NATIONAL ASSEMBLY

OFFICIAL REPORT

Thursday, 18th August, 2016

The House met at 9.30 a.m.

[The Deputy Speaker (Hon. (Dr.) Laboso) in the Chair]

PRAYERS

QUORUM

Hon. Deputy Speaker: There is no quorum. Can the Quorum Bell be rung?

(The Quorum Bell was rung)

Order, Members! Settle down. Hon. Wamalwa, I am calling the House to order now.

STATEMENT

PENDING BUSINESS BEFORE
THE DEPARTMENTAL COMMITTEE ON HEALTH

Hon. Deputy Speaker: The Chair, Departmental Committee on Health.

Hon. (Ms.) R.K. Nyamai: Thank you, Hon. Deputy Speaker. I would like to present the business pending before the Departmental Committee on Health.

So far, in this Session, we have concluded six Petitions, three Bills and six legislative proposals.

However, we have the following business that is still pending before us:-

(i) The Traditional Practitioners Health Bill, 2014 - This Bill is still under consideration by the Committee and we tabled its Report on 23rd April, 2015. The reason for the delay is because we decided to give priority to the Health Bill.

(ii) The Pharmacy Practitioners Bill, 2014 - This Bill is still under consideration for the same reason that we have given priority to the Health Bill that has already been considered by this House and the Senate.

(iii) The Biomedical Engineers Bill, 2015 – The Report was tabled on 17th February, 2016, and we finished Second Reading yesterday.

(iv) The HIV/AIDS Prevention and Control (Amendment) Bill (Senate Bill No.4 of 2015) is still under consideration by the Committee.

(v) The Health Bill, 2015 - Amendments from the Senate were brought on 20th July, 2016. It is still under consideration and the Report will be tabled on 25th August, 2016.

(vi)The Cancer Prevention Control (Amendment) Bill (Senate Bill No.3 of 2015) was brought on 20th July 2016 and is still under consideration.

The Committee, as I said earlier, has handled six Petitions. We have a pending Petition on the direct employment of graduate nurses by the Public Service Commission (PSC), which was presented by Hon. Abdikadir Omar, MP. It is still under consideration and we were given 60 days.

The Committee wishes to request for extension of period to report back to this House because we are still meeting with stakeholders and feel that we may not handle it within the stipulated timeline.

The Cancer Prevention Control (Amendment) Bill, (Senate Bill No. 3 of 2015) was presented on 3rd May, 2016 and the Report is ready for adoption by the Committee. The Social Health Insurance Fund Bill by Hon. Namwamba was presented on 2nd May, 2016. The Committee has concluded consideration of this legislative proposal and will be submitting its report soon.

The following Bills are still under Committee consideration: The Government Chemist Agency Bill, presented on 17th May, 2016; the Nutritionist and Dieticians (Amendment) Bill, presented on 17th May, 2016 and the Kenya Food and Drugs Authority Bill, presented on 16th June, 2016.

We will be handling the agreement between the Republic of Kenya and the Government of the United States of America today concerning Cooperation in Threat Reduction in Biological Engagement Programmes. This matter is under consideration by the Committee and we will be meeting with the stakeholders. We shall table this Report very soon for ratification of the agreement by the House. That is the pending business before the Departmental Committee on Health.

In conclusion, the reason as to why there are so many pending Bills is because we agreed to give priority to the Health Bill which is the ranking Bill that will give direction to the other Bills that have been proposed.

Hon. Deputy Speaker: Thank you, Chair. Next Order!

MOTION

ADOPTION OF THE PUBLIC ACCOUNTS COMMITTEE REPORT FOR 2013/2014

> THAT, this House adopts the Report of the Public Accounts Committee on the Government of Kenya Accounts (Volume I and Volume II) for the year 2013/2014, laid on the Table of the House on Wednesday, June 22, 2016.

(Hon. (Eng.) Gumbo) on 10.8.2016)

(Debate concluded on 17.8.2016)

Hon. Deputy Speaker: Hon. Members, before you proceed to your Committees, can you give us indulgence for a few minutes? Just allow me to prosecute Order No.8 and 9. I am waiting for the Members to settle.

Hon. Members, Order No.8 had been debated and concluded and what was just left was putting the question; which I proceed to do.

(Question put and agreed to)

BILLS

Second Reading

THE BIOMEDICAL ENGINEERS BILL

(Several Members walked into the Chamber)

Hon. Deputy Speaker: I will let Members to settle down. Hon. Kang'ata, please, settle down.

Hon. Members, debate on this Bill had been concluded and what was left was putting the Question, which I proceed to do.

(Hon. Mule on 10.2.2016)

(Debate concluded on 17.8.2016)

(Question put and agreed to)

(The Bill was accordingly read the Second Time and committed to a Committee of the whole House tomorrow)

THE FINANCE BILL

Second Reading

Hon. Deputy Speaker: The Chair of the Departmental Committee on Finance, Planning and Trade.

Hon. Langat: Hon. Deputy Speaker, I beg to move that the Finance Bill (National Assembly Bill No. 20 of 2016) be now read a Second Time.

I wish to start by thanking Members for their support to the budgetary process as well as various policies that have been proposed by the Government for the achievement of the resilient economic growth and development of our economy. As a result of the various policies which Members have supported, our economy grew by 5.6 per cent in 2015, up from 5.3 per cent in 2014, and is expected to grow at 6 per cent this Financial Year.

The Finance Bill, as Members may know, is one of the annual Bills, which is usually introduced in the National Assembly pursuant to Section 40 of the Public Finance Management (PFM) Act, 2012. Its main objective is to set out the revenue-raising measures by the national Government together with a policy document expounding on those measures. Ideally, it proposes amendments to a variety of laws relating to various taxes and duties as well as other financial sector statutes.

Section 41 of the PFM Act, 2012 obligates the National Assembly to process and pass the Finance Bill within 90 days of the passage of the Appropriation Bill. The Finance Bill, 2016 was published on 8th June and read the first time on 16th June, 2016, and thereafter committed to the Departmental Committee on Finance, Planning and Trade for consideration in line with Articles 114 and 118 of the Constitution and Standing Order 127.

This Bill contains a total of 59 clauses, which propose amendments to four main tax laws. These are: The Income Tax Act, the Excise Duty Act, the Value Added Tax (VAT) Act and the Tax Procedures Act, as well as other miscellaneous amendments in a total of nine financial sector laws, namely, the Retirement Benefits Act, the Kenya Revenue Authority Act, the Capital Markets Act, the Banking Act, the Alcoholic Drinks Control Act, the Kenya Deposit Insurance Act, the Public Finance Management Act, the Tax Appeals Tribunal Act and the Special Economic Zones Act.

The proposed amendments to the Income Tax Act, the Excise Duty Act and the Value Added Tax Act will be deemed to have come into operation on 9th June 2016 and 1st July 2016, with a few provisions such as the ones relating to assessment of taxes, penalties or interests in some cases and VAT withholding agents, being backdated to 19th January, 2016. The rest of the amendments will come into effect on 1st January, 2017.

The Committee has considered the Bill and tabled its Report based on submissions from stakeholders. I want to inform Members that we tabled the Report yesterday and it is available in the Table Office. In processing the Bill, the Committee invited comments from the public by placing advertisements in the *Daily Nation* and *The Standard* newspapers on Friday, 1st July, 2016, pursuant to Article 118 of the Constitution. Consequently, we received 13 submissions from various stakeholders. Those submissions are attached to our Report for Members to peruse. The Committee is scheduled to retreat with all the stakeholders and the National Treasury this weekend to discuss those proposals and agree on the amendments which shall be tabled at the Committee of the whole House. I will proceed to highlight a few proposals since Members already have the Bill and I have said it contains 59 clauses. If Members contribute to one clause each, this House will be rich in information. I will just mention a few areas of the Bill.

The tourism sector, as you know, is one of the leading sectors of our economy and very key in terms of foreign exchange earnings. However, in the recent past, we have seen the sector experiencing low tourist arrivals arising from terror threats and travel advisories which have been issued by foreign countries against our country. In order to boost the tourism sector, the Bill proposes to exempt entry fees to our national parks and commissions earned by tour operators from VAT. It is believed that, although we still have other challenges, we will resolve the tax challenges through the Finance Bill.

The other sector which is very key to our economy is agriculture, particularly livestock farming, which is also a very big source of income for many Kenyans in the rural areas. The farmers' earnings from this sector have continued to decline because of high cost of animal feeds. This House passed the VAT Act, 2013 which provided that VAT shall be charged on animal feeds. However, this Bill seeks to now exempt raw materials used in the manufacture of animal feeds from VAT. When we exempt raw materials used in the manufacture of animal feeds, we expect the cost of animal feeds to subsequently come down. That will encourage the farmers and increase the amount of disposable income of the farmers. This is a boost to livestock farming. Those who keep animals for meat and milk are expected to benefit.

The Government is committed to providing incentives and favourable environment to encourage Kenyans who have invested abroad to invest back in the country. In this regard, the Bill seeks to declare tax amnesty for Kenyans who own such investments and would like to invest back. This is a very important provision in this Bill. If there are Kenyans who have invested billions of shillings out of this country and they wish to bring back those investments to Kenya, they will not be taxed. They are free to bring back their investments to Kenya. They are free to bring all their assets to this country because they have been given a tax amnesty.

I now encourage all those who have investments out there to come and invest in our country. As you may be aware, the demand for local housing in Kenya is very high. It is estimated that annually, over 200,000 units of local housing are demanded by Kenyans, but only 50,000 can be made available by investors. In order to reduce this gap and ensure increased supply of decent low cost housing, the Bill proposes to introduce an incentive to encourage investors into the sector by reducing the Corporate Tax rate from 30 per cent to 20 per cent for developers who construct, at least, 1,000 units per year. This House will determine whether the reduction should be for every 1,000 units constructed or 500 units in order to get more Kenyans to enjoy. It is upon this House to determine that.

Hon. Deputy Speaker, last year, the Excise Duty on motor vehicles based on the age and specific grade was introduced. This has been perceived to be unfair, unequitable and punitive to the importers of low cost vehicles, but beneficial to importers of luxurious vehicles. In order to address this anomaly, the Bill proposes to remove the specific rate of duty and introduce an ad valorem rate of 20 per cent based on the value of the vehicle. I remember we discussed this matter in this House and we argued that if an importer of a Probox car whose value is Kshs300,000 is charged Kshs150,000 and yet an importer of a Range Rover worth Kshs5 million is charged Kshs200,000, that is clearly unfair and discriminatory to the low income earners. Therefore, this Bill seeks to address such issues so that an importer of a car worth Kshs300,000 will pay 60,000. If you import a car of, say, Kshs5 million, then you have to pay Kshs1 million. This will now be equitable. It will not be biased against the low income earners. It will also ensure that the high end importers pay higher. That is one of the tax principles. So, that decision corrects that anomaly.

Hon. Deputy Speaker, following the sustained growth of our economy---

(Hon. Lentoimaga and Hon. Lati consulted loudly)

Hon. Deputy Speaker: Order! There is a Samburu *Kamukunji* going on there. Please, allow us to run this House in an orderly manner.

Hon. Langat: Hon. Deputy Speaker, the Member for Samburu West should appreciate the importance of the Finance Bill, especially after I have talked about animal and livestock feeds. He should be keenly following what I am saying.

Hon. Deputy Speaker, following the sustained growth of our economy, there is need to share the economic gains and cushion all Kenyans from high cost of living as well achieve an inclusive growth. In this regard, the Bill proposes to exempt from tax, bonuses, overtime and retirement benefits paid to all workers who fall under the lowest income tax band. So, we are simply saying that there are workers who are under the low income bracket. Normally, they work overtime to enhance their earnings and they are paid bonuses for good performance. Retirement benefits for low income categories do attract tax, but we are now proposing exemption so that they can enjoy higher disposable income, especially when the cost of living is rising. I believe this will be music to the ears of low income earners.

The Bill further proposes to expand the tax brackets and increase tax relief in order to cushion Kenyans from erosion of their income through inflation. This provision will slightly increase the tax relief on personal income.

Hon. Deputy Speaker, as I switch to the banking sector, the current monetary penalty for violation of the Banking Act is capped at Kshs5 million. If you breach the Banking Act, which is a very serious thing for it can cause the collapse of a bank, ou will be liable for Kshs5 million. Given the seriousness of the violation which some of the institutions have continued to commit, it is apparent that the existing penalty is not deterrent enough. In this regard, the Bill proposes to increase the maximum penalty to Kshs20 million and further allow additional penalty each day the violation continues. In the recent past, we have seen three banks go under. That has caused a serious effect on our financial sector and we do not want to see this happening. I support this provision that we must enhance the penalties associated with violations. There is also a proposal to increase the capital base for banks from the current Kshs500 million to Kshs5 billion over the next three years. I know this proposal was here last year, but this House did not find it necessary. Maybe, this year, we will need to consider this proposal because we need strong banks. We have seen how banks can become vulnerable within a short period. Maybe, we need strong banks that are competitive and attract deposits at competitive rates so that they can equally be competitive. We do not want to see a repeat of what we have been seeing in the recent past. Members should, therefore, consider that proposal this time round. Of course, we will still discuss this in the Committee of the whole House and agree.

