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4/5/2021



REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION – 2021
DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING
.....

REPORT ON THE CONSIDERATION OF THE EXCISE DUTY (AMENDMENT) BILL
(NATIONAL ASSEMBLY BILL NO. 47 OF 2020)

CLERKS CHAMBERS
DIRECTORATE OF DEPARTMENTAL COMMITTEES
PARLIAMENT BUILDINGS
NAIROBI

MAY, 2021

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CHAIRPERSON'S FOREWORD

This report contains the Committee's proceedings on the consideration of the Excise Duty (Amendment) Bill (National Assembly Bill No. 47 of 2020) sponsored by Hon. Jude Njomo, M.P. The Bill was published on 20th November, 2020 and read a First Time on 25th February, 2021 and was thereafter committed to the Departmental Committee on Finance and National Planning pursuant to Standing Order 127.

Following placement of adverts in the print media on 3rd March, 2021 requesting for comments on the Bill from members of the public and relevant stakeholders pursuant to Article 118(1)(b) of the Constitution and Standing Order 127(3), the Committee received one memorandum from the Furniture Importers Group.

The Committee held meetings with the Furniture Importers Group on Wednesday, 15th April 2021 and with the National Treasury and Planning on Thursday, 16th April 2021 to deliberate on the Bill. Both stakeholders were opposed to the amendment proposed in the Bill because imported furniture already attracts import duty at the rate of 35% and VAT at the rate of 16%. The high import duty is meant to protect local furniture producers.

The Bill has two (2) clauses and seeks to amend the Excise Duty Act, 2015 to increase taxation for wooden furniture of a kind used in offices Code/Tariff No. 9403.30.00, imported wooden furniture of a kind used in the kitchen H.S. Code/Tariff No. 9403.40.00 and wooden furniture of a kind used in the bedroom H.S. Code/Tariff No. 9403.50.00 to 30% per unit. The aim of the amendment is to subject the items to excise duty hence increase the cost of sale and protect goods produced locally of a similar nature.

The Committee rejected the amendments proposed in the Bill mainly because the imposition of Import Duty on timber through the Finance Act, 2020 led to reduction in timber importation as most importers are unable to bear the high importation costs. This has led to an increase in the price of timber in Kenya with the few importers passing the increased costs to consumers. The situation is worsened by the ban of logging in Kenya.

On behalf of the Departmental Committee on Finance and National Planning and pursuant to provisions of Standing Order 199(6), it is my pleasant privilege and honour to present to this House the Report of the Committee on its consideration of the Excise Duty (Amendment) Bill, 2020. The Committee is grateful to the Offices of the Speaker and Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee further wishes to thank Hon. Jude Njomo, M.P. for sponsoring the Bill and the stakeholders who participated in the consideration of the Bill. Finally, I wish to express my appreciation to the Honorable Members of the Committee who made useful contributions towards the preparation and production of this report.

It is my pleasure to report that the Committee has considered the Excise Duty (Amendment) Bill (National Assembly Bill No. 47 of 2020) and have the honour to report back to the National Assembly with the recommendation that the Bill be **DELETED IN ITS ENTIRETY**.

Hon. Gladys Wanga, CBS, MP
Chairperson, Departmental Committee on Finance and National Planning

1 PREFACE

1.1 ESTABLISHMENT OF THE COMMITTEE

1. The Departmental Committee on Finance & National Planning is one of the fifteen Departmental Committees of the National Assembly established under *Standing Order 216* whose mandates pursuant to the *Standing Order 216 (5)* are as follows:
 - i. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
 - ii. To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;
 - iii. To study and review all the legislation referred to it;**
 - iv. To study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
 - v. To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
 - vi. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No. 204 (Committee on appointments);
 - vii. To examine treaties, agreements and conventions;
 - viii. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
 - ix. To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
 - x. To examine any questions raised by Members on a matter within its mandate.

1.2 MANDATE OF THE COMMITTEE

2. In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider, public finance, monetary policies, public debt, financial institutions (excluding those in securities exchange), investment and divestiture policies, pricing policies, banking, insurance, population revenue policies including taxation and national planning and development.
3. In executing its mandate, the Committee oversees the following government Ministries and departments:
 - i. National Treasury and Planning
 - ii. State Department for Devolution
 - iii. Commission on Revenue Allocation
 - iv. Office of the Controller of Budget
 - v. Salaries and Remuneration Commission

1.3 COMMITTEE MEMBERSHIP

4. The Departmental Committee on Finance and National Planning was reconstituted by the House in July, 2020 and comprises of the following Members:

