an elective group VAT regime, where intra-group supplies are exempted from VAT, as well as a specific exemption from VAT of transfer of business as a going concern;</p> <p>b. South Africa – which zero rates for VAT</p>	<p>Consider amendments:</p> <p>a. To include in zero rating schedule the transfer of business from one registered person to another as a going concern</p> <p>b. To include exempt VAT status on transfer of assets in a group restructuring or reorganization</p>	<p>Economic Rationale</p> <ul style="list-style-type: none"> Recent economic reports rank Kenya highly against its African peers. Kenya is currently ranked the 3rd largest economy in Africa and one of the most attractive investment destinations in Africa. By the 2019 World Bank Ease of Doing Business, Kenya improved five positions to 59 globally compared to the previous year on attractiveness to investors. The survey is based on among other factors; starting a business in a country, registering property, dealing with construction permits, getting electricity, getting credit, paying taxes and protecting minority investors. Investments are cash intensive and more often require investors to borrow to finance the purchase of the business. Most jurisdictions apply the economic and fiscal principle of removing VAT on investment in order to ease cost on investment and make

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		<p>transfer of business as a going concern;</p> <p>c. Uganda – which exempts from VAT transfer of business as a going concern; and</p> <p>d. Tanzania – which exempts from VAT transfer of business as a going concern.</p>		<p>businesses mobile for investment. The imposition of VAT in Kenya directly negates this principle and, in the process, risks reversing the strides made in raising Kenya's position as an investment destination. This is especially so for insurance companies since they provide exempt supplies and input VAT on business transfer would not be deductible but increases cost.</p> <ul style="list-style-type: none"> Based on the above, we consider the above-mentioned proposals which will reduce cost of investment, restart the stalled deals and reverse the feasible disincentive to investment into Kenyan businesses.
C.	Excise Duty			
9.	Inflation adjustment	<ul style="list-style-type: none"> Section 10 of the Excise Tax Act 2015 empowers the Commissioner to adjust the specific rate of excise duty annually to take into account inflation in accordance with the formula specified in Part II of the First Schedule of the Act- A yearly inflation adjustment impacts on businesses capacity for production and reinvestment with the effect of affecting the entire value chain. 	An amendment to section 10 of the Excise Act to empower the Commissioner to adjust the specific excise duty rate for inflation every three years.	A three-year adjustment accords business the opportunity to stabilize therefore creating an environment for businesses to thrive and drive profitability. This will result to an increase in Corporate taxes, VAT, PAYE and excise tax as well.

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		<ul style="list-style-type: none"> Business are not able to take price every year to factor in, inflation. Therefore, the specific tax rates for inflation on a yearly basis has adverse effects on the business. 		
10.	Cost of EGMS Implementation	<p>Cost of EGMS</p> <p>EGMS was implemented in order to drive compliance and resolve the issue of counterfeits and illicit trade.</p> <p>The capital expenditure incurred to assist government in driving compliance is significant and this has impact on the businesses cashflows.</p>	<ul style="list-style-type: none"> The treatment of the capital expenditure for the implementation of the excise stamp regime as an allowable expense for tax purposes. This treatment was accorded when ETRs were introduced to enforce VAT compliance. 	This will ensure that businesses get a reprieve in assisting government in enforcing tax compliance.
11.	<p>Excise duty on Imported Glass 25%</p> <p>25% on imported glass bottles excluding glass bottles used for packaging pharmaceutical products.</p>	<p>Local glass manufacturers are not able to meet current demand for glass and therefore industry glass users are compelled to import glass bottles to bridge the deficit between demand and supply.</p> <p>The local glass manufacturers do not produce the full range of products and this compels glass users to import glass.</p> <p>Local manufacturers of glass are also limited from a technology perspective and are unable to offer a wide range of products</p>	Removal of the excise tax payable on imported glass until such a time as local glass manufacturers are able to build capacity and meet client demands on quantity, quality and variety.	Applying excise duty in imported bottles is punitive on tax payers as they are compelled to import because the current supply of glass is not sufficient to meet the market demands.
12.	Section 14 of the Excise Act	Section 14 of the Excise Act provides that where duty has been paid in respect to excisable goods imported into or manufactured in Kenya by a licensed manufacturer and which have been used as raw materials in the manufacture of other	Amending section 14 of the Excise Act to accord taxpayers a relief on excise tax paid on packaging material. This is in line with the maxims of taxation.	In order to ensure tax equity, manufacturers who import packaging material should be accorded the opportunity to offset against excise tax payable. This treatment is accorded for VAT

