

NATIONAL ASSEMBLY

OFFICIAL REPORT

Thursday, 26th June, 2008

The House met at 2.30 p.m.

[Mr. Deputy Speaker in the Chair]

PRAYERS

QUESTION BY PRIVATE NOTICE

ILLEGAL SUBDIVISION OF LAND BY THIKA MUNICIPAL COUNCILLORS

Mr. Thuo: Mr. Deputy Speaker, Sir, I beg to ask the Minister for Lands the following Question by Private Notice.

(a) Is the Minister aware that a piece of land, L.R. 4918/8, within Thika Municipality was acquired by the Council in November, 1971 for a mortgage housing scheme?

(b) Is the Minister further aware that sometime in 2007, some councillors from the Municipal Council illegally subdivided the said land without the approval of the full Council?

(c) In view of the seriousness of this matter, what action has the Minister taken to guard public interest by ensuring that this piece of land is reserved for the intended purpose?

Mr. Deputy Speaker, Sir, I know that the hon. Minister is literate, so I will not read the whole Question except to mention that it has to do with land within Thika Municipality that has been grabbed by councillors.

The Assistant Minister for Lands (Mr. Rai): Mr. Deputy Speaker, Sir, I beg to reply.

(a) Yes, I am aware.

(b) I am aware that the said land was subdivided by the Thika Municipal Council after getting approval from the Commissioner of Lands. However, no plots have been illegally acquired by the councillors. The land is still being held in trust by the council.

(c) In view of the above, it is illegal for any councillor or person to encroach on the said piece of land and use it for personal gain.

Mr. Thuo: Mr. Deputy Speaker, Sir, I wish to thank the Assistant Minister for that very clear and short response. However, I wish to seek further clarification. Having said that nobody has encroached on the piece of land and that it is legally held in trust for the people of Thika, I wish to get confirmation from the Assistant Minister. Does it mean that he has taken note and he will not allow any transaction to occur on this particular piece of land in future?

Mr. Rai: Mr. Deputy Speaker, Sir, prior to answering this Question, the Commissioner of Lands has been directed to cancel the subdivision of the land that had earlier been erroneously approved.

Mr. K. Kilonzo: Mr. Deputy Speaker, Sir, throughout the country, there are several pieces of land which have been acquired illegally by councillors. These parcels of land have been used for personal gain. What is the Assistant Minister doing to ensure that he carries out an audit of land which has been grabbed so that it reverts back to the councils?

Mr. Rai: Mr. Deputy Speaker, Sir, the Ministry has decided to cancel all transactions of land at this particular moment. We are carrying out an audit. Unless somebody has accepted the letters of allotment, which have been issued to some people, there are no transactions going on at [Mr. Rai]

this particular moment. If we come across any irregular allocation which was done, we will deal with it according to its merit.

Mr. Imanyara: On a point of order, Mr. Deputy Speaker, Sir. You have heard the Assistant Minister say that "unless somebody has accepted the allotment letters---" Does it mean that the allocations which have changed hands, where letters of allotment have been used to sell land to third parties and those parties have taken over possession of the property, those properties are not affected?

Mr. Rai: Mr. Deputy Speaker, Sir, I did not get the question properly.

Mr. Imanyara: Mr. Deputy Speaker, Sir, in answer to the supplementary question, the Assistant Minister has said that "unless the property has already been accepted following a transfer of the allotment letter---" Is he suggesting that transfers that have been effected following these fraudulent allocations are being accepted as valid titles?

Mr. Rai: Mr. Deputy Speaker, Sir, by saying that we have stopped all land transactions, we are saying that we are carrying out an audit, so that, at least, we are in a position to comment on all irregular allocations of land which were done. From there, we will be in a position to advise the country at large on what we are supposed to do.

Mr. Mbadi: Mr. Deputy Speaker, Sir, in the past, we have heard complaints about the grabbing of the official residences of both the mayors and the chairmen of councils. Could the Assistant Minister confirm that all the official residences of mayors and council chairmen belong to the councils or they have been grabbed?

Mr. Rai: Mr. Deputy Speaker, Sir, I am not aware of that unless I am given specific information as to which residences we are talking about.

Mr. Bett: Mr. Deputy Speaker, Sir, the issue of land grabbing is a long story. It has been around for a long time now. The Ministry promised, a while ago, that this issue could be resolved by putting in place a land policy. There is no known land policy in the country today. We only had a draft of a land policy. When will the much-talked of national land policy be brought to this House for approval before implementation?

Mr. Rai: Mr. Deputy Speaker, Sir, the issue of a national land policy is actually at an advanced stage. Very soon, it will just find its way to the Cabinet and it will come before this House.

ORAL ANSWERS TO QUESTIONS

Question No.105

NON-PAYMENT OF DEATH GRATUITY TO DEPENDENTS OF MR. MWOVI NYAMAI

Mr. K. Kilonzo asked the Deputy Prime Minister and Minister for Local Government:-

(a) whether he is aware that the beneficiaries of Mr. Mwovi Nyamai (deceased), a former employee of the Nairobi City Council (Personal No.U02-72087), have not been paid his terminal dues;

(b) whether he could further explain why cheque No.2355, prepared from the

Provident Fund in favour of the beneficiary, has not been released; and,
(c) what steps he is taking to ensure that all terminal benefits are promptly paid to his kin.

The Assistant Minister, Office of the Deputy Prime Minister and Ministry of Local Government (Mr. Githae): Mr. Deputy Speaker, Sir, I beg to reply.

(a) Yes, I am aware that the beneficiaries of Mr. Mwovi Nyamai, deceased, a former employee of the City Council of Nairobi, Personal No.U02-72087, have not been paid his terminal dues.

(b) The City Council of Nairobi prepared a Provident Fund Cheque No.2355 amounting to Kshs120,321.75, but could it not be released to the District Commissioner, Kitui, due to lack of funds in the Provident Fund Account.

(c) Through my intervention, the Council has written a cheque No.003614 amounting to Kshs120,322 to the District Commissioner, Kitui, for the beneficiaries of the deceased. A copy of the cheque is enclosed as evidence of payment.

Mr. K. Kilonzo: Mr. Deputy Speaker, Sir, I wish to thank the Assistant Minister very much for having gone that extra mile to issue another cheque after the first one bounced due to lack of funds. Would I be in order to ask my good friend to give me a copy of the cheque as evidence that, indeed, the same has been settled?

Mr. Githae: Mr. Deputy Speaker, Sir, I would be very glad to give him a copy of the cheque. I will give him the copy after this. On behalf of Nairobi City Council, I must really apologise. It is sad when employees are not paid their dues when they retire and they pass away, only for the beneficiaries also not to be paid in good time. I know there must be several similar cases.

We have instructed the City Council of Nairobi to immediately pay all the beneficiaries of deceased persons. Secondly, they should pay all the retirees who are sick because we do not want them to die before they have enjoyed their terminal dues. Thereafter, all the employees who will retire will be paid their dues promptly.

Mr. Bahari: Mr. Deputy Speaker, Sir, the Local Government Provident Fund is underfunded. That is in breach of the Retirement Benefits Authority. What is the Ministry doing to ensure that the Fund is appropriately funded? It is supposed to be wound up if it does not comply with the Retirement Benefits Authority Act.

Mr. Githae: Mr. Deputy Speaker, Sir, it is true what hon. Bahari has said that all Provident Funds must be funded to the extent of their full liabilities. When the local authorities were authorised to retrench their members of staff, the retrenched officers had to be paid. This was not in line with the expected payment under the Provident Fund. All the local authorities have been instructed to pay all the dues to the Provident Fund promptly. In addition, they have been instructed to pay the other statutory dues, for example, the National Social Security Fund (NSSF) and the Income Tax. They have been instructed to start remitting all those statutory payments. The Nairobi City Council is fortunate to have a very hardworking Town Clerk, who is determined to rectify all the various past ills that were bedeviling the City Council. I am sure that, within a short period, the City Council will be able to clear all these arrears.

Dr. Eseli: Mr. Deputy Speaker, Sir, now that the Assistant Minister has agreed and he is actually very sorry for the delay on the part of the City Council to pay up this money, what is he doing to make sure that interest is paid due to the difficulties caused to these families?

Mr. Githae: Mr. Deputy Speaker, Sir, I must apologise that, unfortunately, the Provident Fund rules do not provide for the payment of interest. However, the point is that even the issue of interest should not arise. Employees must be paid their dues when they retire. That is what the law says. We have instructed all the local authorities, henceforth, to pay retirees or those who are

retrenched, their full terminal dues before they leave office.

Mr. Bahari: On a point of order, Mr. Deputy Speaker, Sir. Is the Assistant Minister in order to mislead the House that the Provident Fund does not pay interest? The funds can be invested and earn interest which must be declared and appropriated or apportioned accordingly.

Mr. Githae: Mr. Deputy Speaker, Sir, I am sorry, the hon. Member did not understand what I said. I think he did not even understand the question that was asked. The interest that we are talking about is after somebody has retired. But, in between, there is obviously the payment of interest. I am saying that once an employee has retired and his dues have been calculated to a certain amount, then no interest accrues. But before then, interest accrues. The amount of money a retiree is paid is inclusive of interest for very many years.

Question No.046

NUMBER OF PRIVATELY-OWNED PARCELS
OF LAND IN CENTRAL KENYA

Mr. Deputy Speaker: Dr. Khalwale is out of the country. This Question will be deferred to another date when he will be around.

(Question deferred)

Question No.076

KCAA'S ADHERENCE TO INTERNATIONAL
AIR SAFETY STANDARDS

Eng. Gumbo asked the Minister Transport:-

(a) whether he is aware that there are serious concerns about the safety standards of Kenya Airways aircraft with over 100 incidents in the past three months and two major accidents in the past seven years; and,

(b) what the Kenya Civil Aviation Authority (KCAA) is doing to ensure that airlines operating in Kenya adhere to international safety standards.

The Assistant Minister for Transport (Mr. Mwau): Mr. Deputy Speaker, Sir, I beg to reply.

(a) I am aware that several concerns about the safety standards of Kenya Airways aircraft have been raised in the past few months.

Most of the incidents reported emanated from acts of omissions which were beyond the airline's control. These include, among others, crew or passenger sicknesses, bird strike or air-turn-back due to bad weather. All reported incidents, including those which related to technical personnel and specific aircraft manufacturers, were fully investigated and appropriate action taken in accordance with the International Civil Aviation Organisation's (ICAO) standards and recommended practices.

All airlines report incidents, however, minor, for safety management purposes. Actions taken to mitigate against any incident by the airline and the Kenya Civil Aviation Authority are the most important aspects of the aircraft safety management.

(b) The Kenya Civil Aviation Authority carries out oversight on the Kenyan Aviation industry based on the ICAO standards and recommended practices. This can be ascertained through evaluation against the eight critical elements used by ICAO. This includes the legal framework upon which the Authority operates coupled with the implementation of the operational regulations.

The critical elements are as follows:-

1. Primary legislation.
2. Operating regulations.
3. KCAA structure and oversight functions.
4. Technical guidance material.
5. Qualified technical personnel.
6. Licensing and certification.
7. Continued surveillance obligations.
8. Resolution of safety issues.

Eng. Gumbo: Mr. Deputy Speaker, Sir, the issue of air accidents, especially for a major air carrier like the Kenya Airways, is not a small matter. We all know that, within a space of seven years, Kenya Airways has had major accidents, where several lives were lost. The Assistant Minister talks of actions taken being reported to the Kenya Civil Aviation Authority (KCAA). The Question is very specific. What action was taken, for example, after the Abidjan accident to ensure that a repeat of what we saw in Douala does not occur? What the Assistant Minister has stated for part "b" is really an evaluation criteria. The Question is very specific. It asks: "What is the Kenya Civil Aviation Authority doing to ensure that airlines operating in Kenya adhere to international safety standards?" It is not about the criteria they use.

Mr. Mwau: Mr. Deputy Speaker, Sir, in respect of the Douala accident, we all know that the country where the accident occurs are the ones who usually investigate it. So, until the investigation is completed in that country, surely, the Ministry will have no comment. Further, the hon. Member raises the question of 100 accidents. This is based on a report by the airlines. It is important for the hon. Members to understand that the airlines usually report every incident, even including how many people have had air sickness in an aircraft, how many passengers were late, how many crew members were picked late, how many passengers did--- So, all those incidents are important for the purpose of regulating airlines.

The second part of it is that whatever action the KCAA will be taking, will only be taken after it is clearly stated what was the cause of the accident that happened in Douala.

Mr. K. Kilonzo: Mr. Deputy Speaker, Sir, it is clear that, indeed, the Kenya Airways has had quite a commendable record compared to the other international airlines in this country. However, my question is on the KCAA. If you look at cases which involve the small aircraft, you will find that the KCAA have been sleeping on the job. For instance, the small aircraft, which was involved in an accident which occasioned the loss of our colleagues' lives, had an engine it was not supposed to have. What is the Assistant Minister doing to ensure that he disbands this Authority and gets other people who will not sleep on the job?