Chairperson

Hon. Gladys Wanga, CBS, MP
MP for Homabay County

ODM Party

Vice-Chairperson

Hon. Isaac W. Ndirangu
MP for Roysambu Constituency

Jubilee Party

Members

Hon. Jimmy O. Angwenyi, MP
MP for Kitutu Chache North Constituency

Jubilee Party

Hon. Christopher Omulele, MP
MP for Luanda Constituency

ODM Party

Hon. Shakeel Shabbir Ahmed, MP
MP for Kisumu East Constituency

Independent Member

Hon. Daniel Nanok, MP
MP for Turkana West Constituency

Jubilee Party

Hon. (Dr.) Christine Ombaka, MP
MP for Siaya County

ODM Party

Hon. Andrew Okuome, MP
MP for Karachuonyo Constituency

ODM Party

Hon. David Mboni, MP
MP for Kitui Rural Constituency

CCU Party

Hon. Francis K. Kimani, MP
MP for Molo Constituency

Jubilee Party

Hon. Joseph Oyula, MP
MP for Butula Constituency

ODM Party

Hon. Joshua Kandie, MP
MP for Baringo Central Constituency

MCC Party

Hon. Stanley Muthama, MP
MP for Lamu West Constituency

Jubilee Party

Hon. Edith Nyenze, MP
MP for Kitui West Constituency

WDM-K

Hon. Catherine Waruguru, MP
MP for Laikipia County

Jubilee Party

Hon. James Mwangi, MP
MP for Tetu Constituency

Jubilee Party

Hon. (Prof.) Mohamud Muhamed, MP
MP for Wajir South Constituency

Jubilee Party

Hon. Peter Lochakapong, MP
MP for Sigor Constituency

Jubilee Party

Hon. Qalicha Gufu Wario, MP
MP for Moyale Constituency

Jubilee Party

1.4 COMMITTEE SECRETARIAT

5. The Committee is facilitated by the following Secretariat:

Ms. Leah W. Mwaura
Senior Clerk Assistant/ Team Leader

Ms. Jennifer Ndeto
Principal Legal Counsel 1

Ms. Laureen Wesonga
Clerk Assistant II

Mr. Josephat Motonu
Senior Fiscal Analyst

Mr. Chelang'a Maiyo
Research Officer II

Mr. John Njoro
Serjeant-At-Arms

Ms. Christine Maeri
Audio Officer

Mr. Vitalis Augo
Office Assistant

Ms. Jeruto Kosgey
Intern

2 OVERVIEW OF THE EXCISE DUTY (AMENDMENT) BILL (NATIONAL ASSEMBLY BILL NO. 47 OF 2020)

2.1 ANALYSIS OF THE BILL

6. The Bill seeks to amend the Excise Duty Act, 2015 to increase taxation for wooden furniture of a kind used in offices Code/Tariff No. 9403.30.00, wooden furniture of a kind used in the kitchen H.S. Code/Tariff No. 9403.40.00 and wooden furniture of a kind used in the bedroom H.S. Code/Tariff 9403.50.00 at a rate of 30% per unit. The amendment will subject the items to higher excise duty hence increase the cost of sale and may eventually protect goods produced locally of a similar nature. The Bill proposes the following amendment:
7. **Clause 1:** Provides for the short title.
8. **Clause 2:** increases the excise duty for wooden furniture at a rate of 30% per unit.
9. The Bill does not delegate legislative powers neither does it limit fundamental rights and freedoms.
10. The Bill does not concern county governments in terms of Article 110(1)(a) of the Constitution.
11. The Bill is a money Bill for the purposes of Article 114 of the Constitution. Enactment of the Bill will affect the imposition of taxes on the listed items.

3 PUBLIC PARTICIPATION/STAKEHOLDERS CONSULTATION

12. Following the call for memoranda from the public through the placement of adverts in the print media on 3rd March 2021 inviting stakeholders to submit their views on the Bill, the Committee received memoranda from the following stakeholders:

- i. Furniture Importers Group
- ii. The National Treasury and Planning

13. The stakeholders submitted as follows:

3.1 FURNITURE IMPORTERS GROUP

In a meeting with the Committee held on Wednesday, 15th April 2021, Mr. Amar Shah, a representative of the Group submitted that:

14. There was a World Bank research conducted in 2015 which established that 13% of the furniture sold in Kenya is imported. The furniture industry in Kenya was estimated to be USD 500 million in 2013 with a growth of 10% per annum.
15. Imported furniture has several other applicable taxes namely Import Duty at 35% (versus global average of 25%); VAT at 16%; Import Declaration Fee at 3.5%; Railway Development Levy at 2%; and other levies and costs on imports at 15% to 20%.
16. The World Bank research on Furniture Industry in Kenya found that importation of furniture in Kenya is mainly driven by furniture styles and trends. The paper made several recommendations in order to develop local furniture industry into an internationally competitive one. Four major actions were recommended including the need to encourage local producers to upgrade on design, quality and volume and enhance access to regional markets.
17. Local furniture industry faces challenges that are not attributable to a thriving furniture importation industry. Some of the challenges relate to low capacity on production locally mainly due to lack of modern machinery and skilled labour, insufficiency on domestic timber to meet the market demand due to the regulated production and usage of timber through the imposed ban on logging and lack of investment in modern machinery.
18. Furniture importers contribute an average of KSh. 3.6 billion per annum through PAYE – KSh. 500 million; VAT – KSh. 790 million; Import Duty – KSh. 2 billion and Corporate Tax – KSh. 310 million. The industry is also a key driver in creating employment to close to 2200 people directly and around 11,000 people indirectly.
19. The Imposition of 35% excise duty on imported furniture may not necessary lead to increased revenue for the Government as the increased prices will be passed on to consumers and this will pause a risk to the businesses due to increased costs with the adverse impact being on priority sectors like tourism, health, education and affordable housing; and a surge in unscrupulous traders that may smuggle in goods.
20. In view of the above, the furniture importers recommended that in order to support local furniture producers, the government should:

- i. Provide incentives and subsidies to increase capacity and also decrease production costs so that local furniture manufacturers can compete favourably in the global market.
- ii. Reduce import taxes on the inputs required to produce furniture locally.
- iii. Support vocational training so as to create skilled workers and use of alternate materials to improve sustainability.
- iv. Provide investment incentives on modern machinery and automated workshops.

