

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 15th June, 2016

The House met at 9.30 a.m.

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

PRAYERS

QUORUM

The Temporary Deputy Speaker (Hon. Cheboi): Order, Members! We obviously do not seem to have the requisite numbers. Therefore, I order the Quorum Bell to be rung for 10 minutes.

(The Quorum Bell was rung)

The Temporary Deputy Speaker (Hon. Cheboi): Order, Hon. Members! We now have a quorum. We will, therefore, start business. Members who are walking in, kindly take your seats, so that we can start.

THE VALUE ADDED TAX (AMENDMENT) BILL

(Hon. Wamunyinyi on 8.6.2016)

(Resumption of Debate interrupted on 8.6.2016 Morning Sitting)

The Temporary Deputy Speaker (Hon. Cheboi): Let us have Hon. Wamunyinyi. There is a minor correction on the Order Paper. You had spoken for three minutes. Therefore, the balance of time is three hours and 27 minutes and not three hours and three minutes. You had spoken for three minutes, so you have the balance of your time.

Proceed, Hon. Wamunyinyi.

Hon. Wamunyinyi: Thank you very much, Hon. Temporary Deputy Speaker, for the opportunity and also for that correction, which was erroneously put in the Order Paper. I started moving this Bill last Wednesday. I briefly explained the purpose of the Bill, but for the sake of the Members who were not in at the time, let me briefly explain that the aim of this Bill is to exempt sugarcane farmers from paying Value Added Tax (VAT). It is straightforward.

Transportation of cane to milling factories constitutes one of the largest costs in sugar production. Harvesting and transportation of cane, being bulky, takes so much money. In fact, harvesting and transportation take 50 per cent of the cost of production of sugar.

Previously, VAT was not charged on transport, but it was introduced through the Statute Law (Miscellaneous Amendments) Bill of 2013. I sought to amend it then, but it was not possible. Therefore, I went round this route of introducing a Bill.

This amendment Bill is also aimed at not only removing VAT on transport of sugarcane from the farms to milling factories, but also to reduce the general cost of production of sugar. The consequence is that it will end up reducing the prices of sugar that we consume in our cakes, tea and in the beer that you take after the rise of the House.

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Wamunyinyi, I do not take it.

Hon. Wamunyinyi: I do not mean you, Hon. Temporary Deputy Speaker, but the many Kenyans that consume it. Also, you will not commit an offence if you take it.

The sugar industry has had challenges and problems in the past, which are purely related to the cost of production. In fact, we cannot compete in the region even within the Common Market for Eastern and Southern Africa (COMESA) countries because of the difficulties we have in the cost of sugar.

Hon. Temporary Deputy Speaker, an estimated 25 per cent of the country's population depends directly or indirectly on the sugar industry for their livelihood. In my constituency and the neighbouring constituencies like Mumias, Kabuchai, Bumula, Webuye and others, close to 90 per cent of the constituents are sugarcane farmers. Most of them entirely rely on what they get from sugarcane to meet their obligations like school fees for their children and enhancement of their lives. Therefore, this is very important to us. It also extends to the consumers who do not grow cane, but take sugar. Consumers do not participate in the production of sugar, but they use a lot of it. I have mentioned some uses of sugar in our country.

In recent years, the industry has faced many challenges including trade liberalisation. That has made it very difficult for us to move forward. We have been negotiating with COMESA for extension of the period and for an open market within the sugar industry. It cannot work with the kind of production cost that we experience in our country. So, this is not just limited to the farmer, but it is going to help consumers of cane, business people and all the stakeholders involved in the sugar industry.

The other thing that should be noted is that as a result of these challenges, the sugar industry has been under threat. It has been threatened by the importers of cheap sugar into our country because we do not produce the required amount of sugar that Kenyans want to consume. Therefore, some percentage of cheap sugar is imported into our market which affects the performance of our companies in terms of selling the available sugar. Our sugar is very expensive in terms of production. This affects the domestic market through tariff and non-tariff barriers.

The production of sugarcane in our country is dominated by small-scale farmers constituting about 92 to 95 per cent of the cane produced for sugar. The sugar companies only produce about 5 per cent in the nucleus estates. In fact, Nzoia Sugar Company in my constituency has the highest of about 15,000 acres of nucleus estates. Because of this, the small-scale outgrowers do not have a lot of technical capacity. They have limited capital and produce sugar under rain-fed conditions besides a few cane estates owned by the companies. It is important to consider supporting these farmers.

Harvesting and transportation represent a large cost. In today's *Daily Nation*, Jaindi Kiseru is criticising the move by the Cabinet Secretary for the National Treasury with regard to the Sugar Development Levy. This is not related to my amendment. The CS was targeting to cut the levy on the product in the shops in an attempt to cut down on the costs and also to deny the

Sugar Development Fund some money which could support the factories. So, that is something else which we will be looking at because the Sugar Development Fund has supported research, cane development and factories when they are in need through advances. So, that is likely to have an impact which may be good to the consumers, but may affect production and the input towards research.

Therefore, by exempting sugarcane transport service from paying VAT, service providers will reduce their transport charges on the farmers. The effect is understood. This reduction will eventually lead to a decline in the production cost. The estimated VAT for the 2015/2016 Financial Year was around Kshs1.55 billion from the report I got from the Ministry. This is going to benefit the farmer a lot. It usually does not add value when you charge VAT on cane transportation.