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		excisable goods, the excise duty paid on the raw materials shall be offset against the excise duty payable on the finished goods With the introduction of excise on imported glass bottles, excise tax on packaging material becomes a cost on the business.		purposes as well.
D.	Customs			
13.	Customs – amend Part 14 of the EACCMA to include SEZs together with EPZs and free ports	<ul style="list-style-type: none"> • Customs – amend Part 14 of the EACCMA to include SEZs together with EPZs and free ports • Currently, SEZs are not provided for under EACCMA meaning that it is practically impossible to operationalize SEZs 	<p>a) In section 2(1) of EACCMA, include the following new definition: “special economic zone” means a designated part of a customs territory where any goods introduced are generally regarded, in so far as import duties and taxes are concerned, as being outside Customs territory but restricted by controlled access.</p> <p>b) Insert the words “special economic zone” immediately after the words “export processing zone” in the heading, text of sections 167 to 170 and margin notes in Part XIV of EACCMA.</p>	Currently, it is not possible to operationalize SEZs in Kenya for customs purposes as these are not provided for under EACCMA. By enlarging Part XIV of EACCMA to capture SEZs, the current licensed SEZs
E.	Tax Procedures			

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14.	<p>Insert new Clause section to the TPA</p> <p>The commissioner should issue an audit certificate after completing an audit and that the taxpayer cannot be re-audited for the same period except for cases of tax evasion</p>	<p>The KRA is subjecting taxpayers to numerous overlapping tax audits, compliance checks and investigations</p> <p>Findings are characterized by a disclaimer that KRA reserve the right to audit further in the event of obtaining additional information.</p> <p>That way taxpayers are open to endless audits thus exposing them to unfair administrative action.</p>	<p>Commissioner's powers to carry tax audit is abstained from Section 58-61 of the TPA of 2015</p> <p>We recommend that audit should have a formal closure backed by the law.</p> <p>This will entail barring the commissioner from re-auditing a period already covered.</p>	<p>This will create certainty in tax administration such that once an audit for a particular period has been concluded no further tax exposure is expected.</p> <p>This will further reduce administrative burden associated with overlapping audits to the taxpayer and also the KRA</p>
15.	<p>Reporting Currency</p> <p>Delete Section 23(3) of the TPA</p>	<p>Taxpayers are expected to have the unit of currency in books of account, records, paper registers, tax returns or tax invoice to be in Kenya Shillings.</p> <p>Many taxpayers especially subsidiaries and branches of nonresidents have their accounting systems in foreign currencies.</p> <p>In order to comply they need to translate the same to Kenya Shillings</p>	<p>Taxpayers to be allowed to report in major currencies</p>	<p>This provision will remove administrative burden associated with translating records to the Kenya Shillings.</p>
16.	<p>Issuance of Agency Notice</p> <p>Insert section a new Section 42 (14) The commissioner</p>	<p>Taxpayer are currently not issued with notice of impending agency notice. They only become aware of the action against them when its already in force.</p> <p>Article 47 of the constitution in this case is violated since taxpayers are not subjected</p>	<p>We recommend that the TPA be amended to the effect that the commissioner notifies the taxpayer 30 days of outstanding tax liability ahead of issuing an agency notice.</p>	<p>This change will allow taxpayers room to verify the alleged liability and also engage the commissioner on possibility of payment plan before it's too late.</p> <p>Erroneous debt enforcement will</p>

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	shall notify the taxpayer 30 days ahead of issuing Agency Notice of pending tax liability.	to a fair administrative Act		be minimized since parties will have adequate time to deliberate of the matter
17.	Interplay Between Criminal and Tax Non-Compliance Penalties Repeal Section 83A which imposes late payment penalties	Taxpayers are unfairly subjected to both penalties and interest for nonpayment.	Late payment interest is sufficient sanction for non-timely payment	Taxpayers are punished twice for failure to pay taxes timely. Failure to pay taxes in time is in most cases not deliberate but rather caused by cash flows constrains
18.	Prosecution of tax offences.	Most of the time failure to pay tax is not deliberate by most taxpayers and the possibility that one can be sent to prison for a non-deliberate action should be reviewed closely. Further, there is a possibility that a rogue government can use this clause as a political tool to settle political scores	Repeal all sections that provide for prosecution of a taxpayer for failure to pay taxes	This will ensure that a rogue government does not use this provision as a tool to settle political scores.
F.	Miscellaneous Fees and Levies			
19.	Cessation of Bonded Warehouse Facilities	The industry will lose competitiveness in the region which comes from the following advantages: • Bulk importation which allows for Volume	Stop the Current Cessation of Warehousing Notice and allow Approved Manufacturers to continue using Bonded Warehouse	• The specific building accessories are highly engineered and are not readily available in Kenya, at the