3.2 THE NATIONAL TREASURY AND PLANNING

In a meeting with the Committee held on Thursday, 16th April 2021, Mr. Nelson Gaichuhie, Chief Administrative Secretary for National Treasury submitted that:

21. The National Treasury was not in support of the amendment proposed in the Bill because imported furniture already attracts import duty at the rate of 35% and VAT at the rate of 16%. The high import duty is meant to protect local furniture producers.
22. Previous attempts to protect the local industry by using Excise Duty had been challenged in the East Africa Court of Justice which suspended Kenya's decision to impose a 25 per cent tax on imported glass bottles. The Court found this imposition as discriminative against glass bottles coming from other EAC countries.

4 COMMITTEE OBSERVATIONS

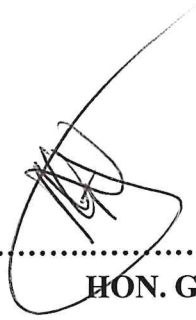
In considering the Bill, the Committee observed that:

23. Import duty of 35% paid on imported furniture already puts the local furniture manufacturers at a competitive advantage over furniture importers;
24. There is a ban on logging in the country and as such the source of timber as the main raw material for the manufacture of local furniture should therefore be considered;
25. By imposing excise duty on imported furniture, the cost of imported furniture items will increase. It is therefore unclear whether the local furniture producers will meet the demand as it is expected to increase. There is therefore need to establish whether local furniture manufacturers have the capacity to meet this attendant demand;
26. Imposition Import Duty on timber through the Finance Act, 2020 led to reduction in timber importation as most importers are unable to bear the high importation costs. This has led to an increase in the price of timber in Kenya with the few importers passing the increased costs to consumers. The situation has been exacerbated by the ban of logging in Kenya; and
27. In order to put local furniture manufacturers at a competitive advantage, the furniture industry should be looked at wholesomely in order to identify factors that increase the cost of production of furniture in the country and establish ways of mitigating them in order to make locally manufactured furniture competitive both locally and in the international market.

5 COMMITTEE RECOMMENDATION

28. The Committee having considered the Excise Duty (Amendment) Bill (National Assembly Bill No. 47 of 2020), stakeholders' comments on the Bill and the above observations recommends to the House that the Bill be **DELETED IN ITS ENTIRETY**.

SIGNED..... DATE.....



4th May 2021

**HON. GLADYS WANGA, CBS, MP
CHAIRPERSON**

DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

LIST OF ANNEXTURES

1. Adoption Schedule
2. Minutes of the 19th Sitting
3. Minutes of the 17th Sitting
4. Minutes of the 16th Sitting
5. Minutes of the 13th Sitting
6. Advert




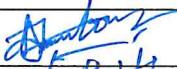


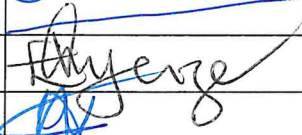


REPUBLIC OF KENYA



NATIONAL ASSEMBLY
DEPARTMENTAL COMMITTEE ON FINANCE & NATIONAL PLANNING
ADOPTION SCHEDULE

ADOPTION SCHEDULE FOR THE REPORT ON THE CONSIDERATION OF THE EXCISE DUTY (AMENDMENT) BILL (NATIONAL ASSEMBLY BILL NO. 47 OF 2020)

DATE: 21ST APRIL, 2021

NAME	SIGNATURE
1. HON. GLADYS WANGA, CBS, MP – CHAIRPERSON	
2. HON. ISAAC W. NDIRANGU – VICE-CHAIRPERSON	
3. HON. JIMMY O. ANGWENYI, MGH, MP	Virtual
4. HON. CHRISTOPHER OMULELE, CBS, MP	
5. HON. SHAKEEL SHABBIR AHMED, CBS, MP	
6. HON. DANIEL E. NANOK, MP	
7. HON. (DR.) CHRISTINE OMBAKA, MP	
8. HON. ANDREW A. OKUOME, MP	Virtual
9. HON. DAVID M. MBONI, MP	
10. HON. FRANCIS KURIA KIMANI, MP	
11. HON. JOSEPH M. OYULA, MP	Virtual
12. HON. JOSHUA KANDIE, MP	
13. HON. STANLEY M. MUTHAMA, MP	
14. HON EDITH NYENZE, MP	
15. HON. CATHERINE WARUGURU, MP	
16. HON. JAMES GICHUHI MWANGI, MP	
17. HON. PROF. MOHAMUD SHEIKH MOHAMED, MP	Virtual
18. HON. PETER LOCHAKAPONG, MP	
19. HON. QALICHA GUFU WARIO, MP	

MINUTES OF THE 19TH SITTING OF THE DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING HELD AT VILLA ROSA KEMPINSKY ON WEDNESDAY, 21ST APRIL, 2021 AT 2:00 P.M.