I want to conclude to allow Members to contribute on this. The Departmental Committee on Finance, Planning and Trade had engagements with stakeholders, farmers and I and we agreed that this is important. It is going to help our farmers. I want to thank the Members of the Committee for their concurrence and support for this Bill. Many countries that are mindful of their people take into account the aspects of subsidy and support to farmers. Stakeholders know that that is likely to enhance people's lives. I trust this Bill will go a long way in helping cane farmers. I want to appeal to Members of the House to support this Bill, so that we can pass it and have it enacted for the benefit of our people.

With those few remarks, I beg to move. I ask Hon. Nicholas Gumbo to second.

The Temporary Deputy Speaker (Hon. Cheboi): The Member for Rarieda, you have the Floor.

Hon. (Eng.) Gumbo: Thank you, Hon. Temporary Deputy Speaker, for the opportunity. I rise to second this Bill by my good friend, Hon. Athanas Wafula Wamunyinyi. This is a very brief amendment Bill. It aims to remove VAT on the transportation of sugarcane from farms to milling factories. The VAT Act, 2013, provides for levying of VAT on sugarcane transportation and transporters are required to collect and remit the tax to the Kenya Revenue Authority (KRA). Without a doubt, this has led to an increase in the cost of production of sugar in our country and that cost ends up on the table of the consumer.

VAT, as the name suggests, is a tax imposed to recognise some form of value addition. Those of us who know the process of transporting sugar from farms to factories will tell you that absolutely no value is added. In fact, to the contrary, the way it is, a lot of sugarcane is weighed at the factory. So, what it means is that the sugarcane that leaves the farm is normally less when it is weighed at the factory. Instead of imposing tax on the transportation of sugarcane, what the Government ought to do is to find a way to compensate our sugarcane farmers. Many times we have said in this House that sugarcane farmers toil. In fact, it is one of the labour intensive productions I have ever known, but sugarcane farmers are some of the poorest people in this country.

I want to commend my good friend, Hon. Jomo Washiali, who has been at the forefront in all the years I have known him because I have sat with him in this Parliament, fighting for the sugarcane farmers of western Kenya. I thank the people of Mumias for giving him a second chance. I do not know any other person who has taken a legislative agenda on a matter that directly affects the people and stuck with it all his life. He has even risked his personal life and has been injured while fighting for sugarcane farmers. My constituency does not grow as much sugar, but we grow cassava and cotton. I have not been as valiant in fighting for their rights the way Hon. Washiali has. It is for a good reason. Ultimately, when the livelihoods of Kenyans

improve and of all the farmers whether in Mumias, Awendo or Muhoroni, it all adds up to the national basket.

As we look into amending this Bill, we should look at taxation in Kenya. I was in this House at the commencement of the 11th Parliament when we made very comprehensive amendments to VAT. Some of us had complained that some of these amendments did not go into the heart of looking into what it does to our people. At that time, we were told we needed to look at demand and supply of things. We were told that by imposing more tax, we will provide welfare schemes for our people. Some of the people who had been at the forefront in proposing the taxes which were clearly punitive to our people were very embarrassed to find that in their backyards, people were rioting to protest those taxes because they did not reflect, for example, that when VAT was imposed on chicken feeds, it affected farmers because the cost of eggs became too expensive. When it was imposed on feeds for rearing pigs, it became very expensive. This is a good move by Hon. Wamunyinyi to recognise a need, which is making what our farmers get from the input of their labour go down and instead make this commodity that is used in every household in Kenya expensive and unaffordable.

We should be creative in the way we impose tax. We should realise that the moment you impose a tax, it is some sort of a covenant with the people. You are telling them that for the money they are giving you, as a Government, this is what you intend to give in turn.

I support this Bill. It is a small Bill and I would like to urge my colleagues to support it, so that we can remove the burden of tax. Sugarcane production is facing a barrage of threats. Sugar produced in Kenya is more expensive than imported sugar. We should look for ways of making locally produced sugar affordable to the people of Kenya and a source of meaningful livelihood for our farmers instead of imposing taxes which makes it both expensive and less rewarding to those who engage in sugarcane farming.

With those remarks, I beg to second.

(Question proposed)

The Temporary Deputy Speaker (Hon. Cheboi): I will give the first shot to the Member for Chuka/Igambang'ombe.

Hon. Njuki: Thank you, Hon. Temporary Deputy Speaker for giving me the opportunity to contribute to this Bill. I want to thank Hon. Wamunyinyi, Chairman of Sports of Kenya in the National Assembly, for bringing this Bill and Hon. (Eng.) Gumbo for seconding the Bill.

We cannot do without sugar. Those who do not consume sugar in tea consume it in Church in the form of wine and in bars in the form of beer and wine. Those who do not consume all that, consume it in bread. This commodity has faced a lot of threat in Kenya. Its cost of production has been very high. We have no doubt that Kenyan sugar is of the best quality in the world. Every time you go to shops, you pick Mumias and SONY Sugar among the displayed sugars because it is the sweetest. However, the price of this commodity is beyond reach because of the cost of production. Amending the VAT Act to make sugar cheaper will not only affect the farmers who produce cane, but will benefit the Kenyan consumers.