With the increasing use of mobile and internet services in Kenya, online trading of foreign currency has attracted a lot of interest among Kenyan investors, particularly among the youth. This House may note that, currently, there is no regulatory framework to guide online FOREX trade. This Bill, therefore, proposes to amend the Capital Markets Authority (CMA) Act so that the CMA may make regulations to ensure effective and secure online FOREX trading by Kenyans. This is a very good proposal because we need to protect our financial sector. We need to protect traders and investors.

Last year, the Government removed the requirement for annual licensing of banks.

Hon. Wakhungu: On a point of order, Hon. Deputy Speaker.

Hon. Langat: Hon. Deputy Speaker, I have not committed any offense, so I do not see how---

Hon. Deputy Speaker: What is not in order, Hon. Wakhungu?

Hon. Wakhungu: Hon. Deputy Speaker, I appreciate what the Chairman of the Departmental Committee on Finance, Planning and Trade is saying, but will it not be in order as he prosecutes his point he specifies the clauses? He is reading the notes and we have the Bill here. It will be nice for him to specify that under a particular clause, this is what is happening. We cannot follow and interrogate the Bill. My humble request is this: As he puts across his points, let him also state the specific clause in the Bill. It is just for purposes of Members going along with you.

Hon. Deputy Speaker: Carry the Members along with you by assisting them to understand your Bill.

Hon. Langat: Hon. Deputy Speaker, if any Member has a question, he should take notes. I will be responding to questions at the end of the debate. I will, therefore, encourage Hon. Wamalwa to---

Hon. Deputy Speaker: Hon. Chairman, I think it will help the Members if they can follow your moving of the Bill by stating the exact clauses in the Bill that your points are coming from.

Hon. Langat: I accept, Hon. Deputy Speaker, but I also want to tell the Members that we have tabled a Report and it has all those details. I said I will only peruse the Bill. So, I would want to encourage my good friend to find time, visit the Table Office and get the Report. The Bill has been there.

Hon. Deputy Speaker, let me proceed, but I have taken note of what Hon. Wamalwa has said. Last year, the Government removed the requirements for annual licensing for banks and instead allowed the Central Bank of Kenya (CBK) to issue non-renewable perpetual licence. In the same spirit, and to ensure Kenyans enjoy their retirement benefits, the Bill proposes to extend similar perpetual licences to institutions licensed by the Retirement Benefits Authority (RBA) through amendments to RBA Act so that you do not have to tell the fund managers that they have to renew their licences every year. Your licence can only be cancelled if you commit a crime but, if you are operating a good business, you will enjoy the licence. That is basically what the proposal proposes.

I do not want to say more. I wish to thank all Hon. Members for taking keen interest in the issue and I wish to invite their comments and debates. I also want to thank Hon. Wamalwa because he has been following me very keenly. He has already raised a point of order. I request my Vice-Chair to second. I beg to move.

Hon. Deputy Speaker: Okay. Who is your Vice Chair?

Hon. Langat: It is Hon. Gaichuhie?

Hon. Gaichuhie: Thank you, Hon. Deputy Speaker. I rise to second my Chairman on the Finance Bill whose Report was tabled yesterday. I request Members to go through the Report. When we did the First Reading of the Bill, we actually advertised it in the newspapers and asked stakeholders to bring amendments. We have received quite a number of them and we hope by next week we shall have gone through them and decided on which ones to choose in consultation with Treasury. We had a deadline. I am hoping that even the Members who are here have already gone through the Bill and, if they have any amendments, I hope they are already with our clerks because this being a money Bill, I do not think we will entertain any Member who brings amendments on the Floor of the House as per the Standing Orders.

I wish to state that we are introducing something called the “deemed interest” in this Bill. For Members, the deemed interest is supposed to be interest that is going to be deemed and is going to be charged at an interest rate of the 91 days Treasury Bills. This deemed interest accrues where we have a loan that has been secured elsewhere and is interest free and because we need to get the interest, Treasury proposes to be introducing a deemed interest at the rate of the 91 days Treasury Bills.

Hon. Deputy Speaker, the Bill has also proposed to increase the personal relief of people who have been exempted when they were only at Kshs13,944 per month. But it has proposed to increase that to anybody who will be earning Kshs15,360. He or she will be exempted from Pay as You Earn (PAYE). Last year, we had a contentious issue of motor vehicles, as my Chair has said, and we are pleased that this time round, the Treasury has deemed it fit to revert to our position as a Departmental Committee on Finance, Planning and Trade. We had brought an amendment which was rejected because we did not deem it fit for people to pay between Kshs150,000 and Kshs200,000 per vehicle. We thought it would have been better if it was sale per value and I think Treasury has seen it fit this time.

On the banking sector, we want to urge Members that this time round, we do not need to reject the base rate of between Kshs1 billion to Kshs5 billion. It has been prolonged to 2019 because we have seen banks going under. People raise billions to start a bank, then they come with more than Kshs8 billion and the directors fleece the Kshs7 billion. So, we are in agreement with Treasury although we are still encouraging people to come and talk. We have seen other players who are saying Kshs5 billion is high, but I think as we agree with Treasury and CBK, we will have a base where we can increase the rate.

Concerning penalties, we have seen that Kshs5 million is quite a little amount when you compare it with banks which have over Kshs10 billion. So, we think that Kshs20 million should be the maximum. It is not that every penalty will be Kshs20 million, but it is a good measure because we need to have stable banks.

Hon. Deputy Speaker, we are also happy to say that the garments and leather industry - which we are trying to promote through the Ministry of Industry, Trade and Cooperatives – is exempted. I would like to encourage our livestock farmers because we know that leather comes from animals. It is good to let people from North Eastern know that we have exempted Value Added Tax (VAT) on animal feeds. We hope that will also increase animal production which will also increase leather production.

There is also a proposal to exempt all materials that are used to build recreation parks, which I think is a good idea. We have seen counties coming up with recreation parks. When we exempt machineries and any goods that are used to build recreation parks, is a way forward because we need people to relax in their counties. Further, the exemption of park fees from VAT will encourage the tourism sector. Our tourism sector has really been affected and I think the introduction of exemption of park fees from VAT is going to be advantageous and we expect to have more tourists coming in.

Amnesty for people who bring their foreign investment back home is also very encouraging. This is because when we have people investing outside and not bringing back their investments, they actually develop foreign countries at the expense of our country. This is also a very good measure. We are also encouraging taxable goods for specialised equipment to be exempted from VAT, if they are going to be used for specialised hospitals. Cancer has greatly increased and if we exempt any machinery from VAT that is coming to specialised cancer hospitals or specialised hospitals, that will be good. That will help, other than having people go all the way to India or any other country where there are cheap rates because of VAT. However, when we have specialised equipment imported tax free, it will encourage many other people to start specialised hospitals and this will reduce the number of people who go out for treatment.

We have also seen exemption of tax for machinery, specialised motor vehicles and specialised machines that are going to be used locally by our armed forces. The rate of insecurity in this country is very high and we need to buy specialised equipment. When we exempt specialised equipment, we will boost our security because we need to have a very secure country. All those proposals are good because we want to have a secure country, a healthy nation and have leisure in our parks.

With those few remarks, I want to second. Thank you.

(Question proposed)

Hon. Deputy Speaker: Hon. Cyprian Iringo is the first on my list followed by Stephen Mule.

Hon. Kubai Iringo: Thank you, Hon. Deputy Speaker, for giving me this opportunity to give my comments on this Finance Bill. I stand to support it and confirm that this Bill is timely. It is a Bill which will bring to effect the Financial Year 2016/2017 budgetary proposals and also give the framework under which the Kenya Revenue Authority (KRA) will be collecting taxes. It is also going to give those areas which we need to exempt, add, reduce or to make any other changes. Therefore, it is a very important Bill because it gives the teeth to the budgetary proposals and gives legality to the tax collections and exemptions.

Consultations are still going on and, as a Member of that Committee, we are yet to meet other several stakeholders so that they can bring in their proposals and amendments. As my Chairman and Vice-Chairman have already commented, we would like to have these proposals brought early enough so that when we bring the final amendments, we will not have other contentions on the Floor of the House. We will pass it expediently and make it functional.

Without belabouring much, this Bill is also going to give effect to the KRA Act of 2014 because, as times go by, things change. Therefore, this Bill is going to assist us to look at the Acts which have been passed before, especially those of 2014, and the amendments which are being corrected.

The Capital Markets Act which is now being proposed in this Bill is going to open up the online foreign exchange and give the consumer protection. That is because it has already been aligned with the current Constitution and the budget. This is also going to align with Section 7(2) of the Excise Duty which, once it is done, will put Alcoholic Drinks Control Act into effect.

The Bill also looks at the Kenya Deposit Insurance Act which, in the past, we have had problems where some board of directors had conflicting interests. Whereas they were supposed to support or protect some industries, some of the directors happened to be in the companies or organizations which were already subject of investigation. In so doing, there were conflicts of interests and this Bill has tried to resolve that.

Finally, the same Bill also seeks to involve the Cabinet Secretary, especially in the Kenya Deposit Insurance Act. Once the Cabinet Secretary is involved, he is put into light on exactly what is happening. Without much ado, the Bill is rightly on the Floor of the House. I propose that all those who need to bring amendments bring them forthwith. Even the stakeholders can do the same so that once we effect this Bill, budget proposals will swim through and the citizens of this country can get the services they require from this Government.

Hon. Deputy Speaker: Before Stephen Mule comes on, I want to encourage Members to get copies of the Committee Report so that they can get into informed discussions and debates in the House. The Committee has written a very comprehensive Report on this Bill. Hon. Stephen Mule, you have the Floor.

Hon. Mule: Thank you, Hon. Deputy Speaker. I rise to support the Bill. The Bill proposes very clear measures that will lead to the recovery of our economy. If you look at the tourism industry, it has been highly affected because of some of the taxation imposed on it. I believe that with the proposal of exempting VAT at the gate, it will encourage more tourists to come to this country. When we were growing up, we knew very well that tourism was No.2 after agriculture in foreign exchange earnings. I believe it is high time we reclaimed our glory of encouraging tourists to come to Kenya.

Secondly, the Bill proposes the exemption of VAT on animal feeds. Where I come from, those old days, our grandfathers and grandmothers used to have many cattle. Due to high economic cost of animal feeds, I can assure you that very few farmers in my area, especially in Matungulu, are able to afford those animal feeds due to the taxation that is imposed on them. This will go very well to encourage the farmers in my area to make sure that they increase their livestock due to affordable animal feeds.

The Bill also proposes something which we have been looking for, for a long time; foreign investors to have some tax holidays. It is important to note that quite a number of foreigners who intended to invest in Kenya have run away to our neighbours like Tanzania, Uganda, Rwanda, Burundi and some to Egypt, because of some unfavourable tax regime in the country. This will be an indication that in Kenya, we are getting into another roadmap of being an investment hub for those people who want to invest here.

It is true that the Bill addresses the inequality such as import of motor vehicles in this country. This will encourage Kenyans to be in a position to import cars which they are able to maintain and make sure that we do not have a dumping ground for such vehicles. The Bill also proposes a safety area for the local banks. As the Chairman of the Departmental Committee on Finance, Planning and Trade has alluded, we have seen quite a number of banks that have gone down due to issues of unregulated banking sector.

The Bill is going to make sure that there is expansion of the framework for creditors, information sharing for ease of doing business and facilitation for the reduction of cost in credit. You know very well there is a Bill before the President concerning interest rates. This Bill will strengthen the Bill once assented to by the President to make sure that we have a reduced cost of doing business in this country. That will encourage more people and more Kenyans to get into business in this country.

Coming from the Departmental Committee on Health and being in the medical profession, I am quite pleased to hear that we are going to have exemption to the cancer equipment through this Bill. The duties of cancer equipment will be exempted. We are aware that Kenya has been losing a lot of revenue due to medical tourism in India. I believe that if this is actualized, all the revenue Kenyans are spending to send their patients and their beloved ones to India for treatment will be used here.

I want to thank the House. This morning, we passed the Biomedical Engineers Bill on Second Reading. With that Bill plus this one, we will be able to attain our goal for quality healthcare on cancer equipment in this country. I believe we are going to reduce the queues we have seen in our hospitals where patients wait for more than six months to get cancer treatment. This will encourage doctors and private practitioners to invest in the cancer equipment. I believe that will also translate to the common *mwananchi* because we will have exempted the equipment from VAT. We do not expect the cost of treatment of cancer to be the same again. That must be passed to the patient and it must be reduced with immediate effect.