PRESENT

- | | | |
|---------------------------------------------|---|-------------------------|
| 1. Hon. Gladys Wanga, CBS, MP | - | Chairperson |
| 2. Hon. Isaac W. Ndirangu, MP | - | Vice Chairperson |
| 3. Hon. Jimmy O. Angwenyi, MGH, MP | | |
| 4. Hon. Shakeel Shabbir Ahmed, CBS, MP | | |
| 5. Hon. (Dr.) Christine Ombaka, MP | | |
| 6. Hon. Andrew A. Okuome, MP | | |
| 7. Hon. David M. Mboni, MP | | |
| 8. Hon. Francis K. Kimani, MP | | |
| 9. Hon. Joseph M. Oyula, MP | | |
| 10. Hon. Joshua C. Kandie, MP | | |
| 11. Hon. Edith Nyenze, MP | | |
| 12. Hon. Catherine Waruguru, MP | | |
| 13. Hon. James Gichuhi Mwangi, MP | | |
| 14. Hon. (Prof.) Mohamud Sheikh Mohamed, MP | | |

ABSENT

1. Hon. Christopher Omulele, CBS, MP
2. Hon. Daniel E. Nanok, MP
3. Hon. Stanley M. Muthama, MP
4. Hon. Peter Lochakapong, MP
5. Hon. Qalicha Gufu Wario, MP

INATTENDANCE

SECRETARIAT

- | | | |
|------------------------|---|--------------------------------------------|
| 1. Ms. Leah Mwaura | - | Senior Clerk Assistant/Head of Secretariat |
| 2. Ms. Jennifer Ndeto | - | Principal Legal Counsel I |
| 3. Ms. Lauren Wesonga | - | Clerk Assistant II |
| 4. Mr. John Njoro | - | Serjeant-At-Arms |
| 5. Ms. Christine Maeri | - | Audio Officer |
| 6. Ms. Jeruto Kosgey | - | Intern |

THE NATIONAL TREASURY

- | | | |
|----------------------------|---|-----------------------------------------------|
| 1. Hon. Nelson Gaichuhie | - | Chief Administrative Secretary |
| 2. Mr. Christopher Kirigua | - | Director General, Public Private Partnerships |
| 3. Dr. Rono Tuimising | - | Legal Expert, PPP |
| 4. Ms. Neala Wanjala | - | Legal Officer, PPP |
| 5. Ms. Joan Chesoni | - | Legal Officer, PPP |
| 6. Mr. Gideon Magara | - | Legal Officer, PPP |

OTHER STAKEHOLDERS

- | | | |
|-----------------------|---|----------------------------------------------------|
| 1. CPA Edwin Makori | - | Institute of Certified Public Accountants of Kenya |
| 2. Mr. Elias Wakhisi | - | Institute of Certified Public Accountants of Kenya |
| 3. Mr. Henock Kirungu | - | Public Procurement Regulatory Authority |

4. Mr. Collins Odhiambo - Law Society of Kenya

AGENDA

1. Prayers
2. Communication from the Chairperson
3. **Stakeholder engagement on the Public Private Partnerships Bill, 2021**
4. **Adoption of the report on the consideration of the Excise Duty (Amendment) Bill, 2020**
5. AOB

MIN.NO.NA/F&NP/2021/089: COMMUNICATION FROM CHAIRPERSON
The meeting was called to order at 2:05 a.m. and a prayer was said. The Chairperson called for introduction of those present before welcoming the meeting to deliberate on the day's agenda.

MIN.NO.NA/F&NP/2021/090: CONFIRMATION OF MINUTES
Agenda deferred.

MIN.NO.NA/F&NP/2021/091: STAKEHOLDER ENGAGEMENT ON THE PUBLIC PRIVATE PARTNERSHIPS BILL, 2021

The Chairperson invited stakeholders to submit on the Bill as follows:

1. **INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)**
The CEO of the Institute, CPA Edwin Makori proposed amendments to various clauses of the Bill.

(Details of the specific clauses and amendments are contained in the report on the consideration of the Public Private Partnerships Bill, 2021).

MEMBERS DELIBERATIONS

Members lauded ICPAK for their continued contribution to the legislation process and for a clear presentation.

2. **PUBLIC PROCUREMENT REGULATORY AUTHORITY**
Mr. Henock Kirungu submitted that the Authority was in support of sub-clause 4(2) of the Bill as it is consistent with the provisions of sub-section 2(e) of the Public Procurement and Asset Disposal Act, 2015. He proposed addition of three new clauses to the Bill.

(Details of the above information are contained in the report on the consideration of the Public Private Partnerships Bill, 2021).

MIN.NO.NA/F&NP/2021/092: ADOPTION OF THE REPORT ON THE CONSIDERATION OF THE EXCISE DUTY (AMENDMENT) BILL, 2020

The report on consideration of the Excise Duty (Amendment) Bill, 2020 was adopted having been proposed and seconded by Hon. Waihenya Ndirangu, M.P and Hon. Catherine Waruguru,

MP respectively. The Committee did not support the amendment proposed in the Bill and therefore recommended that the Bill be deleted in its entirety.

The Committee proposed that the import duty imposed on imported timber should be reviewed in order to reduce the cost of production and in the longrun support local furniture industry.

**MIN.NO.NA/F&NP/2021/093: ADJOURNMENT/DATE OF NEXT
 MEETING**

There being no other business to deliberate on, the meeting was adjourned at 3:32 p.m. The next meeting will be held on notice.

**HON. GLADYS WANGA, CBS, MP
(CHAIRPERSON)**

SIGNED.....



.....DATE.....

4 / 5 / 2021

MEDIA

- | | | |
|---------------------|---|--------------------|
| 1. Mr. Moses Aliwa | - | Standard Newspaper |
| 2. Mr. Samuel Owino | - | Daily Nation |
| 3. Benson Rioba | - | KBC |
| 4. David Muthoka | - | TV47 |
| 5. Julians Amboko | - | NTV |

AGENDA

1. Prayers
2. Communication from the Chairperson
3. Meeting with the National Treasury to discuss:
 - i. reasons for the delay in composition of the Privatisation Commission Board;
 - ii. strategies put in place by the National Treasury to encourage divestiture of State Owned Enterprises; and
 - iii. the Excise Duty (Amendment) Bill (National Assembly Bill No. 47 of 2020).
4. AOB

MIN.NO.NA/F&NP/2021/079:

COMMUNICATION FROM CHAIRPERSON

The meeting was called to order at 2:17 p.m. and a prayer was said. The Chairperson called for introduction of those present before welcoming the meeting to deliberate on the day's agenda.