Mr. Mwau: Mr. Deputy Speaker, Sir, the purpose and functions of the KCAA are regulatory. It is an oversight Authority that usually inspects the aircraft, which are registered in Kenya. All the aircraft registered in Kenya are actually inspected. However, malfunctioning of engines is a common phenomenon. As for the incident that the hon. Member has referred to, it is quite impossible at the moment to comment on what was the cause of the accident until we have seen the completion of investigations.

Mr. Shakeel: Mr. Deputy Speaker, Sir, the question has been asked, but the Assistant Minister is not being very clear. I, for one, travel on the local airlines to Kisumu, and there is only one pilot. If the pilot is unwell, we are all going to crash! We are also talking about other airlines. There have also been other crashes. To date, unless I am ignorant of the facts, we have never been told the real reason for the crashes. Okay, we understand the one in Douala, but we also hear that the pilot himself was drunk, and also that the assistant pilot who was a 22-year-old man, who decided to take the plane up and all the other planes---

Mr. Deputy Speaker: Mr. Shakeel, what is your question?

Mr. Shakeel: Mr. Deputy Speaker, Sir, could the Assistant Minister give us the reports on the plane crashes? Could he also confirm or deny that the aeroplanes that fly in this country have a second pilot, especially those plying Kisumu-Nairobi-Mombasa route? Do they know about this, because the Assistant Minister is saying---

(Laughter)

Mr. Deputy Speaker: Mr. Shakeel, you have made your point!

Mr. Assistant Minister, please, proceed!

Mr. Mwau: Mr. Deputy Speaker, Sir, with due respect to my comrade, hon. Shakeel, in respect of the pilot who was piloting the ill-fated aircraft, yesterday I gave a Ministerial Statement, which clearly stated that the its pilot was 51 years old and not the age indicated. Secondly, the type of the aircraft determines how many pilots pilot it. There are some which require a single pilot. Some require two pilots plus and engineer, *et cetera*.

Mr. Midiwo: On a point of order Mr. Deputy Speaker, Sir. What the Assistant Minister is saying is wrong. We are in a situation where planes are killing all Kenyans. No commercial plane, according to flying rules, should fly without a Captain and a First Officer. But this is happening all over Kenya. It would be wrong for the Assistant Minister to mislead us because we are in fear of being killed by rogue pilots and rogue commercial companies.

Mr. Deputy Speaker: Mr. Assistant Minister, the concern of the Members of Parliament is that the planes that fly from Nairobi to Kisumu are piloted by only one captain.

Mr. Mwau: Mr. Deputy Speaker, Sir, I am surprised and, with due respect to hon. Members, if they notice that an aircraft has one pilot and it is supposed to have two, why board it?

(Laughter)

Why do they want to commit suicide? However,---

Mr. Deputy Speaker: Order, Mr. Assistant Minister! It is the duty of the Government regulatory body to make sure that aircraft are properly piloted by the right number of officers!

The Assistant Minister, Office of the Prime Minister and Ministry of Local Government (Mr. Githae): On a point of order, Mr. Deputy Speaker, Sir. I would like to ask the hon. Shakeel to substantiate---

Mr. Deputy Speaker: Order! Order, Mr. Githae! You are totally out of order!

Mr. Mwau, please, proceed!

Mr. Mwau: Mr. Deputy Speaker, Sir, it is important for the hon. Members, if they want me to give a specific answer, to give a specific incident and a specific airline. Then I will be able to give a specific answer and take appropriate action.

Mr. Deputy Speaker: Next Question!

Question No.080

POSTING OF TEACHERS TO KIPTORORO
SECONDARY SCHOOL

Mr. Cheruiyot asked the Minister for Education:-

(a) whether he is aware that Kiptororo Secondary School has not been registered; and,

(b) when he will effect its registration and post teachers to the school.

The Assistant Minister for Education (Prof. Olweny): Thank you, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker, Sir, I beg the indulgence of the House to give us more time because the information that I have so far is not satisfactory. I have actually consulted the hon. Member and we have agreed that I should bring the reply to this Question next week on Thursday.

Mr. Deputy Speaker: Mr. Cheruiyot, are you in agreement with that?

Mr. Cheruiyot: Mr. Speaker, Sir, while I am in agreement, I would like to express a very serious concern. It is a simple matter which could be done quite easily. But he will be depending on the same officers to give him the information! Will he get the correct information?

Mr. Deputy Speaker: Order! Order, Mr. Cheruiyot! If the Assistant Minister is not satisfied with the answer he was given by his officers, and wishes to go back to the officers to get an appropriate answer, he is very much in order!

The Question is going to be on the Order Paper on Thursday, next week, in the afternoon. Therefore, the Question is deferred to Thursday, next week.

(Question deferred)

Question No.082

MEASURES TO AVERT LOOMING
FOOD CRISIS IN KENYA

Mr. Bahari: On a point of order, Mr. Deputy Speaker, Sir. Hon. Lekuton is---

Mr. Deputy Speaker: Is he out of the country?

Mr. Bahari: No, he is out of town on parliamentary duty. He is out of Nairobi on parliamentary business.

Mr. Deputy Speaker: Okay! Under such circumstances then, the Question is deferred to next week when hon. Lekuton will be in town; or when he is no longer held up by other official duties.

(Question deferred)

Question No.069

COMPLETION OF KIPTUI BRIDGE PROJECT

Dr. Kones asked the Minister for Roads:-

(a) whether he is aware that the construction of Kiptui Bridge in Konoin has been funded for the last five years and yet, its construction is not complete.

(b) what budgetary provision the Minister has made in the 2008/2009 Financial Year towards the completion of that project; and,

(c) what urgent measures he is taking to ensure that the contractor completes the work in appropriate time.

The Assistant Minister for Roads (Dr. Machage): Mr. Deputy Speaker, Sir, I beg to reply.

(a) Yes, I am aware that the construction of Kiptui Bridge in Konoin has been funded and yet, its construction is not complete. However, the funding has been done in only one financial year, 2007/2008, and not five financial years as stated by the hon. Member.

(b) My Ministry, through the District Roads Committee, has budgeted for Kshs8 million, in

the next financial year, for the purpose of completing that bridge.

(c) My Ministry has ensured that the amounts needed for the completion of the construction have been budgeted for in the next financial year. It will be my duty to supervise and make sure that the construction is completed in time.

Dr. Kones: Thank you, Mr. Deputy Speaker, Sir. I thank the Assistant Minister for the answer. However, I have a few concerns, particularly, concerning the contractor who is on the site. Recently, the contractor who is on the site decided to take away the materials which were already there. In your response, you have not mentioned anything about the steps you will take against the contractor, apart from the budgetary allocations that you have put here.

Dr. Machage: Mr. Deputy Speaker, Sir, on the contrary, I have different information on the materials on site. Last year, I awarded Kshs6,159,279 from the 24 per cent Fuel Levy Fund allocated to the District Roads Committee, of which the construction of Kiptui Bridge sub-structure, which is called abatement, has been ongoing in the last financial year. Actually, materials of a bailley bridge have already been delivered. It is just waiting to be assembled to make that bridge.

Mr. Bett: Thank you, Mr. Deputy Speaker, Sir. I want to reiterate the fact that the materials my colleague is referring to was taken away from the site. It is not on the site!

Mr. Deputy Speaker, Sir, I want the Assistant Minister to tell us the estimated cost of that bridge and to confirm or deny whether the amount he is now budgeting for will be adequate enough to complete that bridge? The preliminary information that we have is that the bridge is going to cost much more than the Kshs8 million that he is talking about, or what has already been spent on the bridge.

Dr. Machage: Mr. Deputy Speaker, Sir, the information that I am receiving from the hon. Member is very interesting. I will investigate and confirm whether the materials that were delivered were actually carried away. To my knowledge, 40 per cent of the construction had been completed. My estimate was about Kshs16 million to complete that structure. That is why I awarded Kshs8 million this financial year. But due to inflation factors, it is possible that the cost could go high. But I take note of those changes and I promise that, that bridge will be built.

Dr. Kones: Finally, Mr. Deputy Speaker, Sir, I like the way the Assistant Minister has replied; that he is not aware. So, we are just confirming to you that the contractor actually ran away with some of the materials on site. So, what specific measures are you going to take against that contractor because that is not the only project? He is undertaking a number of projects in the district and he has been behaving similarly in those other projects.

Dr. Machage: Mr. Deputy Speaker, Sir, if the accusation against the contractor on the Floor of the House is true, I will take the necessary action. I will make sure that the materials are returned. I will also ensure that all the projects under that contractor will be constructed and finished, either by him or somebody else!

The Assistant Minister, Ministry of State for Public Service (Maj. Sugow): On a point of order, Mr. Deputy Speaker, Sir. I have a bone to pick with Question No.046 by the Member for Ikolomani, which was deferred today. This Question has been deferred. I have---

Mr. Deputy Speaker: Order! Order, Mr. Assistant Minister! Order! You are thoroughly out of order! You are grossly out of order!

(Laughter)

POINTS OF ORDER

GUIDANCE ON FUNCTIONS/DUTIES OF

PRIME MINISTER IN THE HOUSE

Mr. Imanyara: On a point of order, Mr. Deputy Speaker, Sir. I rise on a point of order on a matter that the Speaker ruled on yesterday. But, before I raise it, I want to thank the Leader of Government Business for honouring an assurance that he gave to this House that he was going to ensure that we do get the Presidential Circular on the organization of the Government. It was distributed yesterday.

Mr. Deputy Speaker, Sir, I rise on a point of order because, in this Presidential Circular that has been distributed to all Members of Parliament, the Office of the Prime Minister and the functions are defined. After the definition of the functions of the Prime Minister, which are the co-ordination and supervision of the execution of the functions and affairs of the Government, including those of Ministries, it ends with the words "accountable to Parliament". It ends with a phrase: "Accountable to Parliament" on the overall performance of the functions of the Prime Minister's Office, which functions are: "Co-ordination and supervision of the execution of the functions and affairs of Government"

Mr. Deputy Speaker, Sir, yesterday when this issue arose as a result of the Prime Minister's failure to answer some Questions, a ruling was given that contradicted this Presidential Circular. I am asking you to give guidance on the functions and duties of the Prime Minister in this House, if, indeed, he is accountable to Parliament. Then, if he is accountable to Parliament, is he not then the one who answers Questions? Is he then not the Leader of Government Business in accordance with this Presidential Circular?

ABSENCE OF ASSISTANT MINISTER
LEE KINYANJUI'S NAME FROM
PRESIDENTIAL CIRCULAR

Mr. K. Kilonzo: On a point of order, Mr. Deputy Speaker, Sir. While on the same issue of the Presidential Circular No.1 of 2008: Organization of the Government of the Republic of Kenya, if you look at page 51, No.30, on the Ministry of Roads, you will see that it shows the contact, the Minister for Roads, and the Assistant Minister as one hon. Wilfred Machage, MP. Then it goes on to show the Permanent Secretary.

Mr. Deputy Speaker, Sir, this is the official structure of Government. In this House, there is an hon. Member of Parliament who has been masquerading as a Minister in this Ministry answering Questions as an Assistant Minister for Roads. The hon. Member is one hon. Lee Kinyanjui. We want the Leader of Government Business to tell Kenyans whether that Member is an Assistant Minister in Government. If so, why is he not on this official document? We want to know if he is one of those Assistant Ministers who did not receive official letters of appointment.

Mr. Deputy Speaker: Order, hon. Member! The appointment of a Minister for Roads, either substantive or acting, is the prerogative of the President. The Chair has no business in ruling on who performs the functions of a Minister. The President can even appoint another Minister to perform those functions here in the Chamber.

Mr. C. Kilonzo: On a point of order, Mr. Deputy Speaker.

Mr. Deputy Speaker: Order! Order! It is also not in the purview or knowledge of the Chair that there is somebody who is masquerading as the Minister for Roads or somebody claiming to be the Minister for Roads. We all know with a lot of sadness and condolences that we lost our brother, the former Minister for Roads. We are waiting for the President to appoint another Minister. In the meantime, he has the prerogative to decide who performs those functions here. If the Assistant Minister performs functions and answers Questions in that Ministry, then, that is his

right.

Mr. C. Kilonzo: On a point of order, Mr. Deputy Speaker, Sir. Ministers and Assistant Ministers are appointed through Presidential Circulars, which are later on forwarded to the House. That is why the House does not ask for letters of appointment. This particular circular states: "This Circular supersedes all previous Presidential Circulars on the above subject". The subject is on the issue of who is the Minister or the Assistant Minister. In this Circular, the name of hon. Lee Kinyanjui, who has been answering Questions as an Assistant Minister for Roads is not here. Since Parliament has no other way of knowing who is an Assistant Minister or not other than through the Presidential Circular, it is only fair that the Chair rules that hon. Lee Kinyanjui is masquerading as a Minister, when he is not!

(Laughter)

Mr. Deputy Speaker: Order! Order! Hon. C. Kilonzo, the list that is in your hand has not been laid on the Table. It is not a document that has essentially been laid on the Table of the House. The knowledge of Kenyans, including all the Members of Parliament, is that hon. Lee Kinyanjui has been sworn-in as an Assistant Minister. That is the record that is essentially in the domain of the Chair.