Hon. Deputy Speaker, I will also propose to the Committee some amendments to this Bill tomorrow when we meet in Mombasa. I ask the Committee to support my amendments because they are clearly crucial to increase some of the factories, especially those that manufacture sanitary pads in this country. The Ministry of Education, Science and Technology buys sanitary pads from foreign companies in foreign countries. One of the proposals I am looking to making to the Committee is to exempt all the materials used to make sanitary pads in a factory so that we can encourage those factories which have moved out of Kenya to Tanzania to come back and encourage those that are being set up

It is a shame when we have our young mothers and young sisters depending on only one company in this country to manufacture sanitary pads. The rest of the sanitary pads are imported. Once the proposal I am making is agreed upon between the stakeholders and the Committee, I can assure you that the Ministry of Education, Science and Technology will no longer import sanitary pads to this country. The cost of sanitary pads to keep our girls in school will definitely go down. We will definitely create jobs because companies which make sanitary pads employ a minimum of 1,000 people. So, we are going to reap a lot from this.

It is important to gain the glory of double-digit of the growth of the economy in this country. We can only do that using all possible means within the law to make sure we encourage all investors back. The Bill clearly proposes to encourage those who want to invest back. I believe the proposal I am making is one of the pillars to make sure that we encourage those investors to come back and invest in the factories of making sanitary pads in the country. I believe and assure the Chair that we will meet in Mombasa to prosecute this issue more and to have a clear regime that makes sure we encourage manufacturers to come back to Kenya to manufacture sanitary pads.

The Bill also proposes a special Economic zone Act, 2016. It seeks to amend the special Zone Act, 2015 to provide tax incentives in respect to special zones that shall be provided for under the tax status. This is a clear true way of calling back those people who look at Kenya as a high tax country. I ask Kenyans and the world at large: “Please, come back”. Kenya is an investment hub because we are looking at all aspects which make Kenya the most suitable country to invest in right now.

As I conclude, I cannot forget the proposal made in the Bill seeking to amend the Alcoholic Drinks Control Act, 2010, to align it with Section 7 (2) of the Excise Duty Act, 2015. You know very well a year ago we had a clear unaccountable alcohol menace in this country. Despite what we did as Members of Parliament and what the Government has done, it is also good to make sure that we perfect this within the law. I thank the Departmental Committee on Finance, Planning and Trade for the proposal and the good Report they have done. I encourage Members that if Reports of an important Bill like this one are tabled, please, get a copy and read it to make sure that---

Hon. Deputy Speaker: Hon. Joseph Limo.

Hon. Limo: I stand to support this Bill. This country will move to a higher level if we remove the inherent obstacles which include multiple taxes and levies. On the issue of tourism, as much as I support the incentives which have been put in place to encourage tourists to come to this country, we need to be realistic. We cannot talk about taxes. Remember, tourists do not come to this country because we tax them; they do not come to this country because of the inherent problems we have, especially political instability.

We should address issues which make our country very unattractive, including traffic congestion. If you look at what is happening in Mombasa on tourism, it is not an issue of tax. If you go to the hotels, they are empty. It is not because of the tax; it is because of the environment. Mombasa has become very unfriendly right from the airport. If you look at the dumping site, it is not an issue that is very unattractive. Tourists do not come to look at the rubbish in Mombasa, they come to look at a very beautiful country. Countries like Ethiopia are overtaking us because of their simplicity and their practicality. So, as we reduce taxes in tourism, we need to address the issues which make our country very unattractive and very unfriendly. We proposed during the budget-making process, but no one listened. If we want to attract tourists to this country, it is not an issue of saying that this is a county government function or this is a national Government function. Let us put a concerted effort and address the issues of tourism.

The dumping site in Mombasa is an eyesore. We proposed, if they do not have another place to put that dump site, we can put up a wall to brand this country. I support the taxes, but let us be practical and address the issues of congestion and look for a way to make our towns clean. Tourists come here to relax. They do not come here to look at how we operate.

On the issue of agriculture, we have talked again and again. I encourage Members here and the National Treasury to be practical. Sometime back, we had exempted animal feeds from taxation. But we did not exempt materials for the manufacture of animal feeds. What we are doing is building industries of other countries, because we focus on importation. This Bill is addressing issues of exemption from tax the materials used in manufacturing, which will actually benefit this country in terms of setting up local factories. That is a good move, though it is late.

The issue of Excise Duty on motor vehicles, I still feel it is still punitive. You cannot say 20 per cent because it is not going to help somebody who is struggling, especially our youth. They operate on *boda boda*, and then buy a Probox. Currently, a Probox, as somebody alluded to, is not Kshs600,000, but Kshs1,000,000. If you charge 20 per cent Excise Duty on Kshs1,000,000, it becomes Kshs1.2 million. That is a lot. As we go to variable taxing, we should also bring it down. It should be below 10 per cent. That will be helpful. We can even build a graduated scale where, if the value of the motor vehicle is below Kshs1,000,000, the tax should be 5 per cent and if it is Kshs3 million, you take it to 30 per cent because somebody who can afford Kshs3 million is not the same as somebody who is struggling to get Kshs1 million. Therefore, the variable that they have come up with of 20 per cent is okay, but we should make it a graduated system to address inequities in this country.

With regard to banks, many people in this country are no longer engaging in business with integrity. The issue of raising the capital base is okay so that we can separate the people who are serious in investing in and those who are coming here to con people. I urge this House that when the proposal to raise the capital base to Kshs5 billion comes, let us support it because we must protect our people. I wish you saw the stress customers went through when several banks including Chase Bank went under. It was very bad and we should protect our people.

Our tax system is good, but we should address the issue of collection. We should put in place serious mechanisms to collect taxes. We should also look for a way of bringing the two levels of Government together.

Investors are not running away from this country because they do not want to invest, but because of the complexity in taxation. You are told that you will be taxed a certain amount, but when you land, an officer from the county government comes up with another type of taxation. We should ensure that this country speaks in one voice.

I encourage county government to come up with innovative ways of collecting taxes. They should move away from the traditional ways of collecting taxes from *mama mboga* and the *Jua Kali* people. We want a more innovative way of collecting taxes. They should move towards introducing advertisements.

The Government has invested a lot in street lighting. County governments should take advantage of this and construct good billboards on poles to raise more taxes. We want to hear county governments coming up with Finance Bills such as this one, but exempting *mama mboga* and *boda boda* operators from taxes so that our people are relieved from poverty due to lack of employment. The reality is that we cannot promise our people formal employment. We should encourage them to set up businesses through exemption of taxes.

Finally, as we look for a way of encouraging investors, we should not only concentrate on foreign investors. We should not say that we want to exempt foreign investors from paying taxes, but we should say that we will exempt people who want to invest in a certain field. Many people in this county have money, but they have not been approached.

Governors go to foreign countries to look for investors yet there are people in this country who are ready to invest. Let us encourage our local investors by exempting levies and taxes which normally force them move to other countries. They should be encouraged to invest in this country.

I support the Bill, but I will propose some amendments to make it better.

Hon. Deputy Speaker: Let us have Hon. Chris Wamalwa.

Hon. Wakhungu: Thank you, Hon. Deputy Speaker for giving me this opportunity to contribute to this very important Bill. This Bill outlines the measures of how the Government will raise revenue, so that it can achieve its objectives.

From the outset, I support the Bill. I also want to thank the Departmental Committee on Finance, Planning and Trade for the work well done. Unfortunately, for such an important Bill, the Committee Report was only tabled yesterday. My humble request is that the next time we have such important Bills, we need to have Committee reports early enough, so that the Members can have time to go through them and deal with them from an informed perspective.

First and foremost, I want to mention the issue of economic growth. It is true that the measures that will be put in place will help in terms of economic growth. Let me speak to the issue of motor vehicles. It is true the people in the motor industry have suffered because of Excise Duty. It was not proportionate. Equity was absent. I am happy that in this Bill, there is that proportionate aspect of the Excise Duty whereby if you import a Probox, the duty you will pay corresponds to the value of the car as opposed to somebody who imports a Range Rover and he pays a minimal amount.

The only issue I have, which my other colleagues alluded to, is that 20 per cent Import Duty on motor vehicles is very high when it comes to small vehicles like Probox or *boda bodas*. These are small vehicles that are being used in the rural areas for transport. We know that about 70 per cent of the unemployed persons in this country are the youth. You find that the youth are trying to set up some businesses like *boda bodas* or Probox operations. I wish the rate would be less than 20 per cent.

Hon. Deputy Speaker: Hon. Chris Wamalwa, I can see the Chair on a point of order. What is not in order?

Hon. Langat: Is it in order for Hon. Wamalwa to mislead the House and the country that the proposal we are making is more expensive than what was there before? In the Bill we passed recently, Probox importers were paying Kshs150,000, but in this Bill, they will pay less than Kshs100,000. It is wrong for him to mislead the country. We are making the Import Duty for the lower end vehicles far much cheaper than what we had proposed earlier. Hon. Wamalwa should stop misleading the country. He should pass the good news and not the bad news to the country.

Hon. Deputy Speaker: Be informed, Hon. Wamalwa.

Hon. Wakhungu: Thank you, Hon. Deputy Speaker. How I had wished that the Chairman would have understood the context of my explanation. I had said that there is now equity in terms of the small vehicles. However, I wished that instead, the rate of Import Duty should have been less than 20 per cent. That is what I meant. It is good for him to understand the context in which I stated my point. I can see he has now understood the context in which my argument was made. It is good in terms of equity.

Smaller vehicles were paying a much higher rate and it was not proportionate. There was no equity. Bringing in a percentage introduces the aspect of equity. Majority of the youth run businesses using *boda bodas* and the Probox. Instead of the 20 per cent rate of Import Duty, it should have been much lower, so that we can encourage those entrepreneurial businesses.

In my community, we have given out money through the Uwezo Fund. When some of this money is given to the youth, they form Savings and Credits Cooperative (SACCO) to buy Proboxes which they use for transport. That 20 per cent is still high. May be in future it will be lowered so that we can encourage the youth to set up businesses.

I want to mention something about the banking industry. In any growing economy, the banking industry is very important. I call upon His Excellency the President, to move with speed and assent to the Bill we passed on the Floor of this House on capping bank interest rates. We have seen banks now waking up and saying that they will have an MOU, so that they can regulate themselves and lower interest rates. This is long overdue. This issue has been there. The only industry that has been making super profits in this country is the banking industry. His Excellency the President cannot run away from it, not just because we are approaching elections, but because he must have the interests of the people at heart. This is in the Jubilee Government's Manifesto. I do not understand why we are dilly dallying on this. We do not want to wait for 14 days. We request him to assent to this Bill immediately, so that this industry can be regulated. Banks cannot continue robbing Kenyans of their money.

I support the measures put in place by the Chairman. We cannot allow entrepreneurs to come in and then say that we are going to increase the capital base from Kshs1 billion to Kshs5 billion to make banks competitive. Chase Bank and Imperial Bank had issues, but their capital base was in excess of Kshs20 billion. Competitiveness has nothing to do with the capital base. We want it to remain at Kshs1 billion, so that other smaller banks can enter into the industry and eat that cake.

Poor governance and corruption is killing the banking industry. Chase Bank and Imperial Bank failed because of bad governance and unethical issues. It is the responsibility of the Central

Bank of Kenya (CBK), as the regulator in the banking industry, to ensure that this matter is followed to the letter. We cannot accept the proposal of increasing the capital base from Kshs1 billion to Kshs5 billion. The Luhya community has been struggling to come up with a Mulembe Bank. Majority of these banks come from certain regions. The capital base should remain at Kshs1 billion for purposes of equity. We now have Kshs400 million and so, if you increase the capital base from Kshs1 billion to Kshs5 billion, when will we ever have a bank? That is not acceptable. The collapse of banks has nothing to do with the capital base. We should look at governance of these banks.

Animal feeds are very expensive. Women groups from my village were given loans through Uwezo Fund and they started poultry farming. Poultry feed is very expensive and some of them cannot even pay back the loans. Exemption of tax on animal feeds will reduce the production cost. When they sell their eggs, they can get returns on their investments. I want to thank the Committee for that proposal. Last year, I stood on the Floor of this House to oppose the proposal of taxing animal feeds. In Central Province, farmers from Thika and Gatundu have been complaining and I am happy to learn that the Chairman listened to us.

It is a very wrong idea to have tax exemption on entry to parks. There is no positive correlation at all and no study has shown that the number of tourists have been going down because of the high fees of visiting the parks. As a matter of fact, that fee is negligible. It does not add up for the Committee to tell us that if we exempt entry fee, we are going to have more tourists. Tourists just come to the Coast for vacation. Travel advisories are the cause of decreased number of tourists. We must fix our politics and security measures to open up our tourism sector.

Hon. Deputy Speaker: Hon. Wakhungu, I can see that you are very animated, but making some good contribution.