MIN.NO.NA/F&NP/2021/080:

CONFIRMATION OF MINUTES

Agenda deferred.

MIN.NO.NA/F&NP/2021/081:

DELIBERATION ON THE EXCISE DUTY (AMENDMENT) BILL (NATIONAL ASSEMBLY BILL NO. 47 OF 2020)

The Chairperson invited Hon. Nelson Gaichuhie, CAS Treasury, to present on the Bill on behalf of the National Treasury.

Hon. Gaichuhie submitted that the National Treasury was not in support of the amendment proposed in the Bill because imported furniture already attracts import duty at the rate of 35% and VAT at the rate of 16%. The high import duty is meant to protect local furniture producers. He also noted that previous attempts to protect the local industry by using Excise Duty has been challenged in court as being discriminative against other products coming from other EAC countries.

MEMBERS DELIBERATIONS

1. Members noted that the National Treasury had supported the proposed amendment during the pre-publication scrutiny of the Bill. They wondered why the National Treasury's opinion on the Bill had changed. The CAS informed Members that the change in opinion was because National Treasury had not looked at other aspects surrounding the amendment during pre-publication scrutiny. He noted that it was against the World Trade Organisation policy to use domestic taxes to discriminate businesses. Additionally, local manufacturers may be denied from selling their furniture in other East African Countries.

MINUTES OF THE 17TH SITTING OF THE DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING HELD VIRTUALLY ON THURSDAY, 16TH APRIL, 2021 AT 2:00 P.M.

PRESENT

- | | | |
|---------------------------------------------|---|--------------------|
| 1. Hon. Gladys Wanga, CBS, MP | - | Chairperson |
| 2. Hon. Jimmy O. Angwenyi, MGH, MP | | |
| 3. Hon. Shakeel Shabbir Ahmed, CBS, MP | | |
| 4. Hon. Daniel E. Nanok, MP | | |
| 5. Hon. (Dr.) Christine Ombaka, MP | | |
| 6. Hon. Andrew A. Okuome, MP | | |
| 7. Hon. David M. Mboni, MP | | |
| 8. Hon. Francis K. Kimani, MP | | |
| 9. Hon. Joseph M. Oyula, MP | | |
| 10. Hon. Joshua C. Kandie, MP | | |
| 11. Hon. Stanley M. Muthama, MP | | |
| 12. Hon. Edith Nyenze, MP | | |
| 13. Hon. Catherine Waruguru, MP | | |
| 14. Hon. James Gichuhi Mwangi, MP | | |
| 15. Hon. (Prof.) Mohamud Sheikh Mohamed, MP | | |
| 16. Hon. Qalicha Gufu Wario, MP | | |

ABSENT WITH APOLOGY

Hon. Isaac W. Ndirangu, MP	-	Vice Chairperson
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ABSENT

1. Hon. Christopher Omulele, CBS, MP
2. Hon. Peter Lochakapong, MP

INATTENDANCE

SECRETARIAT

- | | | |
|------------------------|---|--------------------------------------------|
| 1. Ms. Leah Mwaura | - | Senior Clerk Assistant/Head of Secretariat |
| 2. Ms. Jennifer Ndeto | - | Principal Legal Counsel I |
| 3. Ms. Lauren Wesonga | - | Clerk Assistant II |
| 4. Mr. Chelang'a Maiyo | - | Research Officer II |
| 5. Ms. Christine Maeri | - | Audio Officer |
| 6. Ms. Jeruto Kosgey | - | Intern |

THE NATIONAL TREASURY

- | | | |
|--------------------------|---|-------------------------------------------------------------|
| 1. Hon. Nelson Gaichuhie | - | Chief Administrative Secretary |
| 2. Eng. Stanley Kamau | - | Director General, Public Investments & Portfolio Management |
| 3. Mr. Maurice Oray | - | Deputy Commissioner/Head of Tax Policy |
| 4. Mr. Joseph Ngugi | - | Macro and Fiscal Affairs Department |
| 5. CPA Isabella Kogei | - | Parliamentary Liaison Officer |
| 6. Mr. Linstrom Kinoti | | |

Further, attempts to increase excise duty on imported bottles had been challenged in court and they feared that the same fate may befall this amendment if passed. He said that the judgement on the above case was received after they had submitted their memorandum on the Bill during pre-publication scrutiny.

2. In order to promote the local furniture industry, the government has plans to ensure that 30% of furniture purchased in government officers is from the local industry.
3. The National Treasury was requested to provide information to the Committee on the amount of furniture that is exported from Kenya to the EAC Region.

MIN.NO.NA/F&NP/2021/082:

**DELIBERATION ON THE REASON FOR
DELAY IN APPOINTMENT OF THE BOARD
OF THE PRIVATISATION COMMISSION**

The CAS informed the Committee that the National Treasury had delayed in appointing the Board due to the following reasons:

1. The National Treasury advertised the positions in July 2020 and received applications from 100 persons qualified to fill the vacancies but was not able to conduct the interviews due to the COVID-19 Pandemic;
2. The ongoing review of the Privatisation Act, 2005 has also caused delays; and

MEMBERS DELIBERATIONS

Members noted that despite the COVID-19 Pandemic, government has devised ways of carrying out its functions and should therefore not be an excuse for the delayed appointments. The National Treasury informed the Committee that the candidates had been shortlisted and that the interviews will be conducted in two to three weeks and the names submitted to Parliament for vetting as required by the law.