The competitiveness of the sugar industry has been threatened. Under the COMESA, where we have a trade agreement to have free movement of sugar, the Kenyan sugar is still very expensive. This will help us in ensuring that traders beyond the borders can have competitive advantage in distributing sugar and exporting it to Uganda and other COMESA countries. Sometimes, it is a paradox of events to compete with countries that do not produce sugar as a

major product. There has been a big fight by the Government to limit and completely stop importation of sugar from Brazil because their sugar is very cheap. Sometimes you wonder whether they produce it on land or in laboratories. The cost of sugar from Brazil is so low because it is a by-product. You can imagine competing with somebody who uses their by-product to compete with a major product. In Brazil, sugar is a by-product of energy and when they produce power from cane, what comes out is imported and consumed here as sugar. It is shipped to where they can find a market normally at a third of the price of the sugar that is produced here. Levying tax on transportation of cane, which is captured in the cost, makes it harder for our cane farmers to sell their produce.

On the issue of levying VAT in the cost of transport, the tax collected by transporters is supposed to be remitted back to KRA. What is the efficiency rate of remitting this tax back to KRA because it is not usually done at the source? The transporter who collects the tax from the farmer remits it at the end of the month. The filing system of VAT is that you can claim or offset that against other taxes that have been levied on you. There is need to find out whether all the money that is deducted from the farmers gets to KRA. We may be benefiting middleman and in the process, the farmer and the Government lose. Tax collection may not capture everything collected from the farmers. It might just be a cost put there which does not benefit many people and there is need to reduce this cost.

We increased the price of fuel in this year's Budget which is an additional cost on sugar production. When you go ahead and add another tax on transport that is double taxation. There is need to reduce it. I note with appreciation that in this Bill, there are other products which we can use for comparison. We can draw comparison and show the success of the industry. In this Bill, we have most of the products on which VAT has been removed. They are doing very well.

I note with appreciation the production of 5,000 megawatts of fuel in the energy sector, which is a major flagship project of the Jubilee Government. When we encourage private developers especially in private public partnership, to produce power without much taxation, it will make it easier for us to achieve the production of 5,000 megawatts of fuel. On the same note, VAT has not been levied on commodities, machinery and everything else used in the production of power to enable cheaper power production. We should encourage the same in the sugar production, so that we reduce the cost of locally produced sugar in the long run. I note that there is geothermal power, solar power and many others. For this reason, we can say with authority that the proposed waiver of VAT on the transportation of sugarcane will reduce the cost of sugar production. This will benefit every Kenyan who consumes the product directly and indirectly. Everybody will be a beneficiary in the long run. We will all be winners in this particular case.

With those few remarks, I beg to support.

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Wangamati.

Hon. Wangamati: Thank you, Hon. Temporary Deputy Speaker, for giving me this opportunity to support the Value Added Tax (Amendment) Bill. As Hon. Wamunyinyi puts it, it is true that sugar comes from our own farms. The cost of producing a tonne of sugar in this country is so high. I was wondering how one can think of taxing a transporter who is carrying sugarcane from the farm. The transporters pass that tax to the farmer. The cost of producing sugarcane becomes so high for the farmer. This discourages farmers to go back to the farms and produce sugar. It is important for this House to look at this critically and advise our Government and the National Treasury that they should be careful in deciding VAT.

VAT demoralises leaders who sit in this House. People think that we do not know that producing cane and other agricultural produce in this country is expensive. We should be looking for ways and means of reducing the cost of production in this country to assist the farmer. I support this Bill as an old farmer. I thank Hon. Wamunyinyi for bringing the Bill although it is a little late. He should have brought it earlier. People are crying all over. Sugarcane farmers are crying all over about the high cost of production. Very soon, we will depend on imported sugar rather than our local sugar and our people will lose employment.

Hon. Temporary Deputy Speaker, thank you for giving me this opportunity to contribute. I want to give a chance to other Members to contribute. This House should support this Bill and advise the Government and the National Treasury to think wider than they are currently doing.

I support the Bill.

The Temporary Deputy Speaker (Hon. Cheboi): That is a voice of an old farmer. Let us hear the Member for South Imenti.

Hon. Murungi: Thank you, Hon. Temporary Deputy Speaker. I take this chance to thank Hon. Wamunyinyi for bringing the Bill.

Farmers across the board are suffering, for example, sugarcane, tea, coffee, dairy and wheat farmers. The list is endless. The reason is over-taxation especially on sugarcane transportation. I wonder why transportation of sugarcane from the farm to the factory should be taxed by any Government that thinks of the welfare of its farmers. This Bill is coming at the right time.

I am happy because the Government has realised that our farmers are suffering. During the Budget Day, the National Treasury, through the Cabinet Secretary, Mr. Rotich, mentioned that all taxes levied on sugarcane and tea farmers have been scrapped. We want to see a memorandum from the Agriculture, Fisheries and Food Authority (AFFA) showing the exact taxes which have been removed. I brought a petition to this House to reduce tax on tea farming and the *ad valorem* levy, which is used by the tea directorate to market tea outside the country. The same money is used by the Tea Research Foundation of Kenya. Research and marketing of tea should not be the work of the farmer. That should be taken over by the relevant Government agencies and funded by the National Treasury.