Mr. K. Kilonzo: On a point of order, Mr. Deputy Speaker, Sir. I respect your ruling. You have even indicated that this Circular has not been laid on the table of the House. Would I be in order to lay this Circular on the Table of the House?

(Laughter)

Mr. Deputy Speaker: Order! Order!

The Minister for Justice, National Cohesion and Constitutional Affairs (Ms. Karua): Mr. Deputy Speaker, Sir, I just want to give a proposal that, perhaps, it appears Members will need a two-minute entertainment session. This is because other than for purposes of entertainment, I do not think there is anything valid being raised. Members of the Cabinet are not appointed through a circular. They are actually sworn-in. Any internal circular which leads to the organization of the Government is not a document to either appoint or drop someone. I think, perhaps, we should have a two-minute entertainment session. It will then take the House from this kind of thing.

Mr. Deputy Speaker: Order, hon. Minister! There is no provision in our Standing Orders for entertainment!

The Minister for Justice, National Cohesion and Constitutional Affairs (Ms. Karua): Mr. Deputy Speaker, Sir, a two-minute entertainment session----

Mr. Deputy Speaker: Order, hon. Member! Whether it is two minutes or one hour, there is no provision for that! Hon. Members, I think the Chair has given a ruling on that. Hon. Lee Kinyanjui is an Assistant Minister of the Government and he has a right to reply or answer Questions on the Floor of the House.

Mr. Imanyara: On a point of order, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: What is your point of order, Mr. Imanyara? I hope it is not on the same!

Mr. Imanyara: Mr. Deputy Speaker, Sir, my point of order is unrelated to the point of order raised by my friend.

Mr. Deputy Speaker, Sir, I sought your guidance on the issue and you have not commented on it.

Mr. Deputy Speaker: Yes, I take note of the point of order that you have raised on the issue. The Chair is going to give a ruling on this issue on Thursday next week.

Mr. Bahari: On a point of order, Mr. Deputy Speaker, Sir. You have promised, as the Chair, to give a ruling on the issue raised by hon. Imanyara which is making reference to a document that is not properly before this House. Am I in order to ask you to perhaps reconsider that decision until that document is properly before the House?

Mr. Deputy Speaker: Order! Order! You have absolutely no authority to direct the Chair! The Chair has given a ruling on that matter.

Hon. Kimunya, can we have your Ministerial Statement?

MINISTERIAL STATEMENT

DE LA RUE'S FAILURE TO PRINT NEW GENERATION CURRENCY NOTES

The Minister for Finance (Mr. Kimunya): Mr. Speaker, Sir, on the 18th of June, 2008, Dr. Khalwale sought a Ministerial Statement from the Minister for Finance in respect to contract that was awarded to De La Rue Printing and Security Limited---

Mr. Imanyara: On a point of order, Mr. Deputy Speaker, Sir. Dr. Khalwale had requested this Ministerial Statement and it was indicated that it would be given today. However, he also said that he would be out on official business and requested that the Ministerial Statement be issued when he is back in the country. Is it in order for the Minister for Finance to take advantage of Dr. Khalalwe's absence and give the Ministerial Statement?

(Applause)

Mr. Deputy Speaker: Order! order! A Ministerial Statement is the property of the House. I am made to understand that Mr. Khalwale requested for direction, but that request was not given.

So, Mr. Minister, proceed!

Mr. Ethuro: On a point of order, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: Is it about the same?

Mr. Ethuro: Yes, Sir!

Mr. Deputy Speaker: Your point of order is overruled!

Mr. Minister, proceed and give your Ministerial Statement!

Mr. Ethuro: On a point of order, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: Mr. Ethuro, you are out of order! Your point of order is overruled!

(Mr. Mbadi moved to the Dispatch Box)

Mr. Mbadi: On a point of order, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: Hon. Mbadi, you have not been given the Floor!

Hon. Minister, proceed with your Ministerial Statement.

The Minister for Finance (Mr. Kimunya): Mr. Deputy Speaker, Sir, on the 18th of June 2008, Mr. Khalwale sought a Ministerial Statement from the Minister for Finance in respect of a contract awarded to De La Rue International Limited for the supply of New Generation Kenya Currency Notes. In particular, he wanted to know the following:

First, why De La Rue International Ltd has not supplied new generation notes to the Central Bank of Kenya (CBK) since the signing of the contract; secondly, whether it is true or not that the technocrats of the CBK came out strongly to oppose an attempt to commit the Government into a

lopsided arrangement but the Minister still insisted and directed in November 2007 that De La Rue International Ltd should continue to supply old generation notes despite higher costs; thirdly, what the Minister's interest was in the matter to warrant such a gross unilateral disregard of technical advice; fourthly, what prompted the Minister to commit the Government of Kenya to a joint venture with De La Rue International Ltd and not other credible firms from South Africa, Canada, France, Austria and Netherlands and fifth, how much money has been lost by being in that continued expensive supply of old generation currency notes?

Arising from the above request, I wish to state the following: First, De La Rue International Ltd has not supplied any new generation notes to the CBK due to the fact that the agreement entered into on 4th May, 2006 was mutually cancelled by the parties.

Mr. K. Kilonzo: On a point of order, Mr. Deputy Speaker, Sir. Thank you, for giving me this opportunity. The Ministerial Statement being read by the Minister touches on his Ministry and more so on his integrity. Would I be in order to ask that, in view of the fact that it touches on him since he is the one who was in office at that time, that the matter be referred to the Prime Minister so that he can come and give the Statement?

Mr. Deputy Speaker: Order! The Ministerial Statement was sought from the Ministry of Finance. The Ministry has the regulatory function for handling the issue at hand.

Order! Hon. Members! You all know the Standing Orders of this House very well. You cannot impute improper motive on another Member of Parliament without bringing a substantive Motion. It is incumbent upon us to protect the dignity and the integrity of the House. This is the supreme arm of the Government and the State. I hope that, in future, nobody is going to impute improper motive of that magnitude on a fellow Member of Parliament without bringing in a Substantive Motion.

Hon. Minister, proceed!

Mr. Imanyara: On a point of order, Mr. Deputy Speaker, Sir. Yesterday, Mr. Speaker ruled that the word "fellow" was unparliamentary. You have, twice, mentioned the word "fellow." Are you overruling the ruling of the Speaker?

(Applause)

Mr. Deputy Speaker: Order! Mr. Imanyara, you are out of order!

The Minister for Finance (Mr. Kimunya): Mr. Deputy Speaker, Sir, I beg the House to be attentive to this. The matter has been blown out of proportion, it has been taken out to the media and this is the opportunity for the House to get the truth.

As I was saying, De La Rue International Ltd. has not supplied any new generation notes since the agreement that was entered into on 4th May, 2006 was mutually cancelled by the parties.

The agreement was cancelled after thorough consultations which brought out several issues including the following: First, the concept of new currency had not been comprehensively dissected and addressed by the bank. For instance, the fate of the old currency was not determined and was not clear whether the old currency would be demonetised or if the new currency would be debased. In other words, we were replacing one currency with another, without provision for what happens to all the money in circulation.

The second issue was that of storage. This was a major constraint since the new consignment would have been printed, shipped and delivered to the CBK for storage. It is important to note that under the new Generation Currency Contract, the printing of the money was supposed to be off-shore and all the money was to be printed, delivered to Kenya and given to the CBK. Now, without the strong rooms and vaults that were constructed in Times Tower which have now been taken over and transferred to the Kenya Revenue Authority, storage of 1.7 million pieces

of currency would have been a major problem to the CBK. The third item under consideration was that the cost implication of the new currency to commercial banks and to Kenyans in general had not been considered especially as it relates to changes necessary to ensure conformity with the technological requirements of the new currency. There was also need for public education and sensitisation which had not been factored in the agreement.

The fourth item was that the CBK requirement for bank notes after the three-year agreement for the new currency, which expires in the year 2009, had not been addressed. Number five, under the terms of the agreement, all the security features - and this is very important - in the bank notes were the property of the printer and not the CBK. Since the contract had not seen the need to purchase the corporate security features of this new generation currency notes by the CBK, it meant that every time the supplier is changed on the basis of cost or price competitiveness, a new currency design would emerge. In effect, that means that we would have to be changing the currency every three years because the contract was run for three years and you have a new competitive bid.

Mr. Deputy Speaker, Sir, the sixth item that has not been considered is the fate of 300-plus jobs at the Ruaraka factory. It was not considered, as the production of the new generation currency would have to be done abroad for cost competitiveness with the result that the factory in Ruaraka would have had to be closed down. It would have been difficult for a Government institution like the Central Bank of Kenya (CBK) to justify the export of jobs abroad given the current levels of unemployment in the country.

Mr. Deputy Speaker, Sir, on the second item under Dr. Khalwale's request, I want to state that one of the key roles of the senior bank staff is to provide advice to management at the bank. This also applies to whichever bank committees they serve in. In this regard, I am not aware of any bank staff who came out strongly to oppose an attempt to cancel the new generation currency agreement. The information I have, and which is on public record, is that all this was discussed and approved by the Board of Governors (BOG) of the CBK. The technocrats at the CBK do not advise the Minister.

Mr. Deputy Speaker, Sir, on the third item, it is critical and I want to state both as the Minister for Finance, and as Mr. Amos Kimunya, the Member of Parliament for Kipipiri Constituency, that I have absolutely no personal interest in the matter. All my actions in the matter were strictly guided by the public interest and the advice I received from the CBK.

Mr. Deputy Speaker, Sir, on the fourth item, I want to state that I, as Minister, have not committed the Government of Kenya with De La Rue in a joint venture. The issue of a joint venture with De La Rue in currency production was discussed in detail and approved by the Cabinet. It is only after Cabinet approval that Treasury constituted a multi-disciplinary technical four-member task force which includes Treasury, CBK, De La Rue and the Attorney-General's office to negotiate with De La Rue on the issue of a joint venture. The negotiations are still ongoing and have not been concluded. I want to state that the overriding objective of seeking this joint venture is to ensure that the security and access to the required currency in the most cost effective manner, while ensuring local production with the added benefit of job creation and contribution to the growth of our domestic economy.

Mr. Deputy Speaker, Sir, lastly, I want to state that I am not aware of any funds that have been lost in this matter.

Thank you.

Hon. Members: On a point of order, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: Order! Hon. Members, it has been brought to my attention that the Chair did, indeed, rule that the Ministerial Statement should be read when the hon. Dr. Bonny Khalwale is in the House.

(Applause)

Under the circumstances, we will not allow any debate on the same. It is the ruling of the Chair that, that statement be furnished to hon. Dr. Khalwale. At an appropriate time when he is here with us, is when we will debate it or supplementary questions will be asked.

(Applause)

Mr. Mbadi: On a point of order, Mr. Deputy Speaker, Sir. My point of order is completely unrelated to the matter you have just ruled on.

On the same date of 18th June, you made a ruling---

Mr. Deputy Speaker: Order! Hon. Members, we have to move on to the next Order.
Next Order!

BILL

First Reading

THE FINANCE BILL

The Minister for Finance (Mr. Kimunya): Mr. Deputy Speaker, Sir, I beg to move:-
THAT, in accordance with Standing Order No.101(A1), this House orders that the Financial Bill be referred to the Departmental Committee on Finance, Planning and Trade.

*(Order for First Reading read - Ordered
to be referred to the relevant
Departmental Committee)*

COMMUNICATION FROM THE CHAIR

PROCEDURE TO BE FOLLOWED DURING
COMMITTEE OF WAYS AND MEANS

Mr. Deputy Speaker: Order, hon. Members, before we start the next Order, I have some information which I want to relay.

The debate on the Financial Statement which was concluded yesterday during the morning sitting was debate on policy issues contained in the Financial Statement. The Motion before the House was: "THAT, Mr. Speaker Do Now Leave the Chair". The Question of the Motion "THAT, Mr. Speaker Do Now Leave the Chair" was put and agreed to by the House. This literally means that the Speaker left the Chair and we are, therefore, in the Committee of Ways and Means. The Chairman of the Committee will, therefore, be in the Chair and the Mace will be lowered.

The Business before the Committee of Ways of Means is taxation proposals as contained in the Financial Statement. This Business is supposed to take three Allotted Days. This is provided for under Standing Order No.138. At the end of today's sitting, the Committee will report progress to the House and seek leave to sit again. The purpose of the Motion before the Committee is to legitimise the collection of the proposed taxing and the provision of collection of taxes. The taxes listed in the Motion are also contained in the Finance Bill which has been read a First Reading this

afternoon. When the Bill will be debated, Members will be free to introduce any amendments as they may find fit.

After the Committee of Ways and Means, 20 days will be allotted for the Committee of Supply in order to consider Estimates for individual Ministry Votes. The consideration of individual Votes will go on until 30th October, 2008. This will be followed by the Appropriation Bill. This report is for the information of the Members of Parliament because most of them are freshmen in the House.

Thank you. Proceed!

Next Order!