I would like to recognise the presence of the following group and pupils seated in the Public Gallery:- St. Lukes PCEA, Ruai West Parish from Embakasi East Constituency, Nairobi County; Mutunguni Primary School from Chuka/Igambang'ombe Constituency, Tharaka Nithi County; Fountain Schools from Ainamoi Constituency, Kericho County and Rurii Primary School from Subukia Constituency, Nakuru County. You are welcome to observe proceedings in the National Assembly.

Hon. S. S. Ahmed: On a point of order, Hon. Deputy Speaker.

Hon. Deputy Speaker: What is out of order in welcoming visitors?

Hon. S.S. Ahmed: On a point of order, Hon. Deputy Speaker. I am very proud that our children are here, but I have noted overtime that they come here shabbily dressed. Some have their ties hanging and others have untucked shirts. We are requesting our officers to tell them to tie their ties well because we are all well-dressed here.

Hon. Deputy Speaker: Your concern is noted. We want to tell our visitors that this is an honourable House and they should dress very well like us when they visit. I only said smartly dressed. I did not talk about ties because not all schools have ties. They should observe decorum and the tradition of the House. That should not be a point of debate.

Hon. ole Metito.

(Hon. Wakhungu consulted loudly)

Order, Hon. Wamalwa! You just had your chance to contribute, but you are now not allowing Hon. ole Metito to make his contribution.

Hon. Katoo: Thank you, Hon. Deputy Speaker. I rise to support the Finance Bill. I want to appreciate the fact that our economy has been doing well. In 2014, it grew by 5 per cent and in 2015, it went up by 5.6 per cent and it is expected to grow by 6 per cent in 2016. That shows that there is prudent financial management in the National Treasury. I would like to congratulate them. Although the Mover of the Bill stated that with this growth and strong macro-economic stability attained by our economy, there are still challenges of unemployment, poverty, inequality, low tourism visits and the impact of a weak global economy.

On poverty and inequalities, I would like to urge the Ministry of Devolution and National Planning, Commission on Revenue Allocation (CRA) with other relevant Government agencies to carry out an audit to give a detailed poverty index survey that will include all the parameters and demographics of poverty instead of using piecemeal *ad hoc* reports targeted to a larger sample like the county. It is good to go into details. It will help us to eradicate inequalities especially in resource sharing.

The Bill proposes exemption of the Value Added Tax (VAT) on animal feeds in terms of raw material. I would like to state that the livestock industry contributes about 12 per cent of our Gross Domestic Product (GDP) and is a big source of livelihood for many Kenyans as has been stated. It is also an alternative to our food security. However, we have not given this sub-sector of our economy a lot of attention. It is not just enough to exempt VAT from the raw materials used to manufacture animal feeds, but it will be good to establish disease free zones like it is in Botswana, so that we can regain our European Union share.

It will be good to establish disease free zones in this country, like in Botswana, for us to regain our European Union (EU) quota for livestock and livestock products. It is good that the National Treasury puts a lot of money into the establishment of disease free zones. It is always good that they fully revive the Kenya Meat Commission (KMC). Instead of just injecting Kshs700 million in a financial year, it is better to write off the old debts and give KMC up to Kshs2 billion. We are seeing it being done in the sugar, coffee and tea industries. The livestock industry also deserves support. Again, being a devolved function, counties need to fully operationalise abattoirs within their jurisdiction to stimulate the economies of the counties that are livestock reliant.

There is the issue of housing, where it has been proposed in this Finance Bill that a Corporate Tax exemption of between 20 to 30 percent be given to developers who construct, at least, a thousand housing units in a year. However, the KRA has introduced a tax for residential houses, which is being paid by landlords. If you do that, landlords will transfer it to the tenants. Doing so may limit accessibility of good housing to our people. As much as you try to reduce the Corporate Tax, it is also good to look at it so that we do not get it out of one pocket and put it back through the other pocket. If you tax landlords, they will transfer it to the tenants and that brings some problems. Housing may become unaffordable in this country.

Clause 24 of the Bill talks about VAT exemption. It has been noted that we have challenges of low tourist visits. However, when you go to the hotels that tourists visit, there is the issue of service charge. I support the proposal in the Bill to exempt hotel patrons from service charge, which is being referred as “lieu of tips” from VAT. This helps in removing double taxation because service charge or tips go to the employees. However, employees are paying Income Tax. That is a welcome move.

Again, in Clause 27, there is an elaborate schedule of proposals that tries to reduce unnecessary administrative work, especially when you look at Clause 27(4) and (5). This clause talks about exempting from VAT, machinery and equipment for use by the Kenya Defence Forces (KDF) and the National Police Service. You are taxing the Government and the money is taken by KRA. That is what I referred to as removing money from one pocket and putting it back through another pocket. It is the same thing. This is just streamlining the issue of unnecessary administrative work since it is the same Government doing it. It is a very good proposal.

Almost every Member who has spoken has talked about Clause 42 through to Clause 47. These clauses are about amending the Capital Markets Act. Clause 44 talks about online forex bureaus. Currently, there is no regulatory framework to guide online forex trade. This tries to make regulations to ensure effective and secure online forex trading by Kenyans. However, if you read Clause 45 in detail, you will see that it is about sharing credit information, especially in the SACCO Act and the Microfinance Act. There is a Credit Reference Bureau which encourages sharing of information, so that when you default from one SACCO, another one can detect it very easily.

Clause 47 talks about the issue of collapsing banks. Many colleagues have said that it is becoming very punitive, but I think it is good for us to give our banks a stronger base. Clause 50 talks about the Kenya Deposit Insurance Act.

Hon. Deputy Speaker: I will add you one minute.

Hon. Katoo: Thank you, Hon. Deputy Speaker. Clause 50 talks about the Kenya Deposits Insurance Act, where we are removing conflict of interest. Currently, all the Chief Executive Officers (CEOs) of banks are in the Board established by the Kenya Deposits Insurance Act. They are the same people who are supposed to oversee collapsed banks. So, we are removing that and saying that we will have the CEO of the Kenya Bankers Association as the representative of all banks. It is a welcome move.

Finally, I will point out the issue of a weak global economy. It is good that we become very competitive. The National Treasury should devise ways of becoming very competitive. It should come up with contingency plans that can take shape in case we are affected by the weak global effects.

Hon. Deputy Speaker: I give the Floor to Hon. Mary Emaase.

Hon. (Ms.) Otucho: Thank you, Hon. Deputy Speaker, for this opportunity. I have been longing for it. This is a very important Bill. I know that whenever we discuss the Budget Policy Statement (BPS) and consequently interrogate and approve the Budget Estimates and further discuss the Division of Revenue Bill, the emphasis has always been on the expenditure side and how we are going to share the money. However, this Bill brings into the limelight the revenue-raising measures and how the Government is going to raise the money we are going to expend. So, it is a very important Bill that focuses on the formulation of money raising measures and proposes to bring amendments to specific tax laws and laws that relate to the financial sector. This Bill will make amendments to the Income Tax Act, the Excise Duty Act, VAT Act and tax procedures. These amendments are basically intended to streamline the operations of these laws and to help enhance compliance by the taxpayer by making it easy to pay tax. It is also meant to enhance revenue collection.

What the Committee has done is to give highlights of the proposed amendments as contained in the Bill. I am a Member of the Committee and the Committee will subject the Bill to public participation and meet a number of stakeholders. You have heard our Chairman inviting Members who had proposed amendments to make sure that they submit them to the Committee, so that as we go for the retreat over the weekend, we can interrogate and deliberate on them and bring to this House a substantive Report.

I want to mention a few highlights that are contained in Clause 2 through to Clause 16, which contain amendments to the Income Tax Act. One of them has already been mentioned. This is on the residential rental Income Tax. This Bill proposes to reduce the rate from 12 per cent to 10 per cent. It also proposes to introduce a taxable minimum threshold of Kshs144,000 per annum, which translates to a minimum of Kshs12,000 per month which is a good thing. It is not a new tax. It has been there. Residential house owners have been paying the tax, but at a higher rate. So, this Bill is proposing to reduce it to 10 percent and that is a good thing.

In Clause 6, the Bill seeks to empower the Income Tax Commissioner to appoint withholding agents for residential income tax. This will also help in improving putting structures in place that will assist the Commissioner in collecting the revenues. Clauses 7 to 11 seek to repeal a number of sections in the principal Act to realign it to the provisions of the Income Tax procedures. Clause 8 seeks to repeal Section 51(a) that deals with filing of tax returns and keeping of records. We know that with the advent of digitisation, the iTax and Electronic Tax Register (ETR) have been rendered redundant and we do not need that clause. So, those are some of the main proposed amendments from that section.

I also want to mention that this Bill proposes some tax exemptions for bonuses, overtime and retirement benefits for those employees whose taxable employment before taxation is below the lowest tax band. So, for those people earning less within the specified tax bands, they have proposed exemptions. There is also a proposed exemption to the interest income on bonds which are issued by the East African Development Bank (EADB). Also, there is a proposed relief to enhance personal relief by 10 per cent. However, when we look at that proposed relief, it comes to about Kshs118. We had a concern there as it does not translate to much considering the increased cost of living. So, that is one of the areas that are contentious that we shall be looking into.

This Bill also proposes to reduce Corporate Tax from 30 to 20 per cent to give incentives to companies that construct, at least 1,000 residential units. This will be encouraging investors who want to invest in the housing sector to be able to invest more units. If you are able to put up 1,000 units then you have a less Corporate Tax to pay. Those are some of the highlights I wanted to mention.

Clauses 17 to 22, propose amendments to the Excise Duty Act. One of the highlights which we were concerned about, as a Committee, is the imposition of a duty of Kshs7.20 per litre on kerosene. We know that most Kenyans who cannot afford gas or electricity depend on kerosene. So, increasing duty on kerosene will be touching on the vulnerable people in this country and that is an area we will be looking at. It would not be good for the economy. It also proposes to introduce a duty on cosmetics and beauty products at a rate of 10 per cent in Clause 21(b). It is excluding water from Excise Duty under Clause 21(c) and that is a good thing because this is a basic commodity and everyone needs water. So, taxing water would not be a good thing to do.

Under that section, the Bill proposes a specific Excise Duty on vehicles as mentioned. It is reducing the tax to 20 per cent and that would make the taxable value less than what was previously paid. It also seeks to exempt goods that are used in the implementation of official aid funded projects. This will encourage our partners who are supporting or partnering with this country in aid funded projects to bring many projects to this country and this is a good thing as is provided for in the financing contract.

Clauses 23 to 28 propose amendments to the VAT and some of the key items that are proposed for exemption. The service charge in lieu of tips has already been mentioned. Raw materials for animal feeds will encourage agribusiness and ensure that we are guaranteed food security. Many of our farmers will be encouraged to venture into livestock keeping because the feeds will be cheaper and most of the farmers will afford to buy. That is a good proposed amendment to this section. Also, among the items is the equipment and machinery imported or purchased locally for use by the Kenya Defence Forces (KDF), National Police Service (NPS) or Military supplies.

We realise that these institutions purchase huge equipment and most of them are imported, even uniforms for the KDF are imported into this country. So, if this amendment is carried forward, it will encourage many local Kenyan manufacturers to manufacture uniforms and will build our own businesspeople in this country. Among other items in that list proposed for exemption are wheat seeds and petroleum gas as most Kenyans use gas for cooking, garments and leather footwear manufactured in our Export Processing Zones (EPZs). We know that our EPZs are creating employment for our youth.

Ho. Deputy Speaker: Thank you, Hon. Emaase. Let us have Hon. Makali Mulu.

Hon. Mulu: Thank you, Hon. Deputy Speaker, for, at least, giving me the chance despite waiting for long. I take this chance to also support the Finance Bill, 2016. This House passed the 2016/2017 Budget and I am on record having said that it was a very ambitious Budget because out of the Kshs2.71trillion Budget, we are expected to collect about Kshs1.3trillion locally. This Bill is going to help the Government to collect that amount. Looking at the proposed revenue raised, we still have a challenge and we have to do much more in order to get this money.

In this Bill, there are some proposals which, from my assessment, are good for the majority of Kenyans. A good Budget is assessed from whether it is a pro-poor or a pro-rich Budget. Some of the things here are good for the poor, but we have not targeted the poor properly. At the end of the day, the poor people might end up suffering more than we expect to assist them to improve their livelihoods. The issue of enhancing personal relief to 10 per cent is good in terms of direction and the fact that we are enhancing it. It is good for the people.

The issue of increasing the banding upwards is also good. It will help Kenyans. At the end of the day, what matters is what goes to your pocket. It is not the gross, but the net. That is what determines how much you will eat. Some of these things will help the poor people to get more money into their pockets, which is good.