I am happy because the National Treasury has seen the light. They said that they will scrap the *ad valorem* levy and other taxes levied on sugarcane farming. Therefore, I support my colleague because VAT on transportation is unfair. There is also the fuel levy. This is triple taxation. What is happening now is the right thing for our farmers. The VAT should be removed from sugar, tea and coffee that we consume locally to encourage more people to consume these products. If you levy VAT on Mumias sugar, which we buy from the shops, then it is a burden to the consumer. If you levy VAT on the tea that we consume locally, it is another problem. Therefore, it is important to increase the numbers or the level of the products that we consume locally. I have done a lot of research in tea and we only consume 5 per cent of the tea we produce and struggle to market 95 per cent to people who are not ready to accept our product. Therefore, if we remove VAT on the products that we produce locally, we will encourage more Kenyans to consume them.

When you go to the other side of the House, you will see people are not encouraged to take tea because they are not used to tea. Tea is very expensive. If you add sugar to tea, it becomes even more expensive, maybe 10 times more. Hon. Wamunyinyi has brought this Bill and maybe we will extend the exemption of VAT on other crops or farm produce that we produce in this country.

I support this Bill and I hope the National Treasury will tell us, through AFFA, the taxes that they have removed from cane and tea as indicated in the Budget Speech.

Hon. F.K. Wanyonyi: Thank you, Hon. Temporary Deputy Speaker, for the chance. From the outset, I want to thank my brother, Hon. Wamunyinyi, for coming up with this amendment. If you ask me, I would tell you that this is overdue. He is from the sugarcane growing area. The reality on the ground is that the cost of subdivision of land is high. You will find that the farmer has only two to five acres and because he is within the sugarcane growing region, he is forced to grow sugarcane. What happens is that they come together as an area to transport the sugarcane to the milling factory, sometimes as far as 50 kilometres away from the source.

As explained by the Mover of the Bill, sugarcane is a very bulky product. Surely, to put VAT on sugarcane is wrong. I know KRA is desperate. They are looking for money, but this is wrong because basically, you are hitting a very poor farmer, a farmer who has only two or three acres. That is where he gets little money to educate his children and earn a living. Therefore, it is wrong for KRA to load these taxes on farmers. We need to support this amendment, so that farmers can grow sugarcane and earn a decent living.

As I said, it makes it very difficult to compete. We have cases where sugar barons import counterfeit sugar from outside the country. They repackage it as from Mumias, Nzoia or other factories and say that it is a local product, yet the sugar has been smuggled into the country without payment of taxes.

Our sugar here is not competitive because it is labour intensive. It is wrong for us to levy VAT on the transportation of sugarcane to factories. I am told and as he has mentioned in the memorandum, it is transporters who levy the tax. I am not very sure that this money is even remitted, but they are just making it very expensive because there is no follow up. We cannot know whether the transporters pay VAT. The poor farmer with the two acres is forced to pay that money. If you follow and track the payment by this poor farmer, you may find that the money has not reached where it is supposed to reach. The best we can do, therefore, is to do away with it altogether and do the right thing for our people.

The other thing is that if you go to countries like South Sudan, Mauritius, Brazil and Seychelles, they plant sugarcane on large farms. Harvesting is very cheap because it is done mechanically, but ours is done manually. The cost of production of sugar here is very high because it is done manually as opposed to our competitors from the region. In Kenana Sugar Belt in South Sudan, there are thousands of acres. Our neighbouring country, Uganda, has Kagera Sugarcane Plantation which has thousands of acres of sugarcane. They are doing it mechanically as opposed to us, who do it manually. I want to support this amendment, so that farmers are relieved of this burden because it is not serving any purpose at all.

Again, in terms of certain taxes as mentioned by one of the speakers, was there any public hearing that this should be introduced? There was none. For the introduction of these kinds of taxes, we should have had public hearing from those concerned.

I also want to take this opportunity to thank my brother, Hon. Washiali, for fighting tirelessly for the sugarcane farmer. I want him to add his voice to this, so that farmers in the region are relieved of this burden to produce sugar and earn their living. I support Hon. Washiali and Hon. Wamunyinyi and all the other people from the sugarcane growing areas. We expect the House to come together and quash these taxes.

With those few remarks, this Bill is here at the right time though it is overdue. I support the amendment.

Hon. Wakhungu: Thank you, Hon. Temporary Deputy Speaker. From the outset, I support this amendment Bill. It is the responsibility of any Government in the world to take care of its citizens. Sometime back, I was on a trip to Turkey with His Excellency the President, Uhuru Muigai Kenyatta. President Kenyatta requested for reduction of taxes on our tea and the President of Turkey said that that was the source of livelihoods in that country and they could not do anything. That tells you that that particular government is very particular about the welfare of its citizens. It is the responsibility of the Government to ensure that the welfare of sugarcane farmers is improved. When you look at the measures that have been put in place, we need to do more.

I listened to the Budget by the Cabinet Secretary of the National Treasury where he removed the sugar levy. The sugar levy plays a very critical role as far as production of sugarcane is concerned. This is the money that is borrowed by farmers for the improvement of the produce. The Kshs2 billion that was given to Mumias never came from the Exchequer. It was from the sugar levy. If you remove it, where are we going? The sugarcane research firms use this development levy in terms of improvement of varieties. You can get varieties that can mature within a short time.

We know very well that farmers, particularly in the western region, are languishing in poverty. Because of the small acreage they have, they do not enjoy the benefits of economies of scale. That is why the production cost of sugar is very high. Those of you who have done basic economics know that the total cost is equal to the fixed cost plus the variable costs. You can enjoy economies of scale if you have higher volumes, but our farmers are on one, two or three acres. When you add VAT on transportation, it adds a significant cost. When you add a margin, since price is equal to total cost plus percentage margin, you cannot compete when you put into consideration the laws of demand and supply.