COMMITTEE OF WAYS AND MEANS

(Order for Committee read)

MOTION

THAT MR. SPEAKER DO NOW
LEAVE THE CHAIR

[Mr. Deputy Speaker left the Chair]

IN THE COMMITTEE

*[The Temporary Deputy Chairman
(Prof. Kaloki) took the Chair]*

MOTION

APPROVAL OF TAXATION MEASURES

The Minister for Finance (Mr. Kimunya): Mr. Temporary Deputy Chairman, Sir, I beg to move:-

THAT, the proposals relating to:-

- (a) Excise Duties;
- (b) Value Added Tax;
- (c) Income Tax; and
- (d) Miscellaneous Fees and Taxes contained in the Financial Statement for the year of Account 2008/2009 be approved.

Mr. Temporary Deputy Chairman, Sir, I want to confirm to the House that His Excellency the President has signified his consent to this Motion.

Mr. Temporary Deputy Chairman, Sir, for the information of the Members, we are referring to this Financial Statement. It contains all the taxation measures and these have been circulated. As I mentioned during the Budget Speech, we made a number of taxation measures that are aimed at restoring growth, expanding economic opportunities, further reducing poverty, promoting equity and tax compliance and also contributing to the national development. The measures that were proposed under the East Africa Customs Management Act and the Common External Tariff will only be implemented immediately after publication by the Council in Arusha. These measures are designed to improve the welfare of our people, reduce the cost of production, while offering some

protection to our infant industries.

I have also, similarly, proposed a number of Excise Duty measures. Just by way of highlighting a few, one of the major changes is the introduction of a hybrid of the retail selling price and the characteristic-based Excise Duty regime for cigarettes. I just want to explain the background to this because, for a long time, we had been basing our Excise Tax regime for cigarettes on the retail selling price. That has one weakness of limiting the manufacturers from increasing their prices, because immediately they jump from one price range to another, it then attracts Excise Duty at a different rate. In these days when inflation has eventually caught up with some of those prices, we have had prices almost being constrained from moving, because they will move into different tax bands. Last year, we did attempt to move into the more internationally practised method of defining excisable goods by a certain characteristic, so that the value does not matter - whether you use the selling or the manufacturing. But you know that anything that looks like that should attract a certain rate of Excise Duty. I believe the concept was not quite understood; as a result, major amendments were made in this House.

Therefore, we thought, as a transitory measure, that we combine the two, so that we have either manufacturers opting to use the retail selling price, if it is convenient for them, or the characteristics of cigarettes. Here, we are basically defining them in four groups: the ones that do not have a filter and the ones with a filter, where you get the soft cap or the hinge lid. Within the soft cap category, we define the cigarettes into two. There are some which are shorter than 72 millimetres and others are longer than that. That is on the understanding that different people prefer different types of cigarettes. Accordingly, we are saying that as we transit from the retail selling price to the characteristic-based, let us create a transitory mechanism, where people can opt for either of the two. That is something that we want the House to debate on and advise us, so that we get concurrence as we move forward.

Mr. Temporary Deputy Chairman, Sir, the other issue that I want to highlight is the harmonisation of the Excise Tax on beers, where traditionally we had a big divergence between the malt beers and the non-malt beers, as well as the stout. Stout has traditionally been taxed higher; malt came second and then the non-malt. We realised that the tax regime was causing people to shift consumption, and so we have done that correction. We have proposed the measures that we did by increasing a bit on the non-malt, slightly on the malt beers and allowing the stout to remain constant. Now they are all at par.

Mr. Temporary Deputy Chairman, Sir, I also introduced a new duty regime for taxing portable spirits and wines, again, just based on alcohol strength rather than the traditional way where we were looking at a litre of spirits and the percentage. We are now saying that different spirits may have different alcohol volumes. The typical spirit is about 40 per cent alcohol, but there may be some that are higher or lower than that. We are saying that, let us just use Kshs7 as the basis for one per cent of alcohol per litre; people can then multiply, depending on the strength, to make it easier for purposes of computation and also to recognise the different strengths of alcohol.

I have also proposed to zero-rate certain products, including bread and rice for the Value Added Tax (VAT) purposes to make these commodities affordable to consumers. I would like to get hon. Members' reactions in terms of how they see that happening, because some of the traders are yet to adjust their prices and we need, as a House, move together on this.

I also proposed to zero-rate VAT on international air travel in line with international best practice. This will help a long way in getting our national carrier, Kenya Airways, to be more competitive against the rest of the airlines, which were not being affected by this. Of course, Kenya Airways is the only carrier which originates and pays taxes here, while other airlines pay their taxes abroad.

I have also taken a number of steps within the Income Tax Act. I just want to highlight a few. One of the major ones, which is good to the housing sector, was extending the mortgage interest relief, that was being enjoyed on other mortgages except those of the National Housing Corporation (NHC). We know the role that NHC is playing in tenant purchase schemes, and we have decided to extend that relief to its mortgages, so that people who buy their houses get that mortgage interest relief up to Kshs150,000 per annum as is the case with any other mortgaged house.

We also exempted from tax the lumpsum pension that is paid to our senior citizens; I believe that, that has been very well received out there. We have also proposed some restriction of interest and penalties to no more than 100 per cent of the principal due in order to arrest further calculation of tax liability in line with the In Duplum Rule in the banking sector. The rationale for that was that Kenyans had become very tax compliant. People were coming out well, but most of them have been saying that they fear the tax penalties that are levied on them on a compounded basis. You will find that when people have agreed on a tax liability of, say Kshs2 million, penalties could well exceed Kshs4 million. We are talking about taxes relating to prior years. Rather than keeping on having to review them and use discretion as to how much waiver to grant or not, we have taken the view that we should apply the same In Duplum Rule, which the House supported, for interest to curb the interest applicable on the taxes to not more than double, on the understanding that at that point the Kenya Revenue Authority (KRA) should by then have collected that tax. So, it should not be made to accumulate as if it is a loan to the taxpayer. Once it is assessed it should be collected and if not collected, there are mechanisms as to how the enforcement can be effected.

Mr. Temporary Deputy Chairman, Sir, one of the other measures, that will be coming within the Finance Bill, is that we have also included an incentive to whistle-blowers. People who tell us who is not paying taxes, are entitled to some compensation, which has been rather too little and we decided to scale it up to 5 per cent of the tax recovered, subject to a maximum of Kshs2 million. I do hope that, that will help bring out more people to give us more information on who is not doing their national duty. Somebody wanted to claim it on the understanding that hon. Members will be paying tax. I told him that hon. Members pay taxes on the basic salary. So, he did not discover anything new, and so he could not claim to be paid 5 per cent. I think that somebody was just being mischievous. I believe that it is an incentive we are giving, so that we can bring in as many people as possible into the tax net.

The other interesting item which I expect to get more comments on from the hon. Members, as we discuss these tax proposals, is the issue that touches on all of us here, which is the taxation of the allowances that are paid to us as hon. Members and constitutional office holders. In effect, we are saying that nobody in Kenya, from the President to the lowest paid public officer, will be exempted from the national duty of paying their taxes. I am very happy because in all the discussions, I think we all agree with the principle. I think the issue seems to be with the modalities. I think, as we debate and continue engaging between now and the Finance Bill, we will have worked out exactly how to implement the modalities, having agreed on the principle.

Mr. Temporary Deputy Chairman, Sir, I could go on and on again but, I do not have to discuss everything. I do not want hon. Members not to have anything to contribute. I have just mentioned a few of those measures. But, obviously, there is a whole list of the various tax proposals that we made. As the Chair mentioned before leaving, it is this Committee that will guide us so that, even as we move on with the application of the provision or collection order, which the law allows me to use to collect the taxes until this House passes the Finance Bill, at least, we will be guided in terms of what the feelings of hon. Members, as the representatives of the people, are.

Mr. Temporary Deputy Chairman, Sir, an issue has also been brought in severally about the

role of the House in the budgetary process. This is a critical step in the engagement of the House in terms of coming up with: "This is what you have told us you want to do as Treasury. This is what we would have preferred we would have done!" We can take all that feedback now and anything that we can then pick on and discuss with the Committee on Finance, Planning and Trade, we would then be informed so that, by the time we bring the Finance Bill here, we will have taken into account some of the views of hon. Members. I do not believe there is any better forum for engaging Members of Parliament than through the Floor of this House, so that we can actually bring out everything as we feel it, and as it affects our people. We would think in terms of what was proposed, how it affects our people, what we would like to see changed and what new thinking need to come in next year. It is a continuous process. Even some of the things that were proposed by the members of the public--- We know that there are many issues that were brought to us.

Having looked at them and subjected them to a technical scrutiny, there are some that we felt we could pend further. Again, I think some of them will be coming as part of this debate. It will be a pleasure to engage further.

Mr. Temporary Deputy Chairman, Sir, I know that there are many other things that will come up, as hon. Members start debating. We will be here to explain further. I know that the Finance Bill is drafted in a technical format. So, again, it may be very difficult to see within the Finance Bill what exactly--- "Change this schedule from this to this. What does that mean?" I believe that, that is part of the debate. That is why we highlighted the significance of the Finance Statement. But, like I said, there will be one or two others.

You will also note - and this is something that hon. Members raised with us - that there is the issue of some unscrupulous traders who have been dodging tax by branding their products as traditional liquor, on the understanding that traditional liquor does not fall within the definition of what is excisable. But, again, within the changes that we will be making, we will be defining beer to include traditional beer, so long as it is produced for sale and not for domestic use. So, if some elders in a village decide to brew some *muratina* or *busaa*, but it is purely for non-commercial purposes, that is not considered beer for tax purposes. But if it is done by the local barman as part of his sale, then that will be considered as a beer and there will a tax payable, again, in line with all the other beers. So, again, those are part of the changes that we will be bringing. We have been listening to the people and asking: "What is it that the people would want to see?" Like we said, part of these measures are meant to raise revenue, partly to correct some of the social issues and partly to re-direct resources in certain directions through policies. I think that is the kind of feedback that we would want to see, and welcome as part of the debate for the next three days.

Mr. Temporary Deputy Chairman, Sir, like I said, this is only the first part of the debate. I do hope that by the time we close this debate within the next three days, we will have been wiser and taken on board some of the issues that we need to address to move forward, as we then discuss the Finance Bill at the Committee level. I also want to mention that Members of the House would also be free - I am sure the Temporary Deputy Chairman would be inviting them - to give their views directly to the Committee on all the matters so that, by the time we bring it here, we will have the concurrence through the Committee of the entire House. We can do what is good for the Kenyan people by giving them power.

Mr. Temporary Deputy Chairman, Sir, I really want to sit down and listen to hon. Members, so that I can get their views. I want to appeal to all hon. Members and other stakeholders for co-operation, so that we can pull together, again, in a constructive manner, so that we can rebuild this country of ours, which is now at a critical phase. We know that if it is not because of the taxes that we have been collecting, and it really shot up since 2003--- We have sustained it at about 21 per cent of the Gross Domestic Product consistently. If it was not because of that, by now, we would be going all over begging for support. But we were able to stand with our heads high and

say: "We are proud to be Kenyans! We rely on ourselves to pay our taxes, do our development, pay for our Recurrent Expenditure and only seek support from people who support us for they believe in what we are doing, rather than because we are desperate cases looking for alms. We all know that begging is not the most interesting thing. But we are able to hold our own as Kenyans because of our tax collection. That all comes in terms of the reforms that we are making within the taxation sector by making it easier for people to comply; by people seeing what their money is doing and then saying: "Yes! I am happy to pay my tax because I can see a road being done. I am happy to pay my tax because I can see extra security." I think that is what we want to see. We want to find out what are the other issues that we

need to help through the taxation measures, to make it easier for people to comply; make more people to come into the tax net and collect more revenue, so that we can build this country together.

Mr. Temporary Deputy Chairman, Sir, I want to go on and on but, with those remarks, I beg to move.

The Temporary Deputy Chairman (Prof. Kaloki): Thank you, hon. Kimunya. Who is seconding you?

The Minister for Finance (Mr. Kimunya): Mr. Temporary Deputy Chairman, Sir, I would like to give this opportunity to the Chairman of the Committee on Finance, Planning and Trade to second.

Mr. Okemo: Thank you very much, indeed, Mr. Temporary Deputy Chairman, Sir. I would like to take this opportunity to second the Motion.

I think what should come out clearly is the fact that, these are provisional taxation measures. They are provisional in the sense that they are actually all contained in the Finance Bill. When the Finance Bill is ultimately discussed in full, we will be looking at exactly the same issues. But for purposes of the Government to run smoothly and raise revenue, this provision under the law is provided for.

Mr. Temporary Deputy Chairman, Sir, I would like to commend the Minister for a very good job in terms of revenue collection. If you look at the way ordinary revenue has risen in the recent years, it has been on an upward trend. This is probably because of a combination of several factors. However, I think that the main one has been improvement in tax collection, which is now efficient. I think that is an effort that needs to be commended. We need to commend the Kenya Revenue Authority (KRA), although in the process there have also been overzealous taxation officers who have tended to harass Kenyans in the process of collecting taxes. Be that as it may, I believe that when we are financing the Budget, ordinary revenue is the biggest component. Then, of course, we have other things like Appropriations-in-Aid, Grants- in-Aid and other sources of revenue.