The meeting agreed that a brief will be held on 25th May 2021 to discuss the progress of the recruitment process. It was also agreed that the National Treasury will share the blueprint that provides a roadmap for reforms that need to be undertaken for various sectors as per the IMF conditionalities in July 2021.

MIN.NO.NA/F&NP/2021/083:

**DELIBERATION ON THE STRATEGIES
EMPLOYED TO ENCOURAGE
DIVESTITURE OF STATE OWNED
ENTERPRISES**

The Director General, Public Investments and Portfolio Management, Eng. Stanley Kamau, informed the Committee that the National Treasury is working with the International Monetary Fund (IMF) to develop reforms for State Owned Enterprises that will provide a road map for reforms to be made in the parastatal sector before considering listing of the SOEs. These reforms are will be outlined in a blueprint that will be ready in July 2021.

MEMBERS DELIBERATIONS

1. With regards to availing the conditionalities given by IMF before giving the USD 2.34 billion to Kenya, Eng. Kamau informed the Committee that the IMF document is in the public domain and all information pertaining to the loan can be derived from it.
2. On whether reforms in the parastatal sector will result in job cuts, the meeting was informed that there will be no job cuts during the restructuring process.

3. Regarding delays in the privatization of sugar companies and hotels in the Privatization Program, the meeting was informed that the delays were occasioned by lack of the Privatisation Commission Board. Eng. Kamau however assured Members that the privatisation programme is ongoing.

RESOLUTION

It was resolved that The National Treasury should provide the following documents before the meeting that will take place on 25th May 2021:

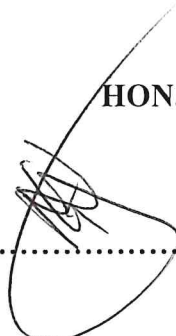
1. The USD 2.34 billion IMF credit facility documents;
2. Kenya Commercial Bank (KCB) and National Bank of Kenya (NBK) share swap documentation; and
3. A brief on the status and plans on secondary listings.

MIN.NO.NA/F&NP/2021/084: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business to deliberate on, the meeting was adjourned at 4:50 p.m. The next meeting will be held on Tuesday, 20th April 2021 at 10:00 a.m.

**HON. GLADYS WANGA, CBS, MP
(CHAIRPERSON)**

SIGNED.....DATE.....



4/5/2021

**MINUTES OF THE 16TH SITTING OF THE DEPARTMENTAL COMMITTEE ON
FINANCE AND NATIONAL PLANNING HELD VIRTUALLY ON THURSDAY, 15TH
APRIL, 2021 AT 10:00 AM**

PRESENT

1. Hon. Gladys Wanga, MP - **Chairperson**
2. Hon. Isaac W. Ndirangu, MP - **Vice Chairperson**
3. Hon. Jimmy O. Angwenyi, MGH, MP
4. Hon. Shakeel Shabbir Ahmed, CBS, MP
5. Hon. Daniel E. Nanok, MP
6. Hon. (Dr.) Christine Ombaka, MP
7. Hon. Andrew A. Okuome, MP
8. Hon. David M. Mboni, MP
9. Hon. Francis K. Kimani, MP
10. Hon. Joseph M. Oyula, MP
11. Hon. Joshua C. Kandie, MP
12. Hon. Edith Nyenze, MP
13. Hon. Catherine Waruguru, MP
14. Hon. James Gichuhi Mwangi, MP
15. Hon. (Prof.) Mohamud Sheikh Mohamed, MP
16. Hon. Qalicha Gufu Wario, MP

ABSENT

1. Hon. Christopher Omulele, CBS, MP
2. Hon. Stanley M. Muthama, MP
3. Hon. Peter Lochakapong, MP

INATTENDANCE

SECRETARIAT

1. Ms. Leah Mwaura - Senior Clerk Assistant/Head of Secretariat
2. Ms. Jennifer Ndeto - Principal Legal Counsel I
3. Ms. Laureen Wesonga - Clerk Assistant II
4. Ms. Christine Maeri - Audio Officer
5. Ms. Jeruto Kosgey - Intern

SPONSOR OF THE BILL

Hon. Jude Njomo, MP

FURNITURE IMPORTERS GROUP

1. Mr. Amar Shah
2. Mr. Rahul Haria

AGENDA

1. Prayers
2. Communication from the Chairperson
3. **Meeting with Furniture Importers Group to discuss the Excise Duty (Amendment) Bill (National Assembly Bill No. 47 of 2020)**
4. Matters arising
5. A.O.B.

MIN.NO.NA/F&NP/2021/075: COMMUNICATION FROM THE CHAIRPERSON

The meeting was called to order at 10:17 a.m. and a prayer was said. The Chairperson then called for introduction of those present before inviting stakeholders to make their submissions.

MIN.NO.NA/F&NP/2021/076: CONFIRMATION OF MINUTES

Agenda deferred.