The sugar we are getting from Brazil is cheaper because sugarcane producers in Brazil enjoy the benefits of economies of scale. They have bigger volumes. The KRA is also to blame because most of the sugar in the market is smuggled into the country through Somalia. Such sugar is not subjected to taxation. It gets to the local market at lower costs. If you go Nakumatt Supermarket, you will find sugar labelled “Nakumatt”. Where does Nakumatt produce sugar? This is the cheap sugar that comes into the country. This sugar will kill our local industries. We have Mumias and Nzoia sugar factories. Removing VAT on sugarcane transportation will play a critical role in terms of reducing the total cost of sugar production in Kenya and enabling local sugar to compete with cheap imports.

As the CS for the National Treasury removes sugar levies, there should be allocation of funds to the sugar research firms because they play a critical role, as I mentioned earlier. If money is not set aside for that purpose, in the long-run, we will kill the local sugar industry. In some parts of western Kenya where sugarcane is grown, like Trans-Nzoia County, farmers are languishing in poverty. They cannot afford to pay school fees for their children or put food on the table just because the measures the Government has put in place do not benefit the local *mwananchi* who grows sugarcane.

Sugarcane is no longer profitable. It is the responsibility of the Government to put measures in place to help this industry to be more productive. I have seen many people coming up with the narrative that sugarcane production is not profitable. Why are we having private millers there? Many of the Butalis have come. It is profitable. It is only that the policies that have been put in place have a lot of overheads. The KRA is sleeping on the job. A lot of sugar imports compete with our local sugar. I thank the Mover of the Bill. This Bill has been long overdue. It

will add value in the production of sugar and help the small scale sugarcane farmer to compete with the rest of cane farmers in the world.

Another issue is the fuel levy. Once you raise the levy, you increase the cost of living. In ploughing, the common farmer relies on diesel. In other words, the production cost will still go up. That is why we say that the Budget Statement that was presented by CS Rotich did not put into consideration the common *mwananchi*. The moment the fuel levy goes up, transport cost will go up. The common *mwananchi* who uses *boda boda* pays more because once the price of fuel goes up, transport cost goes up. We need to look at these issues once they come to appropriation. How are we going to contain this and defend the common *mwananchi*?

The other issue is about the COMESA region. I know that whatever sugar is produced in this country cannot meet the demand. Because of that shortage, we must import some sugar. We have a liberalised economy and I call upon KRA to put measures in place to ensure that sugar that is imported from outside is taxed for purposes of protecting the local cane farmer.

The other important issue that I want to talk about is that of fertilizers. I brought a Bill on production of fertilizers locally. When it comes to growing sugarcane, one of the critical inputs is fertilizer. Fertilizers that cane and maize farmers use are very expensive and way beyond the local farmer. I am calling upon the Jubilee Government to move with speed and put up the proposed fertilizers factory in Eldoret. Once the factory is in place, it will play a critical role in reducing the cost incurred by farmers. We need fertilizers that are suitable for specific soils in particular regions.

Recently, we had a Motion on privatisation of Nzoia, Chemelil and Muhoroni sugar factories. The technology that is being used in those factories is outdated. Therefore, the level of efficiency is low. Sugar that is produced by those factories cannot compete favourably with cheap imports. It is important for the National Treasury and the Privatisation Commission to involve stakeholders including the county governments and the Members of Parliament from the cane growing areas, so that an amicable solution can be found in terms of finding the way forward as far as privatisation of the sugar mills is concerned. As I mentioned earlier, some of them lack efficiency because of the outdated technology that they are using. However much we try, however much money we put in them, it will just be drained.

Mumias is the leading factory that we know. From research, it produces 60 per cent of the local sugar. The Kshs2 billion that the Government gave to the sugar sector is like a drop of water in the ocean. We are calling upon the Jubilee Government to bring more money. We are told that Mumias has a debt of about Kshs10 billion. If that is so, the rights issue that they had talked about must be fast-tracked, so that Mumias Sugar Company can be profitable. By doing this, we will improve the welfare of the poor cane farmer. I call upon my colleagues to support the removal of VAT, so that transportation of sugarcane can be exempted from taxation and we can have profitability.

I would like to thank everyone who has contributed to this debate and encourage more Members to support this amendment Bill.

I support.

The Temporary Deputy Speaker (Hon. Cheboi): Before I give the Floor to the next speaker, I would like to recognise the presence of students from Muruguru Girls High School from Nyeri County and Moonlight Secondary School from Nairobi County, who are seated at the Speaker's Gallery. On the Public Gallery, we have students from Katoloni Secondary School from Machakos County and High Bridge Academy from Kiambu County.

I now give opportunity to Hon. Washiali, Member for Mumias East.

Hon. Washiali: Hon. Temporary Deputy Speaker, I thank you for giving me this opportunity to contribute to this amendment Bill brought by my good friend, Hon. Athanas Wafula Wamunyinyi. I would also like to thank the Members who have spoken before me in supporting the Bill, especially Hon. (Eng.) Gumbo and Hon. Ferdinand Wanyonyi for the recognition they extended to me in terms of the support I have received from sugarcane farmers. The people who have twice elected me to this House, that is, in 2007 and 2013 are majorly sugarcane farmers. In my constituency, you would be irrelevant if you talked of something else because that is where serious sugarcane farming can be undertaken.