What I would like to bring to the attention of the Minister is that, it would be useful for this House to know the non-Budget support financing that he gets. This is because very large amounts of money come in, not as general Budget support or sectoral Budget support, but as project or programme aid. Some of it comes in the form of technical aid. These are quite large sums of money and it will be useful for Members of Parliament to know the quantum; how big is this amount of money? It all goes towards general development of the economy. If you just talk of Budget support, that is only a small portion of either technical assistance or the money we get from donors.

Mr. Temporary Deputy Chairman, Sir, I am a bit concerned with the issue of certain integration measures which when implemented, do not achieve the expected results. Here, I am speaking specifically about reduction in duties or VAT. These are supposed to translate into lower prices or lower costs of doing business. I would like the Minister, who is quite innovative, to apply his mind to how we can ensure that when taxes go down, this should translate into lower prices of

food. For example, we are now zero-rating VAT on bread and maize flour. The problem is that when this advantage is realised by the business people, they actually pocket the entire benefits and very little of it goes to *mwananchi*. So, the Minister may have very good intentions, but the effects may not be felt by the target groups that you intend to assist in the taxation measures. The Government has really to think of a way because we are operating under a liberalised price regime. It, therefore, becomes very difficult on one hand to say that you are free to charge what you want, and on the other to say that if you have taken certain measures, the same be implemented in a manner that benefits the consumers or the common *mwananchi*.

I would also briefly like to mention something about the Budget Committee of Parliament and the legislation that has been pending for a very long time, partly because the Minister for Finance has not been very supportive. I do not know why, because, when I was having a small discussion with him, I told him that this would make his work so easy. This is because once you consult from the word go, and particularly consult Parliament, their input is in whatever he will come to present here. When he presents the Budget here, it will be a matter of formality. We will not take him to task the way we do. Mostly we do that because we are in the dark and we only get to know what the Minister has done when we reach here. So, I would really urge the Minister for Finance to ensure that the House Business Committee brings forward the Fiscal Analysis and Appropriations Bill which is supposed to bring into effect the Fiscal Management and Appropriations Committee, so that it can begin to function.

Already, Parliament has some kind of structure. We have a Secretariat which now deals with analysis of all these issues and so on. This is very useful to Members of Parliament because they need to understand what the Executive arm of Government is doing. That way, they will be able to play their oversight role effectively. If you do not understand what is before you, how can you be effective in oversight?

I would like to appeal to the Minister, that he should now, in fact, take up the role in ensuring that the Fiscal Analysis and Appropriations Bill which has not seen the light of day comes to this House so that we pass it and activate the Budget Committee which I think is raring to go. In so doing, you will find them very useful partners in the exercise of Budget making.

Mr. Temporary Deputy Chairman, Sir, in conclusion, I would like to urge the Minister to reconsider this issue of alcohol. I see that there are additional taxes that are being imposed on beers and some of the spirits. I think this was a subject of a very spirited discussion between himself and the Departmental Committee on Finance, Planning and Trade. I would like to convince him, hopefully here, or if not, elsewhere, that there is a sector of our community that we call the low income earners. These people do not go to consume *chang'aa* because they like it in preference to beer or cheap spirits. They do so because they cannot afford it. So, why do we want to condemn them to consuming illegal brew? These people would also like to drink decent alcohol that is not harmful to their health. They consume *chang'aa* because their income cannot support the prices that are charged for beer. So, I would like the Minister to consider, particularly the cheaper brands of beer. They should be made cheaper or the taxes on them either removed or reduced considerably. This should also apply on cheap spirits such as some of the Keroche brands. This alcohol is healthy for consumption and people who consume it can enjoy it like the rest of us who are in higher income brackets.

With those remarks, I beg to second.

(Question proposed)

Mr. Shakeel: Thank you, Mr. Temporary Deputy Chairman, Sir. I would like to applaud the Minister for the way he moved this Motion. With due respect, I would wish to seek some

clarification.

In respect of motorcycles, the proposal is not very clear, but I presume that the Minister means zero-rating only in respect of VAT. If that be the case, I would like to plead with the Minister to, perhaps, consider the cost of transportation which is a major cost in this country. Many of the poor are condemned to utilise *matatus* and other means of transport that do not give them the type of support that they need.

Perhaps, the Minister may consider reducing the custom duty on motorcycles, say, up to 70 cc to 100 cc so that ordinary wananchi can get access. In many countries, for example, China, India and others, these motorcycles are more or less the cheapest they can get. So, I would urge that there should be no VAT or a very low tax be imposed on a certain brand of motorcycles, of course, not the ones with 250 cc, which are probably used by richer people.

My second proposal which I would like to say with humility because, perhaps, I do not understand it too well and its implications is with respect to import duty on gymnasium equipment. Why did the Minister restrict this to hotels only? I do appreciate what the Minister said; that it will boost tourism. However, this will affect very few people and the impact will be very minimal. If the Minister could be more generous to *mwananchi*--- After all, how many of them are going to get gymnasium equipment? Speaking as an hon. Member, I would like to promote our youth who are doing nothing. We are trying to promote gymnasium activities. We are limited to using *jua kali* weights which are not appropriate. If the Minister could kindly extend that to all gymnasium equipment, I think it will help wananchi, especially the youth, to create other venues of getting rid of their aggravations.

Mr. Temporary Deputy Chairman, Sir, the proposal to reduce building costs is admirable. I know we are all trying. That is the most important aspect of building that will give us growth in this country. He has already zero-rated duty on hot rolling steel. He has also kindly considered reducing the import tax on cement from 40 per cent to 20 per cent. Many of us are held at ransom by the monopoly of the cement producers because they are only two. Sometimes, cement retails in Kisumu for nearly Kshs900 a bag, while you can get it for Kshs750 in Nairobi. The reason they give for the difference is transportation. We need an alternative supply. If the local industry is not able to match with the demand, and if the Minister could consider reducing the tax from 20 per cent to, say, 10 per cent, I think it will improve the building industry in this country. It will also give a signal to the two groups that are holding us at ransom that they have to play their part.

This Government, for some time, has been very clear on what is called free trade market economy. Somewhere along the line, Mr. Minister, we need to lay certain ground rules, especially where it affects the poorest of the poor. No matter what you say, the companies will not reduce the price of bread unless the Minister has some stick to ensure that, that is done. I wonder whether he will consider something by way of penalties for those who do not reduce the price immediately. That also covers petrol. If not, then, perhaps, we will recommend the prices for bread. That will ensure price restrictions which also comes with their evils.

We are also talking about garbage vehicles. Again, a very noble idea! I am privy to some of those very ingenious importers who are now designing to bring in purpose-built garbage vehicles that they will be dismantling over here. You will find many big lorries coming in. So, perhaps, I am sure compliance will be taken care of. However, that does not help the garbage industry. What we do not need - and I speak as a former Mayor - is compactors. What we do not need is that sort of equipment that comes from Europe, and which is used to compact our garbage. What we need is to utilise and recycle our garbage. Until we are taught how to put garbage in the right places, it is going to be detrimental to our industries. If the Minister could look at that issue a little bit more carefully, we could come up with another proposal in respect of those vehicles which are specifically used for garbage. You have the custom duty aspect on it, but you can also, like in

certain countries, paint them a certain colour and they can do nothing else other than garbage control. If they do not do that, then the road inspectors get down to them.

Mr. Temporary Deputy Chairman, Sir, there are a number of other issues but, I join my colleagues in requesting that the low income group be allowed to soak away their difficulties in a glass of alcohol that is not going to be harmful to them. Although we do not want to support any particular industry, I would like to suggest to the Minister that he reduces the tax only on those ones. It will not affect the overall bill because how many people will be drinking that? It will only be the poorest of the poor! That is my humble presentation.

With those few remarks, I beg to support.

Mr. Kioni: Mr. Temporary Deputy Chairman, Sir, I want to say a few things on the tax proposals that have been laid before us by the Minister for Finance. First, I would like to applaud the Ministry for the many good ideas that have been put before this Committee. I note that there is a proposal to zero-rate tax on air travel. That is very important because, in so doing, we will make Kenya Airways competitive. It will be able to compete in the arena with others. A proposal has been made to zero-rate motorcycles rating up to 250cc. It is important because in many centres in the country side, they are becoming the mode of choice in terms of transport. Many of our people in the rural areas are buying those motor cycles. They are easing transport difficulties in some of our areas.

But I would like to suggest that, over and above zero-rating duty on motorcycles up to 250 cc, there is also another group of youthful young Kenyans who are also offering that kind of transport using bicycles commonly known as *boda boda*. If we can remove taxes on motors that are used by *boda bodas*, we would be assisting many of the young people within our country side. We will also be making it possible for them to offer that mode of transport without wearing away their bodies. They will be getting support from the motors. That will go a long way in getting many more Kenyans to benefit from the tax measures that have been proposed by the Minister for Finance.

There is also the issue of boosting hotel occupancy by allowing hotels to import gymnasium equipment without paying taxes. The danger with that is: I do not know how the Minister intends to ensure that there is no syphoning of that equipment by the people outside the hotel industry. That is bound to become another line that many of our very industrious Kenyans are going to use to get that equipment without paying duty. They will be enjoying the rebate that was not meant for them.

The other thing that I want to mention in these proposals is with regard to cement. The tax on cement has been reduced from 40 per cent to 25 per cent. That, certainly, is a way of generating growth in our construction industry. But I think we need to bear in mind that, in so doing, we have now put our cement producing or manufacturing firms into some competition. I hope that the Ministry paid attention to that, so that we do not expose them to unnecessary competition that could end up with loss of employment and, perhaps, closure of some of those firms that we are proud of. We would like to see them continuing with their expansion policies. So, it is important that as we look at it with a view to helping push the construction industry further, we also make sure that we do not kill our own industries that offer employment to many of our youthful people.

Mr. Temporary Deputy Chairman, Sir, there is a proposal that tax on trucks to be used for garbage collection be removed totally. I support this proposal and suggest that other trucks which may not be collecting garbage, like the "exhaust tankers" found in many towns, be covered under the category of garbage collection. There is quite a number of people who are engaged in the business of exhausting septic tanks. By so doing, this will help generate a lot of employment for our people. I am sure that we will be doing a great job in cleaning our cities and towns.

The issue of zero-rating tax on bread, rice and wheat has been mentioned. Without

repeating myself, the danger is that the benefit of all these reductions of taxes on bread, rice and wheat seems to be going to those who are not meant to benefit from it. It is important that the Minister addresses himself as to how the common *mwananchi* will benefit from those tax measures.

There is also the proposal that tenant purchase houses up to Kshs150,000 will benefit from tax relief. This is a good gesture. It is important that this figure be pushed upwards, because most of the annual repayments are way above the Kshs150,000 per annum.

Mr. Temporary Deputy Chairman, Sir, crucially, while looking at these proposals, one will not fail to look at the other end as to how to distribute the revenue that has been generated. In this country, we have a system of taking back to Kenyans, monies collected by the Central Government, through the line Ministries, up to the district level. I hope that the Ministry of Finance recognises the fact that we could easily be institutionalising unfair distribution of resources in this country.

All that one needs to do to make sure that one's region is allocated a little more resources than other regions is to ask for a district or a county council. We do not know what criteria is used to determine which district needs to be subdivide into two or three. Some areas have very large districts. That, certainly, means that they receive less revenue.

Mr. Temporary Deputy Chairman, Sir, equally, there should be different criteria used to channel funds to certain areas. For instance, if your region falls within the arid and semi-arid areas, then you will get a little more resources from the central kitty. Some of the constituencies we represent also suffer from the same climatic conditions like others that are now covered, and which have been allocated specific Ministries. Again, if proper evaluation or appraisal is not done, we will be seeing very unfair distribution of resources in this country, which will be institutionalised by the same Government.

So, it is important that even as we continue discussing these tax proposals, we also pay attention to the various methods or channels that are being used by the Government to benefit other Kenyans more from the same revenue. As it is now, we have that disparity.

Mr. Temporary Deputy Chairman, Sir, the last thing I would like to mention is the issue of the constituencies. Some of the funds that will be collected using these tax proposals will get back to us through the Constituencies Development Fund (CDF). Our constituencies are in such different levels. We have constituencies which have populations of registered voters of up to 249,000, while others have registered voters populations of only 15,000.

If we do not pay attention to these differences, we will sit in this House and be happy about the tax proposals, but at the same time, taxing people who do not end up benefiting, because we have not paid attention to the institutions or the channels that we use to get the money back to the people we have taxed.

With those remarks, I beg to support.

Mr. Maina: Mr. Temporary Deputy Chairman, Sir, my name is Ephraim Maina, the Member of Parliament for Mathira Constituency. I thank you for giving me the chance to contribute to this Motion on the tax proposals. First and foremost, I would like to commend the Minister for coming up

with such a detailed document on the tax measures that he will use to raise funds for financing the Budget. There are a few issues here and there, which I would like to comment on.