Let me focus more on areas which are tricky to us. As Members of Parliament, we have to think seriously about the reduction of the Corporate Tax from 30 per cent to 20 per cent. This is being tied to construction of, at least, 1,000 residential housing units. This is a very tricky area. I know we have challenges of residential houses in this country and more so in cities. If we reduce the Corporate Tax from 30 to 20 per cent, the difference is 10 per cent. I am wondering whether that particular loss of tax is good enough to attract somebody to put up 1,000 residential structures. Reducing the Corporate Tax from 30 per cent to 20 per cent is not the best strategy for encouraging developers to put up more residential housing units. That small difference is not good enough to make people invest in residential houses.

[The Deputy Speaker
(Hon. (Dr.)Laboso) left the Chair]

[The Temporary Deputy Speaker
(Hon. Cheboi) took the Chair]

The other thing is the imposition of duty of Kshs7.20 per litre of Kerosene. Who uses Kerosene in this country? It is basically the low income households. When we impose this kind of tax on kerosene, are we helping the poor? We are pushing them from using this important source of energy to firewood. This will make things worse in terms of deforestation. As we amend other clauses, the Chairperson of this Committee should reconsider Clause 21(a). At the end of the day, we are harassing the poor of this country more than we are helping them. We need to think through this and make sure that we amend the Bill in order to shield the poor from the impact of taxation.

Hon. Deputy Speaker, I also have an issue with the tax amnesty that we are giving to people who want to re-invest in Kenya.

The Temporary Deputy Speaker (Hon. Cheboi): What did you say, Hon. Mulu?

Hon. Mulu: Hon. Temporary Deputy Speaker, I did not realise that the position has changed from the Deputy Speaker to Hon. Temporary Deputy Speaker.

Hon. Temporary Deputy Speaker, there is tax exemption or amnesty to people who want to reinvest in Kenya. These are people who had moved out of Kenya and they want to come back. We need to be cautious in this area. As such companies come back, they should be vetted to establish if they left the country because of taxation. I do not think taxation will be good enough to push someone out of a country. As the companies come back, they need to be vetted to make sure that we get investors who can add value to the economy of this country in terms of creation of employment and generation of more revenue, so that the country can grow.

The other area which the Committee needs to look into is tax refund period. The Bill proposes to increase that period from one year to five years. This means that if pay taxes that you should not have paid, KRA can take five years to refund the money to you. I am not convinced. Is it a matter of incompetence or not valuing the fact that an individual or company that has paid money to the Government needs to get that money back, so that they can invest it? Imagine your money being held by the Government for that long without it being invested. Tax refund period should be reduced to six months. It should not be increased five years. I am not convinced that we need to increase this time. We need to reduce the period to six months. If you pay your money to the Government and it is convinced that they should refund it to you, they should so within six months. If they say that the financial year is over, then one year is good enough because you can allow that money to be factored into the next Budget.

There is also the issue of the banking sector. The Finance Bill says that we need to increase the minimum core capital from the current Kshs500 million to Kshs5 billion by 2019. This will not help the country. None of the investigations that were done in Chase Bank and

Imperial Bank pointed out that these banks were placed under receivership because of the minimum core capital. Each of these banks had core capital of more than Kshs5 billion. Some of the banks that went under in the past had Kshs80 billion while others had Kshs20 billion. They had more money than they required. The problem was governance. Both the directors and the top management conspire to embezzle funds left, right and centre, without caring about the shareholders' and depositors. If we sort out governance issues, we should have no problem with the minimum core capital. We can still retain it at Kshs500 million. We can increase it to a billion, so that we encourage people to invest in the banking sector. For your information, out of the 12 most profitable companies in Kenya as per last year's financial reports, several of them were banks. This is where money is. Why do you want to lock our people from this lucrative business? We need to make sure that this amount remains either Kshs500 million or increases to Kshs1 billion.

The Bill also proposes to amend the Public Finance Management (PFM) Act. This is a substantial Act and it should not be amended through the Finance Bill. We need to get a way of doing it correctly. If there is need to amend the PFM Act, we should do it correctly, but not through the Finance Bill.

We are pushing Kenyans to pay taxes and they will do it. However, we must seal the loopholes of how that tax money is used. I am talking about corruption. If KRA collects money from Kenyans, and we eat all of it through corruption, it will not help Kenyans. It is important to seal the loopholes, so that the money that we collect can be put into correct use for the benefit of Kenyans.

The Temporary Deputy Speaker (Hon. Cheboi): Member for North Imenti!

Hon. Dawood: Thank you, Hon. Temporary Deputy Speaker. I want to, first, support the Finance Bill with a few amendments which I have already given to the Chair of the Committee. I am a Member of the Committee and there are a few things which come to mind regarding the Residential Minimum Threshold Tax under Clause 3; it is Kshs144,000 per year. That means somebody has to pay a tax of about Kshs12,000 per month. We want to raise our people's profile. Nowadays, it is hard to make ends meet. When we set the Residential Minimum Threshold Tax at about Kshs12,000, that is so low. We probably need to rethink this position and raise it to, at least, Kshs240,000 per year. That means paying about Kshs20,000 per month. Somebody will need to pay the tax if he earns more than Kshs20,000 a month in residential income.

There is also the personal relief which is granted. Apparently, it has been very low. Personal relief is Kshs13,944. It has been proposed to be raised to Kshs15,360. This is Kshs1,400 per month. Taking into account inflation, that is very low. The KRA and the National Treasury need to rethink that provision and raise the amount to at least Kshs25,000 and see how we can raise the tax rates. A tax rate of 10 per cent is about Kshs134,000, which is very low. It needs to be raised. That way, we can see how it works.

There was a suggestion by the Cabinet Secretary of the National Treasury that anybody who constructs over 1,000 residential houses will be eligible for a rebate or reduction of Corporation Tax of 30 per cent from 20 per cent. How viable is that? Nobody can construct 1,000 houses in one calendar year. He needs to come out more clearly and state whether he is talking about constructing residential houses in one calendar year in one place or many places. We need to give realistic figures which do not look good on paper.

Excise Duty on kerosene was not well thought out. The CS for the National Treasury raised the price of kerosene thinking that people will stop mixing it with diesel or super petrol. Unfortunately, it has become more expensive for the poor and in a way, it is not helping at all. It is good that VAT on Liquid Petroleum Gas (LPG) was removed. Unfortunately, by doing this, it will not help people to move from using kerosene to gas. We need to reduce the price of hardware such as cylinders or the Government to issue free gas cylinders to people, so that reliance on kerosene is reduced. If Excise Duty on kerosene remains, then, unfortunately, we will not conserve our forests. We will do the opposite because people will start cutting down trees and cause deforestation.

On re-investment of money from oversees, the CS, National Treasury, has tried very much to control this, but I wonder whether we are glorifying corruption. People who have stolen money from this country can re-invest it without being taxed or questioned. If that is not money laundering, I do not know what it is. How can someone bring in money from oversees without being questioned so long as it is invested in Kenya. My Chair is wondering where this is, but it is in the speech by the CS for the National Treasury and the Bill as well.

It is going to be mandatory for SACCOs to be put under the CRB. That is a very good thing because many people do not get loans from banks because of high interest rates. They prefer going to SACCOs and microfinance banks and they should give details of defaulters to CRB. If the President signs the Banking (Amendment) Bill by Hon. Jude Njomo, we should think of adding SACCOs and microfinance banks because currently, the law is just dealing with banking institutions. I believe the President will sign that Bill because we need to control banks.

The CS for the National Treasury suggested of raising the core capital on banks in the Finance Bill 2015. The Departmental Committee on Finance, Planning and Trade thought it was not the right thing to do. The Governor of the Central Bank also said that it was not right because having a few banks will not help the country. We need diversity. But after much thought, we need to raise the core capital as suggested by the CS because we have too many banks and most of them are prone to failure. We do not need four or five banks, but about 20 from the over 43 banks that we have at the moment. We need to also look at the governance of these banks because there is a problem. The National Treasury wants to control how the Kenya Deposit Insurance Corporation (KDIC) is run. It should leave it alone because CBK needs independence.

Hon. Langat: Point of information.

The Temporary Deputy Speaker (Hon. Cheboi): What is it Hon. Langat?

Hon. Langat: I want to inform my good friend on the Bill that was brought by Hon. Jude Njomo.

The Temporary Deputy Speaker (Hon. Cheboi): You are a very senior Member, Hon. Langat. If you want to give information, then you must seek permission from the beneficiary.

Hon. Langat: I want to inform Hon. Dawood.

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Dawood, are you interested in the information?

Hon. Dawood: Hon. Temporary Deputy Speaker, I do not want to be informed by my Chair for now because he is eating into my time. He can talk to me later, but he can say only one word.

Hon. Langat: I just wanted to inform the Member that the Bill that was brought by Hon. Jude Njomo talks about banks and financial institutions licensed by the CBK and microfinance banks. These banks are licensed by the CBK. Therefore, they will be part of that law should the President sign it.

Hon. Dawood: Hon. Temporary Deputy Speaker, my Chair has forgotten that SACCOs are not licensed by the CBK, but by the SACCO Societies Regulatory Authority (SSRA) and we need to put them under the same ambit because they have been excluded in the Bill.

There is also the issue regarding the Capital Markets Authority (CMA) and the online forex trading, which is a good idea. On the Capital Gains Tax (CGT), if you have owned a property for over 20 years and, for example, you bought it for about Kshs100,000 and want to sell it for Kshs1 million, you will pay CGT on the Kshs1 million because it takes inflation into account. I will bring amendments which I have passed to the Committee. We need to rethink how we will go about this.

Hon. Temporary Deputy Speaker, please, give me another minute because my Chair took one minute of my time.

The Temporary Deputy Speaker (Hon. Cheboi): I will not.

Hon. Dawood: We need to rethink how CGT works so that when people want to sell inherited property, it is done fairly.

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Dawood, your time is over. Next is the Member for Bomet Central.

Hon. Tonui: Thank you, Hon. Temporary Deputy Speaker for giving me an opportunity to support the Finance Bill. I believe it is timely and good especially because it touches on key issues concerning members of the public.

On Income Tax, we want to adjust the tax relief so that our people can benefit from it. We are adjusting marginally to those earning around Kshs13,400 to get tax exemption. I wish we could adjust this to at least Kshs20,000, so that low income earners can benefit. The level of poverty in this country is increasing and many people are becoming poorer and poorer while a few are becoming millionaires and billionaires and they are the ones who should be taxed more. We should relief some of the salaried people especially teachers and public servants who are heavily taxed.

The amendment to the Banking Act, especially the requirement for information sharing among SACCOS is good. This will make sure high-risk loan takers, who do not repay loans making the cost of borrowing high, can be taken care of. They should not be allowed to move from banks to SACCOS and take loans which they never repay.

The issue of single owners of banks need to be addressed so that we do not have people starting a bank with Kshs500 million then welcoming other people to deposit money in those banks and then they cause the collapse of those banks, take the money and move out of this country, like it happened with the Imperial Bank case. The issue of one man owning a bank should not be encouraged. There should be proper shareholding in banks so that no single person should own more than 25 per cent shares of a bank. This will encourage transparency so that the banks do not collapse with depositors' money.

I also want to comment on the issue of bank interest rates and commend Hon. Njomo for coming up with a Bill to regulate the same. I want to urge the President to sign it. Today, there is a cartoon in the newspapers showing the dilemma facing the President. Banks are trying to lobby against the signing of Hon. Njomo's Bill yet, the other side of common man is making a plea, that "please, save us from the high interest rates as 2017 is around the corner". I believe the

President will listen more to Wanjiku and less to the banks who are exploiters and who make abnormal profits of Kshs20 billion while the economy is struggling.

I am not happy about some provisions of the Bill. It does not talk about the Presidential directive on taxes in the tea sub-sector. I was happy when the President said that all taxes in the tea sector will be removed. He wants to encourage the tea sub-sector as it is one of the major sources of foreign exchange earnings. We need to invest in it and reduce taxation. During the Committee of the whole House, we need to introduce an amendment to this Bill to ensure that taxation in the tea sector is removed. I can see the Chairman of the Committee is, indeed, concentrating. I am happy because he also comes from a tea-growing area. I know this will be taken care of so that farmers can get some tax relief.

I am also happy that we want to amend the KDI Act to ensure that those who play a key role in terms of being members or directors of the boards of management of banks have no conflict of interest. We cannot have directors of banks sitting in the Board of Management of the KDIC If they are the ones running the show, then, the oversight role expected of them under the KDI Act will not be executed. They are the people who cause banks to collapse by looting funds belonging to small depositors. That conflict of interest is being taken care of by this Bill. That makes me a happy man.

There is also the issue of tax exemption on overtime payments. I believe this is a welcome move to encourage our people to work beyond the stipulated time. My only worry is those people who work 24 hours a day, seven days a week in the teaching profession and are never paid for their overtime. There should be overtime allowance, especially in boarding schools. We need to introduce it so that teachers can also enjoy tax exemptions on overtime payment.

The amendment to the Special Economic Zones Act is welcome because it is going to create jobs for our youth. We need to be export- oriented in our economy, so that we create employment. When we exempt SEZs from certain taxes, it is a welcome idea which we need to encourage.