Any credible government always protects its citizens. The government can protect its citizens in various ways. It avails hospitals for treatment so that citizens are not attacked by diseases. It can even go to an extent of subsidising products for the sake of protecting farmers. This amendment Bill urges the Government to remove VAT on sugarcane transporters so that the cost of transporting sugarcane is reduced. That way, farmers can take more money home than it is currently the case.

Hon. Temporary Deputy Speaker, in Mumias today, there is a common terminology called “DR”. It is a debit where inputs are more than what the farmer gets. What causes this “DR” is the high cost of transport. The cost of transport is increased because of VAT charges. I strongly support the Mover of this Motion that farmers will take home more money, if the cost of transport is reduced. You will find a farmer has four to six acres and the cost of transport alone is 60 per cent of what he would have otherwise got. In that 60 per cent, there is the 16 per cent VAT. Therefore, the cost will be reduced to 50 per cent or less; meaning that the farmer will take a lot of money home.

I take this opportunity to correct what my counterpart, Hon. Chris Wamalwa has said - that the Government is using the sugar levy to bail out Mumias Sugar Company. My colleague, with a lot of respect, should have sought information from those of us who are on the ground and are the beneficiaries. The first amount the Government took to Mumias Sugar Company was from the Sugar Development Levy. But the Kshs2 billion was voted and passed in this House to be released by the Government from the Exchequer to go and bail out Mumias Sugar Company. We are happy with this Government. My brother, Hon. Wamalwa, misled the House. If he wants to get information as it is, he should seek further information so that we can tell him exactly how the Government has supported that sector.

I thank the Government for the support it has given.

(Hon. Kipyegon stood on the gangway)

The Temporary Deputy Speaker (Hon. Cheboi): Order, Member for Umurua Dikirr! We are in the National Assembly; not some place in Mogondo. Proceed.

Hon. Washiali: Hon. Temporary Deputy Speaker, I would like to use this opportunity to support the Government for the bailout it has extended to Mumias Sugar Company. We are aware that Mumias Sugar Company would not be in the position in which it is today if it was not for the mismanagement by the previous management team. Despite the position of Mumias Sugar Company, the Government still went ahead to bail it out. I think strongly that it was because of the farmers. The Government was not bailing out Mumias Sugar Company as a company. It was doing so because of the interest the Government has in farmers. There was mismanagement in Mumias Sugar Company. It took the company down and made farmers to start getting more of the “DRs”. We are soon going to have a stakeholders’ meeting in which we

are going to discuss the way forward for Mumias Sugar Company. That is because farmers are getting discouraged from growing that crop because most of them are getting debit payments.

As we support this amendment Bill - and I want my brother, Hon. Wamunyinyi to listen to this - mechanisms must be put in place to make sure that if there is an exemption of VAT, then it should be the farmer who should benefit and not the transporters. Many times, we have seen those exemptions extended to transporters who are third parties. It is neither directly to the farmers nor to the companies, but to transporters who are, generally, third parties. A mechanism should be put in place to make sure that, that exemption should benefit farmers directly. Otherwise, we may go ahead and give exemption and yet, we could be enriching the transporters who will continue to charge the same rate and, at the end of the day, pay nothing to the Exchequer.

I thank my brother again for bringing this Bill. This is a very strong sign of supporting sugarcane farmers who he also represents. I support him on this. If there are amendments coming at the Committee of the whole House, we will make them so that farmers can benefit from this amendment Bill.

Thank you, Hon. Temporary Speaker.

The Temporary Deputy Speaker (Hon. Cheboi): Let us also hear the Chair of the sugar caucus in Parliament, Hon. Jared Opiyo, Member for Awendo.

Hon. Opiyo: Thank you, Hon. Temporary Deputy Speaker. I want to start by thanking Hon. Wamunyinyi for bringing this Bill. It is long overdue. I want to indicate here that this amendment Bill has been frustrated by committees of this House because it was supposed to be here in 2013 and again in 2014. He has made several attempts to bring it to the Floor of the House and it failed, especially at the Budget Committee stage. We thank God because it is finally here with us.

Last time when the President spoke here in the House – during the State of the Nation Address - he recognised that the sugar sector is facing challenges. The only thing he failed to mention was the solution to the challenges. He acknowledged that tea and coffee sectors were facing challenges and moved swiftly to provide solutions.

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

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

Hon. Temporary Deputy Speaker, if this Bill is passed, it will go a long way in ensuring that sugarcane farmers in this country have got additional money in their pockets. We have had several challenges in the sugar sector, which we have tried to address in various occasions. The cost of production of sugar in this country is the biggest challenge that we have. In the recent past, we have had the Government trying to push for the privatisation of State-owned sugar factories in this country. The reason they have been giving is that they are not profitable and they cannot manage them properly. Therefore, there is no need to continue holding them.

Hon. Temporary Deputy Speaker, as one of my colleagues has said, sugarcane farming in this country should be profitable. That is because we can see many private sugar factories coming up. They are not collapsing. They are thriving and doing very well. One reason why we

have huge challenges in this country is corporate mismanagement. It is one of the single-most important things that have to be addressed before any one talks about the sale of sugar factories.

I want to categorically state that the sugar sector supports close to 7 million livelihoods in this country. When we say that we want to reduce VAT for sugarcane on transport, we are simply saying we are going to improve the livelihood of 7 million Kenyans. With 7 million Kenyans having additional income in their pockets, we will take this economy forward.