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		<p>discounts</p> <ul style="list-style-type: none"> • Staggered payment of duty where duty is paid only when goods are leaving the bonded warehouse, allowing for better cash flow management • Availability of products throughout the year • Avoids the current challenge of double duties when the same goods are re-exported to other EAC 	Facilities and Self-Regulate	<p>required specification and at a competitive price</p> <ul style="list-style-type: none"> • The specific building accessories are also required by the other businesses within EAC region and its more cost effective to import goods to a central location • The industry is capable of Self-Regulation. Some of the importers have been using Bonded Warehouse for other products like HRC hence they are aware of the regulations and have been compliant over the years • Their staff have been trained in managing Bonded Warehouses • Other importers have the Green Channel Status, this shows they have complied with KRA's strict terms and conditions for the status and would not want to jeopardize this status • Increased sales in the EAC region results in added advantages for the Kenyan economy, such as increased employment, higher revenues for the government, higher returns to shareholders.
20.	Preferential Treatment for Local Inputs	The current procurement system does not offer any benefits to locally manufactured goods such as steel roofing sheets and long	<ul style="list-style-type: none"> • The government should Introduce a mandatory requirement of 100% procurement of all locally 	This will enable local manufacturers utilize local inputs and subsequently promote the

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	Government Projects	steel products	<p>manufactured inputs.</p> <ul style="list-style-type: none"> The government introduce a system of continuous audit for all projects to ensure local content is adhered to. Where local inputs are insufficient and must be imported then Importation of project material should be subject to clearance by KAM-by a letter of no objection-stating that local manufacturers cannot supply such material, in the desired quality/specification and quantity. For all County and National Government projects/tenders, local manufacturers should be given a price preferential of minimum 10% as compared to foreign bidders KAM should be mandated to provide oversight to ensure compliance in bidding and contracting processes and report to Government for further action 	<p>Buy Kenya Build Kenya Policy.</p> <p>This will promote the Affordable Housing Agenda and the Manufacturing Agenda under the Government's Big 4 Agenda</p>
21.	Power Purchase Agreements	The Current Grid System does not schedule purchases according to the cheapest source, i.e. from lowest in-first out order. This forces consumers to pay for the most expensive source first, this is a significant hike on cost of power	The order system should be amended to start with the Lowest In-First Out.	The Lowest In-First Out Scheduling System will allow all Hydro and Green Energy to be utilized first, before the Gas, Thermal and Diesel can be used. The country has sufficient capacity to produce and distribute Hydro and Green Energy

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22.	Public Procurement Act	<p>The Act allows listing of Preferred Suppliers into the Government System. The required quality of specifications that the Preferred Suppliers must attain are benchmarked against international standards yet most local suppliers use the KEBS Standards.</p> <p>This technically disqualifies majority of the local suppliers</p>	<p>The Quality Specifications should be based on the prescribed KEBS Standards Or</p> <p>KEBS should be compelled to align its standards with the International Standards</p>	This will level the playing field for all the suppliers as they will be evaluated on the same set of quality specifications
23.	Training & skills upgrading	<p>The industry has investment heavily to ensure that interns and graduate trainees are trained using the latest technology and are given a stipend to cater for their subsistence expenses.</p> <p>This is an extra cost of doing businesses, which requires government support for it to be sustainable and for the skill levels in the country to improve at a faster rate.</p>	Government to reimburse cost of interns/ trainees engaged as well as provide for tax incentives	<p>This will encourage the industry to support the Skills Development Agenda of the Government</p> <p>The industry will increase the absorption of interns and trainees into their graduate programme</p>
G.	Other Proposals on Revenue Raising, revenue administration reforms as well as strengthening macro-economic stability in Kenya			
24.	Taxing rental income	Expanding the tax base by effectively taxing rental income.	<p>To succeed in doing this the taxing body should give more carrot before it can wield the stick! How?</p> <p>Allow property owners write off lost revenue due to COVID 19 over and above the allowable expenses.</p>	This will entice property owners to report taxes so that they can take advantage of write-offs. While the tax authority will appear to lose money, this is temporary.