I believe the proposal to cap Excise Duty at a flat rate of 20 per cent of the import value is not a good provision, especially for the public transport. The traffic jams we face on our roads in this city, Mombasa and other major cities are because of many small vehicles. We need to encourage investment in public transport. We need to encourage the use of buses. When you adjust Excise Duty to 20 per cent, school buses will become expensive. I have been purchasing buses for schools, but when we impose an Excise Duty of 20 per cent of the value of the vehicle, it is going to be very expensive. We need to tax private cars more which are luxurious in nature. That will even reduce traffic jams in our cities, so that we can move faster to our places of work, spend more hours in our offices and serve Kenyans. This provision needs to be reviewed. It is not a good one.

I welcome the amendments proposed to the Retirement Benefits Act because they are going to encourage accountability and transparency. The administrators of pension schemes need to be transparent and accountable. They need to give reports on their financial status, so that we can know if the public pensions are safe or not. Those are the issues which we need to capture. Capturing this in the Bill is a good thing.

We are also talking of ways of addressing tax returns. Most tax returns are cooked up. They are fraudulent. I would propose that zero-rating certain items needs to be removed and in its place we have tax exemptions, so that the issue of tax refunds does not arise. People sit in offices and cook up figures and then claim refunds from the Government. How can you ask Wanjiku of this country to pay taxes and then you refund the billionaires of this world through tax refunds? That is surely unfair.

I welcome the idea of reducing residential houses income tax from 12 per cent to 10 per cent. I believe this will be a good incentive for people to invest in residential houses. Our people need good houses. Reducing the tax from 12 per cent to 10 per cent is in the positive direction and we need to encourage it.

The Temporary Deputy Speaker (Hon. Cheboi): Your time is over. Before I give opportunity to the next contributor, I want to recognise pupils from Rian Academy from Bureti Constituency in Kericho County. The constituency is represented by Hon. Leonard Sang, also known as 'Panadol'.

Hon. Barua: Thank you, Hon. Temporary Deputy Speaker, for this opportunity to make my contribution to the Finance Bill, 2016.

At the outset, I would like to say that the statement by the Mover that the economy has been growing for the last two years at the rate of 5.3 per cent, followed by 5.6 per cent and that we are projecting the growth to go to 6 per cent this financial year, is welcome news and it shows that the country is moving in the right direction in terms of economic growth. As the country is growing at that high rate, and as we move towards the 7 per cent economic rate per annum that we experienced before the Post-Election Violence in 2007/2008, it will be very important for us, as Kenyans, to ensure that this growth of our economy trickles down to the common *mwananchi*. It is one thing for the economy to be growing and impact on the rich and the super-rich--- It will be very important if this economy grows in a manner where it trickles down to the common man and woman in the village, so that they can also benefit from the good financial management of this country.

There are very many factors that determine the impact of the economic growth. These factors could be different for various counties and constituencies. Where I come from in Central Kenya, we were heavily impacted by the illicit brew and the so called third generation brews. We have already overcome that challenge by 70 per cent and we can say that we are seeing our young men and women being able to contribute to the economic welfare of this country.

Coming back to the Report, I would like to say that this Bill is very important for this country and every Member of Parliament. It is for these reasons that I call upon this House that in future, an important Bill such as the Finance Bill should not be tabled one day before or should not be made available to Members a day before deliberation in the House. We need it to be ready in good time so that we examine, scrutinise it and make comments. That way, we will be in a position to represent our people effectively. That is my observation and I am sure it will be taken into account.

Hon. Temporary Deputy Speaker, I am going to highlight a few issues and one of them is revenue collection. It is my view and that of the people I represent that we should stop the habit of punishing the few people who are tax compliant. We keep on loading taxes on the people who are tax compliant year in, year out. What we need to aspire for in future is to ensure that we expand our revenue base so that we get more money. If we expand our revenue base, we could even lower our taxation and achieve more than what we are achieving now by relying on a few sectors that are tax compliant. I am saying this because, for example, the plastic industry has been slapped with an increase in Excise Duty for the last three years consecutively. Presently, that industry is threatened with collapse. It is high time this country decided on the future of this industry because most people risk losing their jobs.

I would like to comment on the views by the Majority Whip on housing. He said that if we tax housing, the money will be passed on to the consumers and the houses may be very expensive. The house rates of this country are determined by supply and demand. We cannot fear taxing landlords because we know that a lot of money that is illegally or unprocedurally gained by people is hidden in the property sector. I support this issue because we should ensure that we get adequate taxes from landlords. I am against the rate given because it is too high and punitive. We should lower the rate of taxes imposed on the housing sector.

The other issue I want to talk about is on the tourism sector. I have had the privilege of working in this sector for about two years during my youth. I know and I can state with confidence that entry fee to parks is not the major factor influencing the number of people visiting national parks. I agree that it is an incentive, but we are suffering because we do not have a variety of products to market our parks. Our parks have been traditionally attracting tourism based on observing wildlife. The managers in this sector should be called upon to come up with innovative tourist activities which can attract diverse tourists from most parts of the world and that will earn us more money. Game viewing can be too monotonous and we cannot get a repeat visitor for more than two to three years. Once you do two years as a visitor, you look for another product from another part of the world. That is one of the things that is threatening the tourism sector.

Still on the same sector of tourism, there is nothing as important as a good business environment. In my opinion the threat to tourism in this country is based on security. Security is very important. If we secure this nation, we shall get more visitors. Even locals are afraid of visiting other parts of the country because they are not assured of their security. The question that begs is, if as Kenyans we are not comfortable visiting some parts of the country because of insecurity, how do we expect foreigners to do it? We should ensure that we maximize the security in our national parks and all the tourist attraction sites.

The Kenya Wildlife Service (KWS) needs to budget for an adequate number of rangers so that we secure our parks and tourist resorts. We should give Value Added Tax (VAT) exemptions for tour operators because it will have a positive impact.

Hon. Temporary Deputy Speaker, as I wind up, let me say something on agriculture. Exempting VAT on inputs for animal feeds will go a long way in ensuring that the ---

The Temporary Deputy Speaker (Hon. Cheboi): You have a few minutes.

Hon. Barua: Hon. Temporary Deputy Speaker, as I wind up, I want to commend the Mover of the Bill for exempting tax on animal feeds. This is going to improve the agriculture sector.

Finally, I want to comment on the issue of importation of vehicles. What caught my attention is that there is no mention, to the best of my knowledge, of the issue of motor bikes. We should bring an amendment to ensure that the Excise Duty on motorbikes is removed so that we can benefit our young men and women who are doing business in that sector.

I support this Bill. I shall bring an amendment in connection with taxation on motorbikes.

Thank you, Hon. Temporary Deputy Speaker.

Hon. Lati: Thank you for this opportunity, Hon. Temporary Deputy Speaker. I have been here for quite a while and I understand that this is a very important Bill for our country. It is the Bill that finances our budget and creates revenue sources to finance the Appropriation Bill that we just passed.

There are very good positive things in this Bill and some things that are not very good. The aspect of boosting tourism is very important. Tourism in this country is one of the top earners of foreign exchange. Exempting park fees from VAT is very important. Where I come from, we have expanded tourism beyond the traditional national parks to community conservancies. The exemption of VAT on park fees will go a long way in giving those communities incentives so that they can take care of wildlife and protect our national heritage.

I have heard some members say here that the animal feeds issue is a boost to livestock. What we forget is that we tend to take care of a very small section of our country and forget the bigger part. The number of livestock that benefit from that feed is small compared to the livestock that are in areas where other pastoralists and I come from. We do not need these feeds.

If you are making a Finance Bill for the entire country, and you narrow yourself to a place where there is a small number of livestock, where livestock are fed in pens and paddocks and you forget to create any incentives for the majority of livestock keepers in Kenya, then there is a lot of biasness in this country. If you look at the income generating activities of our people, and there is nothing else that can be put here--- The population of people who keep the small number of livestock in pens that require feeds is bigger than those of us who come from sparsely populated areas of Kenya.

You should have taken care of the Kenya Meat Commission (KMC) which would have touched a bigger section of livestock in Kenya. You should have removed taxes on drugs like acaricides used in dips so that those pastoralists can buy them cheaply. When you tell me that all you can create is an incentive to lower taxes on feeds, it beats logic. Which animals will you feed? Is it the one, two or three cows in pens in some parts of Kenya? It is very bad. I think we should look at Kenya as a country for all of us. I do not even know how many cows are being kept and fed in Kenya compared to those cows that are in free range in northern Kenya and other parts of the country. So, it has something else other than the livestock. It may be because our people have less votes and nobody really cares about them.

Hon. Temporary Deputy Speaker, on the Banking Act violation, it is a very good step forward that we move from charging banks Kshs5 million to Kshs20 million. In my opinion Kshs20 million to banks is still very small. Probably, it is better than what we had before but it is very small compared to what we have had in this country in less than a year in banks like Chase, Dubai and Prime. We have to be very careful when we talk about things that are monetary policy in this country. I also want interest rates to come down in this country. I know that we have an imperfect economy; a very biased economy, indeed, but you can regulate commodity prices. Any time you get into the monetary policy of a country, you must be very careful because there are things that you would not be able to control. Maybe in our country, we might need that probably on a short-term basis.

The problem in Kenya, which I think Hon. Njomo should have looked at, is that banks are doing things that are not good. Again, anywhere in the world where the Government becomes a borrower, it creates a crowding out effect within the economy. That is the first cure we should have done to our economy. We should have taken the Government out of the domestic market borrowing because you should never expect interest rates to come down if the Government becomes a borrower. I do not want to oppose the Banking (Amendment) Bill by Hon. Jude Njomo in anyway because we need that in the short term but he also needs to tell our Government and any other Government that will come that it is not good for the Government to become a big borrower domestically because it hurts the local people down there.

On the reduction of Corporate Tax, it is a very good idea. This is because our country needs a lot of housing. We are moving into a middle income country and housing is a big need. It is a welcome opportunity that will reduce taxes for those people who can build 1000 unit houses and above.

With those few remarks, I support.

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Rotino, your card had been removed by mistake. Next will be Hon. Ochieng.

Hon. Rotino: Thank you, Hon. Temporary Deputy Speaker for giving me the opportunity to add my voice on this very important Bill.

At the outset, I support this Bill very much. This is because this Bill goes a long way in assisting the Government raise revenue to be able to finance the Kshs2 trillion Budget that we have. I want us to touch on a few issues that are of concern to me.

First of all, I want to encourage the President to sign the Banking (Amendment) Bill that is on his desk. It is very important for that Bill to be signed for the interest rates to come down. Why do we have these interest rates going up all the time? We should try to discourage the Government from borrowing from domestic banks. This is because when the Government borrows from domestic banks, it encourages interest rates to go up. Let us discourage the Government from borrowing domestically because if it does, interest rates go up. As a result it affects our small borrowers who have difficulty repaying loans.

On the specialised equipment that are imported or purchased locally, we spend a lot of money on people going abroad to seek specialised medical treatment. If we can exempt taxes on equipment used to treat patients, it is going to save our people from spending a lot of money going abroad to seek specialised treatment. Therefore, this is welcome and good move.

I want to join my colleagues by saying that in as much as we exempt tax on fodder feeds for our animals, the Departmental Committee on Finance, Planning and Trade should look at what we require to encourage our people, especially, those who have animals that move freely in those areas. As much as we support exemption of taxes on these fodder feeds, we should also exempt taxes on companies that deal with animal product like the KMC. We should exempt taxes on drugs which are used in dips like the acaricides. We should make sure everybody feels the tax exemption.

Concerning tourism gate fees being reduced, this does not really encourage tourism. Just like my colleague has said, it is not really encouraging tourists by simply removing taxes on gate fees. We have to create conducive atmosphere for our tourists so that they enjoy a variety of things that we offer them within our parks. If you read the Public Accounts Committee (PAC) Report that was brought to the House, you will find that there are many loopholes in our taxes and the revenue that we have.

We should discourage corruption so that the funds we raise go to the right places. This will encourage those who pay taxes because they will know that the taxes they pay are being used correctly and wisely. This will make our people pay taxes voluntarily and willingly. This is because they know that the taxes they pay go a long way in assisting them.

With those few remarks, I beg to support.

Hon. Ochieng: Thank you, Hon. Temporary Deputy Speaker. I also wish to support this Bill brought by the Chairman of the Departmental Committee on Finance, Planning and Trade. This is one of those bills that must be brought before the Floor of the House. It is a Bill that has almost become customary in its provisions on how we deal with it.

I have gone through the Bill and members have spoken about the specific provisions. I would like to start from what I think is important to this country moving forward. We need to get ways of baking a bigger and richer cake for us to share. For us to bake a bigger and richer cake, we cannot always do the same things we have been doing before and hope that we are going to raise more revenue for the country to run well. We must try to go to the uncharted grounds and waters. This country is rich in natural resources and investments that are publicly owned. Some of our parastatals are among the richest in this region but we do not get much money from them; we do not get much money from our parastatals where so much investment has gone into.