We have been faced with competition from foreign markets, especially with the signing of the COMESA Protocol. If we want to be competitive, one of the ways is to reduce the cost of the production of our sugar. The cost of transporting sugarcane contributes to nearly 30 per cent of the total cost of sugar production. Reducing VAT on transportation will go a long way in bringing down the cost of our domestic sugar.

It is incumbent upon any government to ensure that its people and the local businesses are protected. It is upon this Government to protect sugarcane farmers, the sugar industry and our local sugar market.

As an hon. Member has said, if you go to Nakumatt Supermarket, you will find that they have packaged sugar and branded it as their own. You will find Nakumatt Sugar and Tuskys Sugar, among others. I have not seen any sugar manufacturing factory by the name “Nakumatt Sugar Manufacturing Company”. Where on earth do they get the sugar from? It is cheap sugar from South Sudan, Brazil and elsewhere, which is brought into the country illegally. It may even be through the Kenya-Somalia border. It is then repackaged. This hurts our industry. You remember when there was a serious debate in this country about the intended importation of sugar from Uganda, many Members of Parliament from the sugarcane growing areas were up in arms. It was right to understand their feelings. It is known that Uganda does not even have adequate sugar for its market. We were wondering how they would start exporting sugar into our country, if it is not the cheap and illicit sugar from elsewhere. The Government must wake up and try to protect the sugar industry.

As we speak, there is a big crisis at South Nyanza Sugar Company (SONY), which is where I come from. Farmers are planning a major protest on Friday 17th June, 2016. They are citing frustrations from the management of that company. I have also been reliably informed that the Cabinet Secretary (CS) is travelling down there on Friday to see what is happening. Our farmers have been frustrated enough. The idea of bringing down the cost of transportation of sugarcane will go a long way in alleviating some of their suffering.

I appreciate my brother, Hon. Wafula Wamunyinyi and other Members, for supporting this Bill. I hope that other hon. Members will support it when it comes to the vote.

Thank you, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I now give the Floor to Hon. John Serut.

Hon. Serut: Thank you, Hon. Temporary Deputy Speaker. I want to thank you for allowing me to add my voice to this Bill that has been brought by my brother, Hon. Wafula Wamunyinyi, who is my neighbour back in the constituency.

The issue of sugarcane growing and transportation in this country has had to go through a crisis. I sit in the Departmental Committee on Agriculture, Livestock and Co-operatives. Three or four months ago, we presented to this House a report on the sugar crisis in this country. The crisis partly emanates from transportation. I am happy we are discussing one of the issues that have given rise to the sugar crisis in this country. It is the VAT added on the transportation of sugarcane from the farms to the factories. As my colleagues have said, that levy increases the

cost of production, which is passed on to the farmers. What is the effect of passing on that cost to the farmer? The farmer is discouraged and disgruntled. I know some farmers who have done away with sugarcane growing because it is not profitable.

I have talked to a number of people in Bungoma County where I come from, especially sugarcane farmers. Some of them said that the growing of sugarcane has not changed their lives. It is because of taxation. I urge the Government to waive the added tax as a step in the right direction after the passage of this amendment Bill. I know that this Bill will go through.

I also want to urge farmers to step up sugarcane growing. The issue of having a deficit of over 200,000 metric tonnes of sugarcane in this country every year will be sealed. It is one of the major issues that have given room for importation by sugar barons, who purport to import to fill the deficit of between 200,000 and 300,000 metric tonnes, but who end up bringing in a lot of cheap sugar. That gives rise to non-competitiveness of our sugar because it is expensive.

Mismanagement of the sugar sector is one of the issues that have been mentioned by one of my colleagues. As we urge the Government to ensure that the additional VAT on transportation of sugarcane from the farms to the factory is exempted, let sugarcane farmers appoint the right people to the management, especially when it comes to private mills. That is where there is a big problem.

As we discuss this Bill on exemption, it is not the first crop we are bringing to this House. We have other crops that have been given exemption. I hope the excuse is not going to be that we cannot exempt this one because there is this and that.

The last one is the issue of relieving the farmers in terms of giving them subsidies. I want to use this opportunity to thank the Government for introducing subsidies to maize growing areas. I think it is high time they also gave subsidies to the sugar industry. Those farmers are Kenyans and they require incentives.

With those few remarks, I stand to support this amendment Bill. I will also do the same during the Third Reading because I want our farmers to benefit from the exemption. That will reduce the costs and more farmers will go into that industry.

Thank you, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I now give the Floor to Hon. Michael Kisoi of Mbooni.

Hon. Kisoi: Thank you, Hon. Temporary Deputy Speaker. At the outset, I want to really commend my colleague, Hon. Wamunyinyi, for coming up with this amendment Bill on VAT. At least, sugarcane growing farmers will benefit a lot from the trade of sugar production in this country.

This is commendable because it touches fundamentally on management of costs in terms of sugar production in this country. We know that Kenya is flooded with sugar from the black market and importation. We can afford to import cheap sugar from other countries and yet, within our own periphery, we have quite a number of sugar industries that have been doing well and contributing enormously to the economic growth of this country.

It is quite surprising to note from the Mover that the transportation cost amounts to almost 60 per cent, with about 15 per cent being VAT. It is the responsibility of this Government to critically look into the cost factor in terms of sugar production. We need to have a commodity in the market that is affordable and accessible by Kenyans.