As we see, the tax proposals are for restoring and expanding economic opportunities. Starting off with what the former speakers have talked about, especially the airline industry, we feel encouraged because most of our people will now be able to travel at better rates. We will also be able to sell our national airline and promote growth, especially for our visitors and tourists, who normally come to this country.

Regarding the issue of zero-rating of Value Added Tax on motorcycles, we feel encouraged. I would encourage or even request the Minister to even extend the same to bicycles. Also, we should not forget that motorcycles are run on petrol. So, we would like to see the Minister doing something small or something good for the energy sector, especially the petroleum sector. If he can give us a better rate, I would very much appreciate.

Mr. Temporary Deputy Chairman, Sir, reducing tax on gym equipment is a good idea. Unfortunately, the relief is going to the wrong area. When the reduction is restricted to gym equipment in the hotel industry only, it does not give any benefit in terms of economic growth to this country. We are seriously talking about creating employment for the youth or making them more active, especially through sports. I would have expected the Minister to say that the equipment to be exempted from duty would be that to be used in support of the youth's activities and that for the healthcare sector, especially hospitals.

There is also the issue of the cement industry. It is actually very sad, knowing what is happening to the construction industry in this country. Our cement has become a bit expensive because of the conditions that have been put in place by our Government, especially through taxation, as well as the rising transport costs.

Mr. Temporary Deputy Chairman, Sir, reducing duty on imported cement, like an hon. Member has said, will create a very dangerous situation. Most people in the construction industry will tend to go for imported cement, therefore, reducing the consumption of cement produced locally by our companies, especially the East African Portland Cement and Bamburi Cement, which have employed a lot of people. We know why the cost has gone that high. It is mainly because of the electricity that they use. Instead of the Minister reducing VAT on imported cement, he could have subsidised the cost of electricity that is used by some of those companies, so that the price of cement could come down.

Mr. Temporary Deputy Chairman, Sir, we commend the Minister for giving us zero-rates on some food products like wheat, maize flour and all the other commodities. I can say that in this country, as I said earlier, it would be good if we started looking into ways of producing our food locally rather than importing it. I still insist that Kenya is one country that is blessed with very many rivers, and very many people who are learned or are engineers. Unfortunately, they end up in other countries where they are given an opportunity to put their skills into practice. We could use our water engineers to advise the country on the best use of the rivers we have in this country and the best ways of harvesting other water resources that we have. This is way we can do irrigation of our farms and dry areas and produce a lot of food.

Mr. Temporary Deputy Chairman, Sir, to talk briefly on the financial sector, the Minister talked of strengthening the economy and the banking industry by increasing the minimum capital from Kshs250 million to Kshs1 billion. It is very sad that this country will be going in that direction, because that indicates that we are trying to lock out locals, or fellow Kenyans, from engaging in the financial industry by starting banks and other financial institutions. It looks like we are going to encourage very many foreigners to come and take over this very important industry.

Mr. Temporary Deputy Chairman, Sir, on the issue of taxes imposed on various luxurious products like cigarette and beer, I would suggest that rather than all this money going into development projects and all others, we need to put a bit of it into serious campaign to advise our people on the effects of smoking. Smoking has made many people end up in hospitals, as a result of cancer and other diseases.

With those few remarks, I beg to support.

Mr. Musyimi: Mr. Temporary Deputy Chairman, Sir, allow me to add my voice to those that have commended the hon. Minister for his tax proposals. I think we have every reason to be proud as a country that we are able to fund our expenditure largely from our own income.

Mr. Temporary Deputy Chairman, Sir, I think the issue I want to raise is, perhaps, rather global. This is in the sense that Kenyan people are very highly taxed. I do not think that, that is a secret. The only way we can justify this kind of a situation is by making sure that the quality of the lives of our people is improved, given the kind of taxes they have to pay. I am not in doubt, myself, that some of the issues that will address this problem will be addressed through the public sector reform process, the Constitution review process, as we seek to properly rationalise our public institutions, and many other processes that we need to undertake as a country.

Mr. Temporary Deputy Chairman, Sir, I think more and more that the ratio between the Recurrent Expenditure and Development Vote needs to be looked at very keenly. I think it would be a very sad thing to accept a situation where much of our money goes into people's salaries. That has a lot to do with a fairly bloated public service. These are not easy questions because reforms are never easy. However, I cannot imagine that we are going to fix this country properly if we do not look at the ratio the Recurrent Expenditure to the kind of money that goes to the development agenda. What goes into health? How much goes into roads? How much goes into education? How much goes into providing irrigation and that sort of thing?

Mr. Temporary Deputy Chairman, Sir, I am glad to see these tax proposals. I am also pleased to hear that we are going to have more input in terms of the sort of budgetary process we will have in future. Quite a bit has been said about the Budget Bill. I am glad to hear that the hon. Minister is in support of this process, so that there is greater participation by this House and the public.

Mr. Temporary Deputy Chairman, Sir, the basic point that I want to make is that we have reason to be very proud. I think those responsible for collecting revenue have been very good at it. Let us make sure that we show justification for these high taxes by raising the quality of lives of our people and the way the Government uses money to improve social services.

Thank you.

Mr. Yinda: Thank you Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to support this very important Motion. I would like to also thank the hon. Minister for a job well done. As was mentioned in the House, this was, probably, one of the most difficult Budgets to prepare. However, I think overall, he did a very good job.

Mr. Temporary Deputy Chairman, Sir, I would like to support the hon. Minister on taxation by encouraging Members of Parliament to pay their dues. I think it is important that when ordinary Kenyans pay taxes without too much complaint, Members of Parliament should also lead by example by paying taxes on our allowances without too much shouting about it. I think many, or most, of the Members of Parliament are willing and will support the paying of taxes.

However, I believe that Kenyans are very highly taxed. We should be looking at the overall tax regulation. What is the maximum amount of taxation an individual should be forced to pay. As far as I am concerned, personal taxes are very high. If we were looking at the maximum personal tax in the region of 20 per cent, that would be reasonable. It would also ensure that many more people, who are doing everything possible not pay taxes, would pay it. That would also apply to corporate tax, which at the moment is at the level of 30 per cent. In my view, this is too high. Again, Corporate tax has been reduced to 20 per cent. I think we have been reasonable. Once we have friendly tax regulations, I think the honourable Minister will not have difficulties in collecting taxes.

Mr. Temporary Deputy Chairman, Sir, on zero rating tax on motor cycles of up to 250 CC, it would be my view that, if we remove all the taxation on motorcycles of up to 250 cc, the young people who are using them as *boda boda* would find it a little easier to purchase them and, eventually, or, very shortly, they will also be coming into the bracket of taxpayers. So, that will also help the Minister to collect more money which can be used for the development of this country.

Mr. Temporary Deputy Chairman, Sir, I would like to commend the Minister for setting aside Kshs1 million per constituency for sporting activities. The amount of Kshs1 million is a good gesture, but it is not enough. Maybe, next year, if the Government could increase that figure a little bit, it would go a long way in supporting what has already been started.

Mr. Temporary Deputy Chairman, Sir, I would like to ask the Minister for Finance to also look seriously into poverty financing. We already have the Constituencies Development Fund (CDF) which is helping a lot. But, again, many hon. Members have talked about the possibility of increasing CDF to about 5 per cent, 7.5 per cent or even more. But it would be nice if the CDF Act could be re-looked into, so that we can use some of that money to empower our womenfolk in the villages to engage in trading. There is a lot of small trading going on in the villages, but the biggest problem is lack of capital. I am suggesting that the money should not be given out free. It should be loaned out to traders, both youths and women, so that they can use that money to trade. Eventually, the Minister will find out that those groups of Kenyans will make more money and, eventually, they will enter into the tax bracket. They will pay their taxes.

Mr. Temporary Deputy Chairman, Sir, going back to beer and alcohol, yes, I agree that those who can afford to pay for the high brands of beer should be taxed. But there are also many Kenyans who cannot afford those high brands. I am looking at a situation where the Government should even look at ways of encouraging the local brews. I do not see why, for example, those who brew *chang'aa* cannot be encouraged to brew it. We should bring in industries which can clean up that product, so that it becomes, not a killer drink, but a drink that can be enjoyed by our people, but at an affordable cost.

Mr. Temporary Deputy Chairman, Sir, I would like to lend my support to the creation of the Budget Office, so that Parliament can get involved in the making and preparation of the Budget. Why do I say that? When newcomers to Parliament, like myself, look at the Budget or the Estimates--- When you look at the roads, for example, some areas or some districts are being allocated more money than others. Really, what comes to mind is the George Orwell's *Animal Farm*, where some districts are more equal than others. So, we should really do away with that. If the budgeting process is brought back to Parliament, it will be up to this House to ensure that resources are equitably distributed. All the parts of this country will be developed equally, without knowing so and so or being close to so and so in such and such Ministry. I think we have to get away from that mode of doing business.

Finally, Mr. Temporary Deputy Chairman, Sir, I would like to support the reduction of tax on cement. That is one area where, as one hon. Member mentioned, the two companies that are entrusted with producing cement in this country took advantage and held everybody at ransom. They charged very exorbitant rates for cement. Therefore, I support the reduction of duty on imported cement. That will definitely increase the rate of growth in the building industry.

Mr. Temporary Deputy Chairman, Sir, with those few remarks, I beg to support.

The Assistant Minister, Ministry of State for Defence (Mr. Musila): Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to add my voice to those of my colleagues who have supported the Motion.

Mr. Temporary Deputy Chairman, Sir, may I start by commending the Minister for his innovation in the various proposals that he has made on taxation. In particular, I want to commend him for removing duty on motorcycles, steel and other areas that will go directly to benefit ordinary *mwananchi*.

Mr. Temporary Deputy Chairman, Sir, the Kenya Revenue Authority (KRA) has done a commendable job over the years. We have seen a steady increase in revenue collection by KRA. Every time, they have been surpassing their targets. Therefore, I need to commend them just as the previous speakers have done.

Having said that, Mr. Temporary Deputy Chairman, Sir, we still have many containers coming into this country and off-loading uncustomed goods. We still have many containers with goods that are meant for export markets being off-loaded in this country. I must lament the collapse of some of our industries, for example, the textile industry which, as you know, was the biggest employer of our people. You remember KICOMI, RIVATEX, MOUNTEX, Thika Clothing Mills and many other textile mills which were flourishing years ago. But because of cheap importation of uncustomed goods, our textile industry, which was the biggest employer of our people, collapsed. Therefore, I would like to implore KRA to use all the necessary measures to ensure that uncustomed goods are not allowed into this country. We know that they have made efforts, but we know that there are still many uncustomed goods. That is why you will find very cheap textiles which cannot compete with the remaining textile industries in this country. The same applies to footwear. We know that our foot wear industry has also nearly collapsed. We know Bata Limuru has not been doing well of late. It is obvious to anybody why our local industries are dying. You just need to walk through Gikomba and other parts of the City and you will find cheap shoes from Korea, China, Indonesia and elsewhere. When you buy a pair of shoes from Korea, all it means is that you have just put one of our youths out of employment. So, I am putting to the Minister, that along with the efforts by the Kenya Revenue Authority to see to it that these goods which come to this country uncustomed are customed. The Minister needs to do everything possible to increase tax to these imported textiles, foot wear and all goods that tend deprive our young people of employment. We have a serious problem of unemployment in this country and all of us know this fact. But we must take deliberate taxation measures on imported goods so that goods which are manufactured locally are given preference. Industries that provide employment to our people must be given priority. We must do everything possible to improve or strengthen our industry. This is because we know that this country, if it goes the way it is going, we are sitting on a time bomb because of our youths who are unemployed.

It pains me when I go to the supermarkets and see how many goods are on the shelves, some of them side by side with our locally produced goods and our goods are more expensive than the imported ones. It is upon the Minister for Finance to investigate and see why our goods are always more expensive than the imported ones. Is it because these goods are coming without paying tax? We know that there are unscrupulous businessmen who do not pay tax. The Minister must do everything possible to close all the loopholes on imported goods and, therefore, increase employment opportunities for our youth.

Mr. Temporary Deputy Chairman, Sir, I also want to comment on the food shortage that is prevailing in the country. The Minister did a good thing to zero-rate bread, but as far as I am aware, wheat still attracts some duty. The world market price of wheat has gone up tremendously, therefore, making bread to be out of reach of the ordinary *mwananchi*. The Minister must look for ways of ensuring that food is affordable, especially this time, even if he has to suspend duties for food for the period when we are experiencing world shortages, so that every person can access food. These are difficult times when people cannot afford food because it is scarce and expensive. I know the Minister can suspend duty for some commodities, particularly food, for the time being so that we ensure that food is affordable. I know it is going to be difficult. There is no point of having any duty on any foodstuff that can make it to be out of reach of the ordinary *mwananchi*.