In this Parliament, we have passed the Mining Bill and the Petroleum (Exploration, Development and Production) Bill. How much is coming from these investments? How much money are we raising from natural resources like oil? How much does KenGen, the National Oil Corporation of Kenya (NOCK) and the Kenya Pipeline Company (KPC) give us? These are not just public entities, but they are supposed to be investments that give back money to the public coffers to be used to run the Government. So, when we go back to the old things and hope that we will raise revenues through taxing kerosene, we are treading on a very narrow path. How much would you possibly raise from increasing tax on kerosene?

I have heard this Government saying that they are connecting electricity in every part of the country through the Rural Electrification Programme but most Kenyans are not accessing electricity. Most Kenyans, like in my constituency in Ugenya, still use paraffin. When you raise taxes on paraffin, what are you trying to do? Are you hoping that you are making the lives of Kenyans who depend on this easier? I do not think it is the best way to go.

Secondly, we are in a financial crisis in the country. The banking sector is bleeding out of lack of proper regulation. The Central Bank of Kenya (CBK) Governor says he is going to put his feet down to ensure that the banking sector works well. What are you doing? The Chairman is saying that what the CBK Governor is doing is not right and he should share those powers with the National Treasury. Decisions that are supposed to be made that help this industry must now be made only in consultation with the National Treasury. This is not the way to go. We want to have a central bank that is independent and runs that industry in an independent manner only guided by the fundamental, economic and financial fiscal principles. It should be consulted, not in a manner that would make political considerations be put into the way we run our banks.

The Bill proposes to raise capitalisation for banks from Kshs2 billion to Kshs3.5 billion. The justification here is very interesting. They are saying so that Kenya can have at the end of the day two, three or four conglomeration of big banks. Big banks are falling all over the world. They are going down. When we had only big banks like Barclays and Standard Chartered, the small guys never used to open bank accounts. Do you want to take us back there? Are you saying that we should kill Equity Bank, Family Bank and have one big bank that will decide that in Nyanza they will only have branches in Kisumu and Busia and not in Ugunja? I do not know what the Chairman thinks about this. Are you saying that you want three or four big banks in this country that will become cartels and raise the cost of credit at a time when we are saying that we want to reduce the rate of interest in this country? Do you want to kill small banks? This is a bad thought. I will bring an amendment. Let banks be. Let us leave it at Kshs2 billion so that we can have a couple of banks coming up and people competing. What is happening now is that the Competition Authority has failed to rein in, in terms of the charges that banks charge. I have always wondered. Why must banks collude to have the same bank interest rates? It is because they know that there is nothing that can be done to them. So, when you are saying that you are going to have two banks, I do not know what you are hoping will happen to this country.

In the housing sector, this country has the biggest part of its population living in the rural areas. Hoping that you are going to have few companies building housing units in Nairobi and in town centres and then give them tax rebates and tax exemptions, do you think that you will sort out the housing problem? That is wrong. Let us have a strong housing policy that will enable us have better housing even in the rural areas. The reason people move to town is that there is no proper housing in the villages.

Let us have small cooperatives working with the National Housing Corporation (NHC) to help get resources to enable people build decent and affordable housing in the rural areas. This will sort out the housing problem. However, if you think that giving companies back money because they have built 1000 units will help sort out the housing problem, to me, it is not well thought out. Let us have a proper rural housing policy and a proper peri-urban housing policy and use public money in this area so as to encourage people to invest in the area as opposed to companies building houses.

Companies, for example Coca Cola and Bamburi, concentrate on their core business which is not to build the houses but to invest in areas like cement and refreshments. If you think that if they build houses for their staff and you refund them the money for building houses will sort out this housing problem, for me, is myopic. Let us have a proper housing policy so that Kenyans can live decently. This will encourage someone like me who probably wants to build a House for my grandmother or my aunt to do so. Accessing loans that are concessional will encourage me to build three or four houses to the people who want to do that. This will ensure that we involve everybody in this set up.

When you say that you are trying to comply with the East African Community (EAC) framework by increasing taxes on cosmetics and yet you know this is a very fast growing area--- It may be right because you want to harmonise the East Africa tax regime but sometimes the way to harmonise a regime is by having lower threshold not by raising yours to fit what is higher. It is by convincing the other guys to come down where we are and not to raise ours because you want to meet them. This hurts our people. In a country where people are very poor, you get ladies looking haggard because they cannot afford cosmetics. Now you are saying you will increase the tax on cosmetics because you want to meet the standards of the EAC. Why can you not tell the EAC to lower theirs so that our people can afford those products?

Another issue I want to raise is on bottled water. I grew up until I was 21 years old without using bottled water. We used to go down the rivers and used our hands because the water in those rivers was very clean. Instead of investing in improving rural water and sanitation, you are saying that you are going to lower taxes on bottled water so that many people can access it. The same people do not even have money to buy food and yet you want them to buy water. Who are we benefiting in this regard? Which companies are we hoping to grow in this regard? I support proposals that raise our capacity to produce locally. I have seen some of them like the raw materials and the animal feeds. This is the way to go. I wish the Chairman of the Committee could sit with the National Treasury and look at more areas in this regard.

We have allocated a lot of money to the Ministry of Industrialisation in this Parliament in the last three years to help it raise our production capacity. We need more of that in Parliament and in our laws to ensure that we raise our production capacity in order to reduce the amount of money we use to import.

Finally, the President of this country has a policy, and we have passed it in Parliament that we want to buy Kenya and build Kenya. I want the Chairman to bring a policy and a Bill to this Parliament that encourages the policy "Buy Kenya and Build Kenya". This should not be lip service but something real in order to grow our local industry.

I support.

Thank you.

Hon. Kahangara: *(Inaudible)* is one of the areas where we raise a lot of revenue. When we exempt the raw materials, it means that the farmers in Lari *(inaudible).*

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Kahangara, I would like you to use the next microphone. That one does not seem to be projecting your voice well.

Hon. Kahangara: Thank you, Hon. Temporary Deputy Speaker. I rise to support the Finance Bill by the Departmental Committee on Finance, Planning and Trade. I will touch on a few areas. I will start with the VAT exemptions. One is on raw materials used for production of animal feeds. This country relies too much on agriculture because we have farmers in Lari and in other areas across the country. When our farmers produce milk and take it to the factories, at the end of the day, they are not able to break even. If we bring down the production cost of animal feeds, it will mean that our people will have better income. In that case, I support the same.

However, I take exception to a comment that was made by one of the Hon. Members who spoke earlier when he talked about a few animals which are kept in pens and that it looks like the Finance Bill is targeting a very small community of this country. I want to remind the Hon. Member that, indeed, previously, we have seen the Government coming in to save the KMC by coming up with abattoirs around the country to deal with the large-scale farmers who are dependent on meat production. This is the case and yet we have not heard complaints from farmers rearing their cows in pens. That means that the Finance Bill takes care of every Kenyan. I support the same.

Hon. Temporary Deputy Speaker, exempting Liquefied Petroleum Gas (LPG) from VAT is quite encouraging. It encourages our people to use LPG for cooking. This will help us in saving the environment and our forests. Of course, we know the kind of gases that are emitted from the use of kerosene. However, for a Kenyan to buy a six kilogramme gas, it costs about Kshs600 but the cylinder and the burner cost slightly over Kshs3,000. That means that you may exempt VAT from the gas but Kenyans cannot afford the cylinders. As one Hon. Member said earlier on, it will be prudent for the Government to think about Kenyans being provided with gas cylinders exempted from VAT and all taxes so that many people can access the same.

I take exception to the issue of the Excise Duty on kerosene. The reason being advanced for this is adulteration of petrol. However, on the other side, we find that the common Kenyan is the one who is not being taken care of. Many Kenyans in rural areas, where the Jubilee

Government is doing a lot to provide cheap electricity have not been connected with the same. That means that beside Kenyans using kerosene for cooking, they also use it for lighting. When we increase Excise Duty on the same, it means that the common Kenyan in the village is being hurt. This is something that the Chair of the Departmental Committee on Finance, Planning and Trade needs to look at. I believe we have laws in this country and what we lack is enforcement. Adulteration occurs because somebody is sleeping somewhere. We need enforcement but we cannot go ahead and hurt Kenyans in the name of trying to do the same.

On the issue of the equipment used in the construction of specialised hospitals, we all know that in our constituencies, we are invited for *Harambees* every other day because we have sick Kenyans who have to go to India for cancer and heart treatment and kidney transplants. If we are able to set up those hospitals here, it will mean that the cost will go down and it will help many Kenyans. In that case, I support the same.

On the tax procedures, we are talking about encouraging owners of businesses to come back to this country. We know the problem of unemployment. I am sure each and every one of us here and anybody going for any elective position, knows that one of the thorny issues that comes up every other time is the unemployed youth. Over 70 per cent of Kenyans are young people and probably, slightly over 50 per cent of them are not employed. If we encourage investors to come back to this country, it means we will create more job opportunities for our people. I support that because it is a very good idea.

On the financial sector, the Bill proposes to increase the core capital from Kshs500 million to Kshs5 billion progressively for a number of years. I support the same because we have seen a few people come together to raise the Kshs500 million and come up with a financial institution. What happens on the other side is that the same people who are directors in those banks are the same directors in insurance companies and in some manufacturing companies.

When these people start financial institutions, Kenyans start depositing money there. The same people start getting loans through their other companies. They take all their money and fleece Kenyans. That is why when financial institutions go under we do not get the deposits made by Kenyans. It is not that Kenyans have not been able to get loans, but the same people through the backdoor get the funds deposited by Kenyans. It means that besides doing that, we also need regulations to check on conflict of interest where somebody is a director in a bank and a director in another company that asks for financing of loans. Of course, they get it very quickly and probably cheaply and end up fleecing Kenyans. We have seen Kenyans not able to deal with banks because of the interests rates. We have seen the mushrooming of shylocks and pyramid schemes which have ended up fleecing Kenyans a lot of money.

Hon. Temporary Deputy Speaker, I would like to inform the Chair that we need to bring amendments which will control and take care of Kenyans. A lot has happened and many Kenyans are, indeed, crying over the irregularities and what has happened in the banking sector

To wind up, I add my voice to the members here and Kenyans out there who are beseeching the President to assent to the Bill that deals with interest rates because that is what Kenyans want. What is unfortunate, and we have seen it is that when banks collapse, it is the common man who is fleeced. If the interest rates come down, it means that many Kenyans will access credit and we will avoid shylocks and pyramid schemes. The cry we have in our homestead will also come to an end.

With those few remarks, I support.

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Shabbir Shakeel, you have the Floor.

Hon. S.S. Ahmed: Thank you, Hon. Temporary Deputy Speaker. I am a Member of the Departmental Committee on Finance, Planning and Trade. We discussed this Bill thoroughly. I wish to support this Bill and propose that we all look at it very carefully. The idea of this Bill, apart from tax procedures, is to operationalise an effective and efficient taxation system. Hitherto, our tax base is very small. The fact of the matter is that less than 20 per cent of Kenyans pay tax and, therefore, they support the rest. This is because the 20 per cent is mostly made up of the middle class, those in Government service and those who have direct salaries. We must broaden the tax base. We must make it viable so that we can broaden the base. As we raise the tax base, we must also give some sort of incentive to the first cadre. The minimum of Kshs144,000 before taxation is small. Nowadays even a maid earns more than that. Sometimes she earns, at least, Kshs10,000. If you want taxes to be paid, it is better for us to give them certain allowances. I propose that we double that to, at least, Kshs20,000 per month so that they can pay taxes as well.

The idea was to make the Bill pro-poor. The Budget and the taxation system must be pro-poor. However, there are items in this Bill which are not pro-poor. We have dealt with one or two of them. We agree to disagree. There was taxation of Kshs10,000 in the last Budget on motorcycles or what we call *boda boda*. This has affected *wananchi*. There is another tax on motor vehicle importation which has been altered under Clause 21(d) but the issue of *boda boda* has been left out. We will propose an amendment to deal with the issue and cancel the proposal of charging Kshs10,000 per *boda boda* as an additional tax. It has not helped the economy. It has taken us backwards. The motorcycles are much more expensive. The taxation on the vehicles that will be imported will be less.

We need to improve the culture of paying taxes. The rental income tax of 10 per cent is a noble idea. It should be in such a manner that there are no allowances for unnecessary inclusive expenditure for rental. If you are paying a loan for that property, those are expenses which are allowable. We should not just say 10 per cent of the gross rent. We need to tie it down a bit.

The other issue is the banks. I am in full agreement with our colleagues that there is absolutely no reason to increase the core capital because we will only have five or 10 banks like we are trying to get two or three political parties. We do not want five or 10 banks to run in this country. Competition is good and the smaller banks need to be there to create competition. The issue is governance and not the core capital of banks. The proposal that the amount of time for refund of taxation be increased from one to five years does not make sense.