MIN.NO.NA/F&NP/2021/077: MEETING WITH FURNITURE IMPORTERS GROUP TO DISCUSS THE EXCISE DUTY (AMENDMENT) BILL (NATIONAL ASSEMBLY BILL NO. 47 OF 2020)

The Chairperson invited Mr. Amar Shah to make submissions on behalf of the Furniture Importers Group. He submitted that:

1. A World Bank research conducted in 2015 established that 13% of the furniture sold in Kenya is imported. The furniture industry in Kenya was estimated to be USD 500 million in 2013 with a growth of 10% per annum.
2. The following taxes are paid on imported furniture: Import Duty – 35% (versus global average of 25%); VAT – 16%; Import Declaration Fee – 3.5%; Railway Development Levy – 2%; and other levies and costs on imports – 15% to 20%.
3. Furniture is imported in Kenya because of: furniture and trends; logging ban in Kenya; low capacity on production due to lack of modern machinery and skilled labour; and quality and health & safety requirements on furniture leads to imports being preferred by some consumers.
4. Formal furniture importers contribute an average of KSh. 3.6 billion per annum through: PAYE – KSh. 500 million; VAT – KSh. 790 million; Import Duty – KSh. 2 billion and Corporate Tax – KSh. 310 million. The industry employs about 2200 people directly and around 11,000 people indirectly.
5. Imposition of 35% excise duty on imported furniture will increase prices to consumers; will pose a risk to the businesses due to increased costs; adverse impact on priority sectors like tourism, health, education and affordable housing; and a surge in unscrupulous traders that may smuggle in goods.
6. In view of the above, Mr. Shah recommended that:
 - i. Incentives and subsidies to increase capacity and decrease production costs should be introduced so that local furniture manufacturers can compete favourably in the global market.
 - ii. Reduce import taxes on the inputs to furniture manufacturing.
 - iii. Training to create skilled workers and use of alternate materials to improve sustainability.
 - iv. Investment incentives on procuring modern machinery and automated workshops.

MEMBERS DELIBERATIONS

1. On what furniture importers are doing to promote the local furniture industry, Mr. Shah informed the meeting that Victoria Furnitures Group runs two manufacturing workshops in Kenya where local furniture designers are employed. Additionally, at least 30% of the furniture in their showrooms is locally manufactured.
2. With regards to training locals in the manufacture of furniture, Mr. Shah stated that the Group will partner with Kenya Association of Manufacturers to offer the trainings to the local artisans.
3. Regarding the manufacture of trendy furniture locally, the meeting was informed that some of the materials used for this are not available locally and this increases production cost of the furniture. Additionally, the technology required to produce such furniture on a large scale is not available locally.
4. On whether locally manufactured furniture can be exported, the meeting was informed that this is possible but the cost of production in Kenya is higher hence they cannot compete favourably on the international market.

MIN.NO.NA/F&NP/2021/078: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business to deliberate on, the meeting was adjourned at 11:53 a.m. The next meeting will be held at 2.00 p.m.

**HON. GLADYS WANGA, CBS, MP
(CHAIRPERSON)**

SIGNED.....



DATE.....

4/5/2021

**MINUTES OF THE 13TH SITTING OF THE DEPARTMENTAL COMMITTEE ON
FINANCE AND NATIONAL PLANNING HELD VIRTUALLY ON THURSDAY, 8TH
APRIL, 2021 AT 10:00 AM**

PRESENT

1. Hon. Gladys Wanga, MP - **Chairperson**
2. Hon. Isaac W. Ndirangu, MP - **Vice Chairperson**
3. Hon. Jimmy O. Angwenyi, MGH, MP
4. Hon. Christopher Omulele, CBS, MP
5. Hon. Shakeel Shabbir Ahmed, CBS, MP
6. Hon. Andrew A. Okuome, MP
7. Hon. David M. Mboni, MP
8. Hon. Francis K. Kimani, MP
9. Hon. Joseph M. Oyula, MP
10. Hon. Joshua C. Kandie, MP
11. Hon. Stanley M. Muthama, MP
12. Hon. Edith Nyenze, MP
13. Hon. Catherine Waruguru, MP
14. Hon. James Gichuhi Mwangi, MP
15. Hon. (Prof.) Mohamud Sheikh Mohamed, MP

ABSENT

1. Hon. Daniel E. Nanok, MP
2. Hon. (Dr.) Christine Ombaka, MP
3. Hon. Peter Lochakapong, MP
4. Hon. Qalicha Gufu Wario, MP

INATTENDANCE

SECRETARIAT

1. Ms. Leah Mwaura - Senior Clerk Assistant/Head of Secretariat
2. Ms. Jennifer Ndeto - Principal Legal Counsel I
3. Ms. Laureen Wesonga - Clerk Assistant II
4. Mr. Josephat Motonu - Senior Fiscal Analyst
5. Mr. Chelang'a Maiyo - Research Officer II
6. Ms. Christine Maeri - Audio Officer
7. Ms. Jeruto Kosgey - Intern

AGENDA

1. Prayers
2. Communication from the Chairperson
3. **Meeting to be briefed on:**
 - i. **The Excise Duty (Amendment) Bill, 2020; and**
 - ii. **The Public Finance Management (Amendment) (No. 3) Bill, 2020**
4. Matters arising
5. A.O.B.

MIN.NO.NA/F&NP/2021/061: COMMUNICATION FROM CHAIRPERSON

The meeting was called to order at 10:20 a.m. and a prayer was said. The Chairperson then welcomed the Legal Counsel to brief the Committee on the Excise Duty (Amendment) Bill, 2020.

MIN.NO.NA/F&NP/2021/062: CONFIRMATION OF MINUTES

Agenda deferred.