Before I conclude, Mr. Temporary Deputy Chairman, Sir, I want to comment on the issue of Income Tax. There was a proposal by the Minister that hon. Members of Parliament should pay Income Tax. I do not think hon. Members raised any objection to this, but we have since been vilified, condemned, bashed and called all sorts of names. I want to say here, for the interest of those who care to hear or write, that, in fact, Members of Parliament pay taxes. Every Member here pays Kshs600,000 per year in Income Tax. That should be said because it has been made as if

Members of Parliament do not pay tax at all. I know, for sure that Members of Parliament pay Kshs600,000 per annum, the very minimum. Therefore, if the Minister proposes to get additional tax from Members, it is natural and it is a matter that can be debated and Members can take a decision on it. But for now, I think to be fair, Members of Parliament should not be condemned unnecessarily.

With those few remarks, I beg to support.

Ms. Odhiambo: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity. I wish to support the Motion. I wish to commend the Minister for Finance for introducing very good measures on revenue collection.

Mr. Temporary Acting Chairman, Sir, I want to commend the Minister especially for the very good budgetary statement that takes into account the need for internal revenue collection that has actually seen Kenya to take the lead within the region. We are actually going to reduce external revenue collection by ten per cent this year as compared to Uganda and Tanzania that are expecting to reduce the same by 34 per cent and 30 per cent respectively. So, I wish to commend the Minister for Finance for introducing those measures.

I also want to commend the Minister for Finance for the objective of revenue collection which includes the objectives to reduce poverty and enhance equity. I want to commend some of those measures which other Members have mentioned, including the zero-rating of VAT on motorcycles, gym equipment and cement. This will reduce the cost of construction.

However, I want to comment on some of the measures that actually do not meet this objective of poverty reduction and enhancing equity. For instance, if you look at the proposals on reduction of tax on bread and wheat, a lot of Kenyans, especially women can no longer actually afford a product related to wheat or bread. Therefore, these measures only benefit the middle class and not the poor that it is intended to target. Even removing taxes on insulator tankers for milk, again, it will actually benefit persons who are capable of buying those tankers. That is not the poorest of the poor in Kenya. This is the category that our tax should be aiming at.

Again, I want to comment on the free education by the employer that is no longer taxable. As much it is laudable because, then more people will be able to access education, again, it will benefit especially the higher and middle class who have children in schools which are getting this money. I actually want to commend the Minister for coming up with taxation measures that favour the senior citizens including reduction of taxes on lumpsum money for pensions and relief on mortgage for low income earners.

Mr. Temporary Deputy Chairman, Sir, I am happy with the proposal of relief on mortgage for low income earners even though it will not reach the poorest of the poor in this country.

Mr. Temporary Deputy Chairman, Sir, I would also want to commend the Minister on the removal of double tax, especially for sportsmen. We know that sports in this country is a very lucrative industry, especially for our youth. Therefore, such measures would be very meaningful to them and go a long way to create employment opportunities for our people. We saw during the crisis that many of our youth were not meaningfully engaged. They were involved in violence. If we encourage sports in this country, they will be meaningfully engaged.

Again, in relation to sports, the Kshs1 million allocated to every constituency does not take into account gender equity. It only targets soccer. We know soccer in this country is not very gender sensitive. It is only boys and men who get involved in it. Most women and girls do not involve themselves in soccer. I would, therefore, urge the Minister that, in future, under this Item, whenever he allocates Kshs1 million for soccer, a portion of it, must go into promoting girls and women soccer. We should not only be encouraged to play netball, but also soccer as well.

Mr. Temporary Deputy Chairman, Sir, some measures proposed by the Minister to be raised, especially in the financial sector reform, will not augur well in this sector. Increasing the

capital base to Kshs2 billion will ensure that this country will be controlled by a clique of people who can raise that capital. Even the richest in this country will not be able to raise such funds. I would not like to support such a venture.

Mr. Temporary Deputy Chairman, Sir, while on one hand, it is good for us to raise a lot of revenue, we must also be careful on how we expend it. I know that there has been a lot of debate and discussions in the media in relation to taxation of MPs salaries. Personally, I am not opposed to it. However, as a Member of Parliament, when you are taxing my salary, I would want to see it being put to good use. I want to suggest very clearly to the Minister that part of the money that he proposes to tax us, be put into construction of the Mbita Point-Homa Bay Road. Some **[Ms. Odhiambo]**

of it should also go to orphans and vulnerable children.

Mr. Temporary Deputy Chairman, Sir, if you look at certain smaller items in the Budget proposals, you will see that last year the Government spent Kshs5.7 million per day on hospitality. If I am being taxed, I do not want to see Kshs5.7 million being spent on hospitality. Secondly, if you look at the money spent last year again, Kshs2 billion plus was spent in State House alone. This money was spent on issues to do with utilities. In a layman's language, this is merely water and electricity. The budget that goes into State House is bigger than that which goes into five Ministries put together. If I am being taxed as a Member of Parliament, I want my money to go into proper use. I do not want to see Kshs2 billion spend on water and electricity in State House.

Mr. Temporary Deputy Chairman, Sir, last year, the Government spent Kshs3.995 billion on rent. We have a lot of revenue that we are collecting in rent. For me, this account does not balance. I would like the Minister to explain to us why we are spending so much money on rent.

Mr. Temporary Deputy Speaker, Sir, on the issue of printing, the Government has a Printing Press. But last year, they spent Kshs6.2 million per day on commercial printing. Again, if I am being taxed as a Member of Parliament, I do not want Kshs6.2 million spent on commercial printing when we have a Government Printer that is working and operational.

Mr. Temporary Deputy Chairman, Sir, I know my time is running out, but I have a lot of issues to raise. On the foreign travel, I know Members of Parliament have been challenged on international travel. Civil servants use a lot of money on international travel, but we only focus on Members of Parliament. Again, if I am taxed as a Member of Parliament which I am not opposing, then civil servants international travel must also be reduced.

Mr. Temporary Deputy Chairman, Sir, if you look at what they spent on purchase of cars is enormous. I will not quote the figures because of lack of time.

There is the issue of money on security which we do not need for both the National Security Intelligence Service (NSIS) and the Kenya Anti-Corruption Authority (KACA). We have been given one line budget item on it. The international practice is to itemise the expenditure on national security. If you look at Anglo Leasing type of expenditure, they were on those non-itemised types of budget. So, we would like to see that kind of reform.

Mr. Temporary Deputy Chairman, Sir, finally, we are spending Kshs4.94 billion on paying for a navy ship which does not even have equipment in it. As a Member of Parliament, if I am being taxed, I would like to know why we are spending so much money on this naval ship and yet, the country is not at war with another country. We had an internal crisis. We were not at war with any country. Let us spend our money where we need to spend it. I do not oppose tax on MPs' salaries, but I want it used meaningfully.

With those few remarks, I beg to support.

Mr. Muthama: Thank you, Mr. Temporary Deputy Chairman, Sir. I stand to make my contribution on these tax proposals relating to Excise Duties, Value Added Tax (VAT), Income Tax and Miscellaneous Fees and Taxes. I support these tax measures as proposed by the Minister.

Mr. Temporary Deputy Speaker, Sir, the Minister has proposed that the tax on motorcycles with a capacity of not more than 250 be zero-rated. The Minister has considered the common *mwananchi* by zero-rating tax on motorcycles.

Mr. Temporary Deputy Chairman, Sir, I want to suggest that the Minister goes up to a maximum of 300cc, because 250cc is a very small capacity of engine. Most of the roads in our country are constructed on hilly areas, yet the motorcycles are used to transport people who cannot afford to pay *matatu* fares. If you look at the capacity of that engine, it is only suitable on a flat ground, but if you go to hilly areas, it will be absolutely difficult for it to work. If the Minister goes up to 300cc, then he will be of great help to *mwananchi*.

Mr. Temporary Deputy Chairman, Sir, there was the issue of the reduction of Value Added Tax on bread. The issue of food does not just stop with what is made from wheat. The Minister has tried to touch on several things, but the cost of that commodity is a big issue. The other day we saw *wananchi* demonstrating over the high cost of living due, especially, to rising food prices. The Minister should have gone beyond just wheat products, and also zero-rated VAT on other foodstuffs.

The Minister also talked about cement. The issue of promoting construction in our country is a matter of great concern. In Egypt, one bag of cement is selling for Kshs70, but in Kenya it is going for Kshs800. If you buy such a commodity now in Egypt, although it is a member of the Common Market for Eastern and Southern Africa countries (COMESA), I do not know if Duty will apply. If you take 25 per cent plus shipping cost and other miscellaneous costs, the price will not go beyond Kshs600. That is keeping the common *mwananchi* quite far from owning a house. If that continues, then those who earn between Kshs20,000 and Kshs30,000 stand no chance of constructing a two-bedroomed house, without a ceiling board, and using only iron-sheets. Such a dream cannot be realised by such *wananchi*.

The Minister also went ahead and waived duty on tractors. He also gave a description of the trucks that are designed to carry garbage. The Minister should have considered the common *mwananchi*, who is a farmer. Farmers do not need such trucks, but they would prefer an open truck for farming activities. By waiving duty on garbage collection trucks, the Minister is only allowing the business people to buy trucks and use them in the big cities, where there are rich people who collect garbage. So, that is just for the business people. The Minister should have stated the capacity of the engine and then imposed restrictions, so that no business person would be allowed to own more than two such vehicles. There is a big loophole that allows people with money to go to the market and buy 30 or 50 vehicles, get contracts to clean cities and then make a lot of money without paying taxes. So, that is a loophole that needs to be looked into.

Mr. Temporary Deputy Chairman, Sir, there is an issue of taxation of cigarettes and beer. Personally, I do think that there will be any pain at all when it comes to taxing smokers and alcohol takers. Those are luxury items. It is not a must that someone smokes. It is not a must that someone buys a bottle of beer or wine. The tax that the Minister put on those items should have been slightly higher, because when we talk about those who use them they should be protected, so that they do not end up taking *chang'aa*. There is no alcohol that is good for health. Even on cigarette packets, a warning is printed in capital letters; that smoking is harmful and destroys health. So, if the manufacturer can come out and print this message on cigarette packets, this House should be at the forefront in discouraging smoking and drinking.

Mr. Temporary Chairman, Sir, it is the duty of every Kenyan to pay taxes. I am happy that my colleagues here have indicated that they are not objecting to paying taxes. I want to concur with those who have said so. I support the idea by saying that we are being vilified out there as legislators who make laws to suit themselves. We have been referred to as people who are using the powers of this House to protect ourselves. What I am trying to say is that hon. Members,

starting with myself and those who have spoken before me, are ready to pay taxes, not tomorrow but yesterday. We want to be counted like any other Kenyan. We want to be like other Kenyans, and nobody should be accorded special treatment by not paying taxes. We want to pay, we need to pay and we should pay our taxes.

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

The Temporary Deputy Speaker (Prof. Kaloki): Mr. Njuguna!

Mr. Ngugi: Thank you, Mr. Temporary Deputy Chairman, Sir. I want to make a correction, for the third time, that my names are Mr. David Ngugi, Member of Parliament for Kinangop. Time and again, even the Speaker himself has been confusing me with Mr. Njuguna, who is my neighbour in Lari Constituency. He is a tall man and I am not too tall.

Mr. Temporary Deputy Chairman, Sir, thank you for giving me this opportunity to contribute to this Motion on taxes, which I have risen to support. As a matter of principle, I want to say this. It is very good for people to be self-sufficient. It is very good for people to be able to finance their own activities. There is no other way that a Government can support its own activities other than through its citizens paying taxes. So, fundamentally, paying taxes is a noble thing, and it is everybody's duty, be they the President, Diplomats whom we have sent out there, people in the country, others in the diaspora and ourselves here in Parliament. So, as a matter of principle, I support that we all pay taxes.

Having said so, it is always good to see that those taxes are properly used. That is normally where some of us are at variance with those who administer our taxes. We are one of the highest taxed countries in the world and yet, we do not have much development. We should be questioning ourselves as to what has been happening. Where has that money been going?

Mr. Speaker, Sir, that is where we come to the issue of corruption.

The Temporary Deputy Chairman (Prof. Kaloki): Hon. Ngugi, I have got your name right. Today, I am sitting here as the Temporary Deputy Chairman.

Mr. Ngugi: Mr. Temporary Deputy Chairman, Sir, that is where I come to my pet topic of corruption. Unless we close holes and see that the taxes we pay do not end up in a few individuals' pockets through contracts, then more and more Kenyans will be discouraged to pay taxes. I want to commend the Minister for Finance for coming up with taxation proposals that are not too punitive. But, in my view, some of them are not so wide. If you take, for example, the issue of allowing Kshs150,000 interest on a scheme for the National Housing Corporation, that is being selective. The National Housing Corporation is not the only organization that offers mortgage for housing. There are banks and housing societies. What the Minister ought to have done is to give a relief for Kshs150,000 across the board, in order to encourage more and more Kenyans to own houses.

Mr. Temporary Deputy Chairman, Sir, if we look at the food items that the Minister for Finance zero rated, they are okay. But our experience in the last two weeks since the Budget was read is that the intended benefit has not been realised. The traders are keeping the benefit while the *wananchi* who are supposed to benefit from that relief are still suffering. I would even have proposed lowering Value Added Tax (VAT) which is directly affecting the common man rather than zero-rating those few items. Moreover, one of the items that is consumed by every Kenyan, whether poor or rich, is sugar. That is not one of the items that was included here. I am looking forward to seeing that, that is zero-rated in future, so that there can be more benefits to Kenyans.