We have had a number of people who have complained to us that they have overpaid taxes for a long time and they have not received a refund. The idea was that we set it at one year and then give the revenue support so that they could sort out the backdated refunds. If they are not sure that they have finished the backdated refunds, we should draw a line there and say that they must clear the backlog within one year. This is totally against Government policy. The Government policy is of performance improvement, enhancement and productivity. When you go to a Government office you are told that within 24 hours or three days we will do this or that. We are now increasing it from one year to five years. If we do not pay tax on time, we are charged a penalty. Now you will allow the Kenya Revenue Authority (KRA) to stay with your money for up to five years and pay no interest on it. It is retrogressive and will not help us. It will only make the department more inefficient.

The issue on deemed interest under Clause 2 was very interesting and we are very happy that it has been proposed. This was used by transnational and international companies. They would charge exorbitant interest on capital or loans to Kenyan companies which always made losses. We are now saying that if the foreign transnational company charges 25 per cent to the local company, it will be ignored and the deemed interest will apply. That is a very good thing.

There is also the issue of kerosene. We cannot allow increase of the cost of kerosene. Most of the *wananchi* all over Kenya use firewood or kerosene. The fact of the matter is that we do not want kerosene to be used to adulterate petrol. In other countries in Europe and America, kerosene which is used for farming is coloured pink. It is dyed pink. As it comes to the country, it is dyed pink. If you try and use it to adulterate petrol, the petrol will have a tinge of colour. Let us not use that excuse of adulteration to increase the cost. That is why I said that this Bill is not pro-poor.

Somebody raised the issue of tax amnesty and said that they are not sure how it would help. The Diaspora have a lot of money and they can invest in this country. The only thing that we need to be very careful about is money laundering. We must recommend and suggest that the tax amnesty that is given to the Diaspora stays. There is another pro-rich proposal that was put here that does not make sense. It does not even make sense with Government policy. We want to increase houses but why say that those companies that start to build, at least, 10,000 units should immediately pay 20 per cent corporation tax from 30 per cent? We can see a problem here. Companies will start a project which will take 20 years. They will start a project then start paying 10 per cent less corporation tax. This is not going to happen. If we will have something like this, we must have a start and finish date of those residential units.

With those few remarks, I beg to support the Bill.

The Temporary Deputy Speaker (Hon. Cheboi): Before I give an opportunity to the Leader of the Majority Party, I had already mentioned that the Member for Gatanga would be next to contribute. You can do that briefly so that we can have the Leader of the Majority Party.

Hon. H.K. Njuguna: Thank you, Hon. Temporary Deputy Speaker. To the extent that this Bill shall improve the financial management of this country, I support it. How you manage the public sector has a lot to do with the economic growth and development of any nation. I am reminded that in 1963, Kenya and Malaysia were at par in terms of economic growth and development.

However, 40 years later, Malaysia is three times the economy of this country because their financial sector is managed in a very transparent and accountable way. There has been social and economic justice to the populace of Malaysia. To the extent that this Bill seeks to improve revenue collection in this country and by extension financial management of the same, I support it.

I would like to comment on two areas. Clause 14 of the Bill talks about taxes on real estate. This is an area I have a lot of interest in given the fact that I was the former Chair of the institution of surveyors in Kenya way back in 2000. It is an area I can professionally comment on. Just like one of the Members said here, we should develop a proper and sound housing policy that will see this country navigate itself into the future.

In 1970s and 1980s, people working in the Civil Service and even in the Teachers Service Commission (TSC) were paid some allowances to encourage them put up houses. That was, however, abolished in the 1990s. Because we are still short of housing in rural and urban areas, we should revisit those policies and see how we can encourage this country to develop adequate housing for her people. I am against the taxation.

Clause 14 of the Bill states that if you are earning Kshs134,164, you pay taxes to the tune of 10 per cent. If you are earning Kshs126, 403, you pay 15 per cent. Are we encouraging the housing sector or discouraging investment in that sector? I am of the opinion that this tax initiative is discouraging an important sector in terms of growth. It needs to be revisited because it is not fair to those people who would like to invest in this sector. More so, this Bill does not address the fact that people investing in housing use borrowed funds. If the focus is the taxation on the revenue generated, then this is not a fair tax.

I also note by extension, that those people who develop 1,000 units will benefit in terms of 30 per cent Corporate Tax to 20 per cent. This is still not good enough because these people use borrowed funds. We should interrogate and find out where they get their funds. By taxing them 20 per cent, are we encouraging or discouraging them? Tax measures should be in a way that they do not discourage investment but rather support it. I am not against taxes but they should be seen to deliver social and economic justice to the Kenyan people.

I would also like to comment on the banking sector. I support the spirit because of late we have witnessed the collapse of three banks. This has affected this sector and by extent most of us. The confidence we had built in the banking sector has been greatly eroded by the collapse of these banks.

Clauses 45 and 48 of the Bill seek to expand the sharing of credit information across the entire sector. This is very important so that banks and financial institutions such as SACCOs can share information and know the loanees that are trustworthy or otherwise.

There is an important recommendation on Clause 46 of the Bill which provides that the CS can now consult with the CBK. There ought to be consultations in the financial sector before certain decisions are made. I take cognisance of the fact that if we had consultations before, Chase Bank and Imperial Bank would not have collapsed. Certain decisions made can have far reaching consequences. I endorse this provision.

On the higher minimum core capital from Kshs1 billion to Kshs5 billion, I have an issue with that provision. Is core capital the problem in the banking sector? In my view, core capital is not the problem but poor governance.

In the 1980s, this country was controlled by about four banks. They were even saying that if you cannot sustain an account with more than Kshs10, 000, then they do not need you. A bank like Equity came in and exploited the bottom of the pyramid. You have Kenyan people who require financial services. If you raise the core capital from Kshs1 billion to Kshs5 billion, you will end up with about four banks in Kenya which will dictate the financial sector and services. We are running away from that because it is the same way we are saying that we do not want to be controlled by two political parties. Competition is healthy because when it happens, there is value for money. We want a situation where we have as many banks as possible. Absence of the law is not the issue but poor governance is. The Bill should address that.

I like the issue of penalties. Directors of these banks were misusing deposits by giving themselves loans against the established law. In fact, these punitive measures should be made four times what we have. They should be hanged. When banks collapse, the directors do not collapse but the Kenyan economy does. These are crimes against humanity and whoever is involved should be hanged because of the harm they are causing the Kenyan people. There should be more harsh penalties than before.

Finally, I like the provision of Excise Duty on vehicles. Just like what other Members have said, we should look at the *boda boda* sector. There should be zero tax on that sector because it has an impact in the whole country. Instead of raising taxes, we should perhaps zero-rate so that we encourage these young entrepreneurs so that they can grow to own Probox, *matatu* and even buses.

With those few remarks, I support.

The Temporary Deputy Speaker (Hon. Cheboi): The Leader of the Majority Party, you have the Floor.

Hon. Member: What about me?

The Temporary Deputy Speaker (Hon. Cheboi): He is not replying but just contributing.

Hon. A.B. Duale: Thank you, Hon. Temporary Deputy Speaker. This is an important Bill and we should even continue with it in the afternoon. I want to thank Members and the Departmental Committee on Finance, Planning and Trade for supporting the budgetary process of policies proposed by the Government for achievement of resilient economic growth and development that we have achieved.

Our economy grew by 5.6 per cent in 2015, up from 5.3 per cent in 2014. We expect it to grow at 6 per cent this year. Despite the strong macro-economic stability that has been attained by our economy in the recent past, a lot still needs to be done to decisively deal with the challenges of unemployment, poverty, inequality, low tourism visits and the impact of a weak global economy. The tax measures and other proposed amendments contained in the Finance Bill, 2016 are aimed at addressing or highlighting the challenges that we face as a country. They are also aimed at achieving an all-inclusive economic growth, reducing the cost of doing business in our country and enhancing job creation in order to improve the welfare of the people of Kenya and foster growth and stability in the financial sector.

Look at what the Bill does to the tourism sector, which is one of the leading sectors that give us foreign exchange earnings. In the recent past, this sector experienced low tourist visits arising from the security challenges and the travel advisories issued by foreign governments. In order to boost the sector, the CS for National Treasury, in consultation with the Government, is proposing in this Bill to exempt from the VAT, national park entry fees and commissions earned by tour operators. This is to make sure that entering parks is cheaper thus making Kenya a cheaper tourist destination so that we can increase our numbers. The CS is commended.

Regarding the livestock sector, which is a big source of livelihood for many Kenyans, the CS is trying to help farmers increase their earnings from this sector. The sector has been facing high cost of animal feeds. In order to make animal feeds affordable to all farmers in the country, the CS, through this Bill, is proposing to exempt tax from raw materials used in the manufacture of these feeds. This is a big boost to livestock farmers as they will access cheaper animal feeds.

One very important thing we did last year was on motor vehicles, whose tax rates were based on the age of the specific motor vehicle. This was introduced through last year's Finance Bill. The amendment that was introduced in the last Finance Bill turned out to be very unfair. It was not equitable and was very punitive to importers of low cost motor vehicles. It benefited importers of luxurious cars. One of the low cost vehicles is Toyota Probox, which is a vehicle for the poor. It is used by farmers and livestock keepers. It carries people. As small as it is, its capacity inside is huge. It is a vehicle of means for poor Kenyans. I am happy that the minister has proposed in this Bill to remove the specific rate of duty and introduce what they call *ad valorem* rate of 20 per cent based on the value of the vehicle. We commend that proposal.

I agree with my colleagues on *boda bodas*. We must be very careful. If we remove all duty from *boda bodas*, then the roads in this country will be flooded with *boda bodas*. As we improve and help Kenyans to access that mode of transport, we must also be very careful. The 40 million Kenyans, including Members of Parliament, will buy *boda bodas* to evade traffic jams. I have some issues there.

In order to ensure sustained economic growth, there is need to share the economic gains and cushion all Kenyans from the high cost of living so that the poor and the rich can equally enjoy the economic gains made by our country. There is need to share the high cost of living proportionally. In this regard, the CS proposes, through this Bill, to exempt from tax bonuses, overtime and retirement benefits paid to workers in this country who fall under the lowest income tax band.

We will further propose to expand the tax bracket or increase the tax relief in order to cushion Kenyans from the erosion of their hard earned income through inflation over time.

Hon. Temporary Deputy Speaker, with your permission, I wanted to give the Chair the remaining five minutes so that we conclude this Bill because the House has only next week. This is so, so that on Tuesday, we can deal with the Finance Bill in the Committee of the whole House, with your permission.

The Temporary Deputy Speaker (Hon. Cheboi): That is okay.

Hon. Langat: Thank you, Hon. Leader of the Majority Party. I want to give one minute to the Hon. Member for Kilome.

Hon. (Ms.) Muia: Thank you, Hon. Temporary Deputy Speaker. I have only been given one minute, therefore, I just want to touch on one sector which is tourism. For the last three years, the tourists who used to come here have migrated to South Africa and Zimbabwe because they have low taxes. Israel makes a lot of money through tourism. We need to look at the sectors which can generate a lot of revenue for this country. So, I support this Bill about exemption of tax on gate fees charged at the parks. I wish I had more time.

Thank you.

The Temporary Deputy Speaker (Hon. Cheboi): That is okay. Proceed, Hon. Langat.

Hon. Langat: Thank you, Hon. Temporary Deputy Speaker. I want to respond by thanking the Hon. Members who participated in this debate. As the Chairman of the Committee, I want to tell all the Members who have contributed that I have heard them. Hon. Members are free to bring their own amendments. I have heard very strong comments on the question of the capital levies of the banks. We will still consider that with the stakeholders and have the acceptable level but Hon. Members can still bring their independent amendments.

I have also heard about the question of housing. An Hon. Member has said that it is going to encourage construction of houses in Nairobi alone. Nowhere in the Bill has it been indicated that the tax benefits is being given to Nairobi only; it is across the country.

On the question of the Excise Duty charged on vehicles, when we use the percentage it means the lower the value, the lower the Excise Duty and the higher the value, the higher the Excise Duty that will be paid. I think it is fair that way.

I want to encourage Hon. Members that as we try to resolve the question of fairness we must also be equitable. Therefore, those who spend more on vehicles pay higher Excise Duty and those who spend less also pay less Excise Duty.

Thank you, Hon. Members. Next week as we will be listening to the stakeholders, we will bring the necessary amendments based on the consultations with the stakeholders. Members are also free to bring their own independent amendments and fight for them in the House.

Thank you very much, Hon. Temporary Deputy Speaker.

I beg to reply.

ADJOURNMENT

The Temporary Deputy Speaker (Hon. Cheboi): Order, Members! The time being 1.00 O'clock, the House stands adjourned until this afternoon at 2.30 p.m.

The House rose at 1.00 p.m.