MIN.NO.NA/F&NP/2021/063: BRIEFING ON THE EXCISE DUTY (AMENDMENT) BILL, 2020

The Legal Counsel, Ms. Jennifer Ndeto informed the Committee that the intention of the Bill is to introduce a 30% excise duty on imported furniture of any kind with an aim of promoting the local furniture industry. Members noted the following issues on the Bill:

1. The intention of the Bill is good but research needs to be done to establish whether the local furniture market is able to meet the demand and the effects of the Bill on forests in the country;
2. The excise duty of 30% is a bit too high;
3. Tax on imported timber should be reduced before raising excise duty on the imported finished products;
4. The Chairperson undertook to speak to Hon. Jude Njomo, M.P. (Sponsor of the Bill) so that the amendment can be carried in the Finance Bill, 2021 together with other amendments; and
5. The Fiscal Analyst was tasked to prepare a brief on the furniture industry detailing:
 - i. How much furniture is imported into Kenya and how much is manufactured locally; and
 - ii. The taxes imposed on the furniture, both local and imported.

MIN.NO.NA/F&NP/2021/064: BRIEFING ON THE PUBLIC FINANCE MANAGEMENT (AMENDMENT) BILL, 2020

The Legal Counsel, Ms. Jennifer Ndeto informed the meeting that the intention of the Bill is to reduce the time for submission of financial statements by public entities to the Auditor General from three months to one month after the end of a financial year. This is aimed at ensuring that the Office of the Auditor General has adequate time to carry out required audits and prepare the required reports. The Bill also proposes sanctions for non-compliance by accounting officers.

Members noted that:

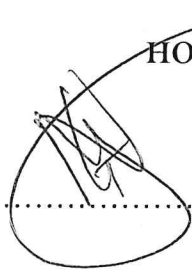
1. The amendments proposed in the Bill will ensure that there is accountability in financial reporting; and
2. The proposed amendments will also ensure that the Auditor General's Reports are up to date unlike the current scenario where audits are done years after the end of a financial year.

MIN.NO.NA/F&NP/2021/065: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business to deliberate on, the meeting was adjourned at 11:21 a.m. The next meeting will be held on Tuesday, 13th April, 2021 at 10.00 a.m.

**HON. GLADYS WANGA, CBS, MP
(CHAIRPERSON)**

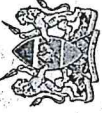
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4/5/2021

REPUBLIC OF KENYA



**THE NATIONAL ASSEMBLY
TWELFTH PARLIAMENT (FIFTH SESSION)
INVITATION FOR PUBLIC PARTICIPATION &
SUBMISSION OF MEMORANDA**

(Article 118 (1) (b) of the Constitution and Standing Order 127(3) of the National Assembly Standing Orders)

- In the matters of consideration by the National Assembly:-**
- 1. The Excise Duty (Amendment) Bill (National Assembly Bill No. 42 of 2020)**
 - 2. The Central Bank of Kenya (Amendment) Bill (National Assembly Bill No. 47 of 2020)**

Article 118(1) (b) of the Constitution provides that, "Parliament shall facilitate public participation and involvement in the legislative and other businesses of Parliament and its Committees". Standing Order (S.O.) 127(3) provides that "the Departmental Committee to which a Bill is committed shall facilitate public participation and take into account the views and recommendations of the public when the Committee makes its report to the House".

The Excise Duty (Amendment) Bill (National Assembly Bill No. 42 of 2020) introduced by Hon. Jude Njomo, M.P seeks to amend the Excise Duty Act, 2015 to increase taxation for wooden furniture of a kind used in offices Code/Tariff No. 9403.30.00, imported wooden furniture of a kind used in the Kitchen H.S. Code/Tariff No. 9403.40.00 and wooden furniture of a kind used in the bedroom H.S. Code/Tariff No. 50.00 30% per unit. The amendment will subject these items to the excise duty, hence increase cost of sale and may eventually protect goods produced locally of similar nature.

The Central Bank of Kenya (Amendment) Bill (National Assembly Bill No. 47 of 2020) introduced by Hon. Gideon Keter, M.P seeks to amend the Central Bank of Kenya Act, Cap. 491 to safeguard the interest of consumers of services of digital mobile money lenders by expanding the role of Central Bank of Kenya so as to license and regulate all persons, institutions or firms lending money to Kenyans and prohibit any person from an institution or firm from lending money to Kenyans, unless licensed by the Central Bank of Kenya.

The Bill further proposes to allow Central Bank of Kenya to prescribe capital requirements and publicise in every quarter, the list of lenders in different categories that include banks, lending institutions or firms.

The Bills have undergone First Reading pursuant to Standing Order 127(3) and stand committed to the Departmental Committee on Finance and National Planning for consideration and thereafter report to the House.

Pursuant to Article 118(1)(b) of the Constitution and Standing Order 127(3), the Committee invites interested members of the public to submit any representations that they may have on the said Bills. The Bills can be accessed from the parliamentary website at www.parliament.go.ke/the-national-assembly/house-business/bills. The representations or written submissions may be forwarded to the Clerk of the National Assembly, P.O. Box 41842-00100, Nairobi; hand-delivered to the Office of the Clerk, Main Parliament Buildings, Nairobi, or emailed to clerk@parliament.go.ke; to be received on or before Tuesday, 9th March, 2021 at 5:00pm.

MICHAEL R. SIALAI, CBS
CLERK OF THE NATIONAL ASSEMBLY