Mr. Temporary Deputy Chairman, Sir, I also want to commend the Minister for Finance for zero-rating tax on motorbikes. I do not know whether it is only in my part of the country, but I have travelled to Ukambani, Kisii, parts of Rift Valley and Mombasa, of late! Do not ask me whether I want to be a presidential candidate. No! I have just been going to visit other colleagues in Parliament and to see their constituencies. What I have seen in all those areas is a proliferation of *boda boda* businesses. Many youths are buying those motorbikes. They are able to offer some

transport at a cost to areas outside the towns, which are, otherwise, un-reachable. Those are the areas that even *matatus* do not go. So, I thought that was ingenious on the part of the Minister for Finance to encourage the growth of that industry.

Mr. Temporary Deputy Chairman, Sir, the Minister for Finance allowed some tax relief on gymnasium equipment for hotels. I thought that was a little bit narrow because the health of the people is not only in the hotel industry. We, as Kenyans, are taking more and more into sports. Here in Parliament, we have a gymnasium. If you go to golf clubs and other social clubs, they all have gymnasiums. If that has to be restricted only to the hotels that are enjoyed by tourists, it does not seem to benefit Kenyans who are paying taxes. It is benefitting foreigners who do not pay taxes. I would like to see the Minister for Finance widen that benefit so that anybody who wants to bring some sporting gymnasium equipment, even if it is for their own households, can get them at zero-rated prices. That way, we can encourage our people to exercise, grow healthy, live longer and develop this country.

Mr. Temporary Deputy Chairman, Sir, I am really not too sure of what was the benefit of reducing tax on easy opening ends of cans from 25 per cent to 10 per cent, for the packaging industry. To me, that is a small cosmetic thing compared with the reduction of taxes on sodium sulphate, aluminium sulphate and other measures that he has taken, particularly, to accelerate the construction industry. The construction industry in this country is one of the most expensive. Measures that would help to rejuvenate that industry and make the cost of building a house come down, would be most welcome.

Mr. Temporary Deputy Chairman, Sir, I want to say that these tax measures are not punitive, but they could be widened. Take, for example, where he linked Vision 2030 to cleaner cities; where he allowed trucks designed for garbage collection to come in duty free. I have looked at some local authorities and most of them do not have garbage collection vehicles, sewers, sewerage systems and garbage sites. But those vehicles can now come duty free and that will encourage local authorities to buy them and collect garbage. In effect, it will improve the health living conditions of our people.

Mr. Temporary Deputy Chairman, Sir, I am particularly grateful to the Minister for Finance for thinking it is good to spur the growth of Information and Communication Technology (ICT) industry. That is because the growth of any country in this time and age depends on the ICT industry. So, those are very commendable tax measures. But with regard to usage, I would like to see those taxes well controlled and any public servant who misuses public money is made liable for it. There is no need of paying taxes while others benefit from it.

Mr. Temporary Deputy Chairman, Sir, with those few remarks, I support the tax measures.

The Member for Embakasi (Mr. Waititu): Thank you, Mr. Temporary Deputy Chairman, Sir. My names are Ferdinand Ndung'u Waititu. I am the new Member of Parliament for Embakasi Constituency in Nairobi.

First, I would like to thank my constituents who voted for me to become the Member of Parliament for Embakasi. I would also like to thank those who are not my constituents and did not vote for me, but offered me moral support. I promise all of them that I will work to the best of my ability to make sure that I bring development to my constituency and contribute towards building this nation.

I would also like to thank the Minister for moving this Motion on Taxation Proposals. I would like to mention a few things that I have read in his Speech, particularly touching on motorcycles. These will go to a great extent in providing employment amongst our youth. They will easily afford to buy the motorcycles, which are replacing *boda boda* bicycles. The motorcycles reach areas that *matatus* cannot go. In fact, they are being used as taxis in areas where people used to walk long distances. So, reducing the taxes on motorcycles will go to a great extent in reducing

unemployment in our country.

Mr. Temporary Deputy Chairman, Sir, I have also noted the reduction of taxes on cement. This will also encourage construction in our country. It will also create employment amongst our youth and will be a catalyst towards improving our economy.

I also noted that there is reduction of duty on telecommunication equipment. This will go to a great extent in improving our training facilities in our colleges, some of which are private. It will also enhance efficiency in our working places.

The Minister for Finance has also reduced taxes on vehicles that are used for garbage collection. However, it is also important to note that I have been a councillor in this city from one of the wards that had a lot of garbage. In fact, I come from one of the wards in Embakasi which is a dumping site. I would like to inform the Minister that most trucks used now in Nairobi for garbage collection are not specially designed for garbage collection. Garbage collectors use open trucks because the garbage is loaded on to them using tractors. In fact, some of the garbage, because of its own nature, cannot be loaded in the specially designed garbage collection vehicles. I think the Minister should have waived duty on vehicles that are used by garbage collectors. This waiver ought to be displayed on the windscreen of the vehicle so that it is not used for other purposes.

Garbage collectors in Nairobi are low income earners who can only own one lorry. They cannot even afford to go abroad to order for the specially designed vehicles. If it were possible, garbage collectors could have been given that duty free facility to import those trucks.

Mr. Temporary Deputy Chairman, Sir, I have also noted that the Minister mentioned something on diversion of vehicles on transit. It is true that there has been a tendency to divert vehicles which are on transit. Those vehicles are destined for our neighbouring countries. Diversion of vehicles is mainly because some of our vehicles here are highly taxed compared to our neighbouring countries where the duty imposed on such vehicles is low. So, our people prefer to order those vehicles from Dubai or Singapore and signify that they are destined to our neighbouring countries but end up here.

The Minister should have reduced duty on big trucks. Sometimes people even go to Uganda to buy those big trucks which are initially imported from abroad. However, the duty in Uganda allows those people there to import them. Here, there is huge duty imposed on the big trucks and that is where the problem is. The Minister said that people have to pay taxes within a period of 14 days and registration must be within, I think, 30 days. I think that will not help so much because the duty is the problem. It should be reduced as far as those big trucks are concerned.

This being my first speech in this Tenth Parliament, I beg to support the Motion on Taxation Proposals.

The Assistant Minister, Ministry of State for Administration and Internal Security (Mr. Ojode): Mr. Temporary Deputy Chairman, Sir, I stand to support the Minister with regard to this Motion. However, I will sum it up in a different way. Last time, you heard the Minister say that ICT equipment, including the printer, will be zero-rated. What the Minister did not talk about is what goes with the printer. Toners are very expensive items. A toner is a component within the printer which needs to be zero-rated if at all the Minister wants us to use the printers. There is no way you can zero-rate the printers so that it goes for, say, Kshs1,500 and yet the toner which is being used in the printer goes for, say, Kshs7,000. I would like to request the Minister, who is seated next to me, to go back to his office and come with a proposal to zero-rate the toner.

I had said clearly that Members of Parliament are not against paying taxes. We are going to pay taxes, but it is for the Minister to tell us when we will start doing so. Is it today or tomorrow? Perhaps, the effective date of paying taxes will be in the year 2013. We are not saying that we will not pay taxes. This is because we also want our people to know that Parliamentarians are paying taxes. Already the Minister knows that we are paying taxes on the Kshs200,000 we get as salary.

Yes, we pay Kshs54,000 and you know that, that amount is deducted from our salaries. So, we do not want this kind of populist politics. As leaders, we have unanimously agreed that we are going to pay taxes. We, as leaders in Kenya, have unanimously agreed to pay taxes. In fact, it is just perception! We should not say that hon. Members are not paying taxes. We are paying taxes! The only tax that the Minister wants to levy on us is the amount of money he is giving us to fuel our vehicles. He should come out clearly and say: "Yes! My colleagues are paying taxes except on the money for fuel and entertainment." I am also saying to my good friend and colleague that, while we are going to pay taxes from our allowances, he should consider reducing petroleum taxes from 46 per cent to, at least, 35 per cent, in order for fuel to become affordable. That is because you know that any increment on fuel, petroleum products or lubricants, will definitely make the fuel prices go high. It is common sense! It is known that, any time you increase taxes on petroleum products, the price of fuel goes up.

Mr. Temporary Deputy Chairman, Sir, the other bit is on agricultural implements. The Minister knows that because he is a farmer. The only thing he should have done was to zero-rate anything to do with implements on agriculture in order to boost food production. I am telling you that, if we do not put some measures in place as we are talking now, we are going to have a food shortage. What will happen? How will we feed 33 million Kenyans? So, the Minister should come up with measures that will definitely make food production easier and cheaper for our people. For example, I had suggested earlier that the trailer, which is component that the tractor pulls--- We are paying tax on that. It is not tax free. But the other implements are considered to be tax free. If a tractor was duty free and I know that there is no way you can buy a 70 horse power tractor at Kshs3 million--- If you went to Europe, you will find that brand new tractors are costing only Kshs400,000 or Kshs500,000. They just use them for a year or two and bring them to this side for free. But if you want to buy an engine of a tractor, its costs more than even the tractor itself. Why? Because it is not zero-rated! It is just on paper that the tractor is zero-rated. How about the trailer? Is it zero-rated? There is nothing like that! Let the Minister do his research. Let him go to Cooper Motors Corporation (CMC) and find out whether it is, indeed, zero-rated. It is not!

Mr. Temporary Deputy Chairman, Sir, the other issue is on heavy commercial vehicles. In order for you to transport goods, whether commercial or private, from Mombasa to Kisumu, you must have, at least, Kshs100,000 for the weigh-bridge and other levies. It becomes very expensive for even that heavy commercial vehicle. So, I am appealing to the Minister that heavy commercial vehicles which are primarily meant for transportation of goods in order for us to reduce the prices of essential commodities like *unga*, wheat and rice--- The Minister reduced the tax on wheat. But how many people consume wheat? If I was the Minister in charge of finance, I would have zero-rated all the taxes on maize flour. Why? Because the majority of Kenyans depend on maize flour. So, I want to appeal to the Minister to consider some of these brackets so that, when he comes back, we will definitely pass these taxation measures without any amendments. The way things are, it will be very difficult for us to produce food. It is going to be very expensive. Look at kerosene! My own mother cannot afford kerosene. Your own mother cannot afford kerosene! We are going to deplete our forests or whatever is remaining - if there is any forest cover anyway. As we are talking, there is no forest cover. *Hakuna!* Why? Because we are using wood fuel. So, in order for us to boost the planting of trees, we must come up with something. The Minister should zero-rate taxes on kerosene.

After kerosene, he should also come up with a master plan to use solar energy. I do not know whether you have been to Japan. In Japan, every building which is being constructed afresh, must have a component of solar energy. It is a must! It is in the Act! When you are constructing a new building, you must have a solar component, so that you can reduce the usage of power. That is the way we should go as Kenyans.

Mr. Temporary Deputy Chairman, Sir, with those few remarks, I beg to support.

The Temporary Deputy Chairman (Prof. Kaloki): Thank you, Mr. Ojode! I now call upon the Minister to reply.

The Minister for Finance (Mr. Kimunya): Thank you, Mr. Temporary Deputy Chairman, Sir. I wish to really take this opportunity to thank hon. Members for their contribution. We shall look at their suggestions in detail. As I indicated, this is only a precursor to the wider debate on the Finance Bill which will be coming here before the House and the Committee. I have been very encouraged by all those contributions. We shall take them into account. If there is anything that we can do between now and the Finance Bill, we will be happy to incorporate it as part of the taxation measures. But I am very encouraged with the broad support. I just wish to assure the House that we will be looking at the suggestions in details. I have my team here which has been taking notes, in addition to what has been captured in the HANSARD.

With those many thanks, I beg to move.

The Assistant Minister, Ministry of State for Provincial Administration and National Security (Mr. Ojode) seconded.

(Question put and agreed to)

The Minister for Finance (Mr. Kimunya): Mr. Temporary Deputy Chairman, Sir, I beg to move that the Committee doth report to the House its consideration of the Resolution and its approval thereof without amendment.

(Question proposed)

(Question put and agreed to)

(The House resumed)

*[The Temporary Deputy Speaker
(Mr. Imanyara) in the Chair]*

REPORT

APPROVAL OF TAXATION MEASURES

Prof. Kaloki: Mr. Temporary Deputy Speaker, Sir, I am directed to report that the Committee of Ways and Means has considered the proposals relating to Excise Duties, Value Added Tax, Income Tax, and Miscellaneous Fees and Taxes, contained in the Financial Statement for the year of account 2008/2009 and approved the same without amendment.

The Minister for Finance (Mr. Kimunya): Mr. Temporary Deputy Speaker, Sir, I beg to move that the House doth agree with the Committee in the said Resolution.

The Minister for Public Works (Mr. Obure) seconded.

(Question proposed)

(Question put and agreed to)

ADJOURNMENT

The Temporary Deputy Speaker (Mr. Imanyara): Hon. Members, on that note, the business of the House stands adjourned until Tuesday, 1st July, 2008, at 2.30 p.m.

The House rose at 5.52 p.m.