Sugar cuts across board. It is an item that is consumed by the rich and the poor. When you look at that commodity, we need to critically know what we exactly need to help farmers of that region to enjoy subsidies, just like those from other regions.

There is a song from one of our greatest musicians on the issue of VAT, pedestrian tax and other taxes. In as much as we agree that we need to have taxes to raise revenue and income, there is also the component of looking at the effect of taxation in some of the sectors of our economy. This is especially when it touches on the lower cadres of our community - the income earners. Therefore, we significantly need to look at strategies that we can use as a country. They will enable our farmers, especially those who are producing maize, coffee and sugar, to enjoy the same subsidies that are given by the Government to other farmers. This country needs to start helping farmers who are in lower cadres of our community to improve their lifestyle.

Looking at the sugar industry, we need to take cognizant of the fact that the cost of production in this county has escalated at alarming levels and thus, increasing the cost of consumer goods in this country. We must be careful as a Government not to have commodities that are beyond reach and affordability of Kenyans for the country to move on. I commend the Government for chipping in the Kshs2 billion to help subsidize Mumias Sugar Company as one of the initiatives. Even though it is a drop in the ocean, it is a good step forward. I really want to commend Hon. Wamunyinyi. This is a Bill that will affect the lower cadres of our community, especially the farmers. We need to support it so that this country can move forward. It will help in subsidizing the cost of production for the affordability of goods for consumer purposes.

Thank you, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Thank you, hon. Member. I now give the Floor to Hon. Irungu Kang'ata, Member for Kiharu.

Hon. Kang'ata: Thank you, Hon. Temporary Deputy Speaker. Allow me to support this amendment. When you look at the level of this country's support to our agriculture sector, it is not commensurate to the gains we derive from it.

It is in our books that the agriculture sector provides employment to about two-thirds of Kenyans, if not more. Comparing how much we give to agriculture, this is very minimal. Looking at our Budget, you will realize that the largest amount goes to the education sector. The outcome of this is very negligible. Kenya needs to probably buttress that issue. There should be proof as to why we need to support this Bill.

Looking at the education sector, Kenya is ranked No.7 globally in terms of the money it puts into this sector as a percentage of its Budget. Therefore, a lot of resources are tied to education. What about agriculture? It is very negligible. To the best of my knowledge, I think we allocated between Kshs50 billion and Kshs60 billion to the agriculture sector. To me, this is scandalous, taking into account how important that sector is.

I have some problem with this Bill and, therefore, I will only support it subject to clarifications from my colleagues. One issue I have with this Bill is once we pass it, are the gains or benefits derived going to percolate to the farmers? There is likelihood that, once we exempt that amount of money, the people who are going to benefit will be transporters only. Remember there are several players in the entire value chain of the sugar industry. We have the farmers, transporters and millers. This is only an exception to the transportation costs.

The transporters are not the farmers and millers. The question that arises is how we are going to ensure that once we exempt transportation costs, that amount will percolate to the farmers or, at least, the millers. Taking into account that the miller is quite important in the entire value chain of sugar, to me, the best approach would be zero-rating instead of exempting.

There is a difference between zero-rating and exempting. "Zero-rating" means the transporter will be making returns to Kenya Revenue Authority (KRA) at a zero rate. This then

means the Government has a machinery of supervising. It will ensure something is happening or benefits are accruing to farmers because of monthly returns of VAT. As opposed to an exemption, which means the transporter may as well retain that amount which he was charging farmers prior to the enactment of this law. The best evidence of this position is the document we have. In pages 84 and 85 of the First Schedule on VAT law, it talks about exemption to supplies. It lists several items which are exempted from VAT. However, my attention has been drawn to pages 84 and 85 of this document. Pages 84 and 85 list some drugs. We all know that drugs in Kenya are very expensive, notwithstanding the fact that they are being exempted from Value Added Tax (VAT). It was even in the newspapers the other day.

I hold free medical camps day in, day out in Kiharu Constituency. At times, we buy spectacles at Kshs200 and give people for free. But when you ask the price of those spectacles at, for instance, a pharmacy or an optical shop, you will be told that it is Kshs7,000. That means that the price of drugs has not gone down, notwithstanding the exemption of taxes. Those benefits are not percolated to the *mwananchi*. By the way, it is even worse in a situation where you have a person who was being levied VAT and then you give him exemption. That person will not go announcing: "Hey, people, I have now received a tax relief." He will not say that. Therefore, there is a likelihood that he will retain that price and the people will still continue paying the old price and yet, there has been an exemption. To me, the best approach is not to exempt but to zero-rate. Once you zero-rate, then the Government will, at least, have the mechanism of ensuring that the benefit is being accrued by the farmer or the processor.

The Temporary Deputy Speaker, allow me to express myself on some of the sentiments that have been given here by my colleagues regarding the issue of protection of industries. We are now in a globalised economy. In a globalised economy, it does not make sense to protect an industry. We should never at any time protect an industry. We should build capacity. For instance, how much money do we appropriate every year to that sector? You will find it is about Kshs10 billion. If you were to use that Kshs10 billion to, for instance, build more roads in Kakamega or Vihiga, you are going to lower the cost of production of sugar as opposed to taking Kshs10 billion to Chemelil Sugar Company or Mumias Sugar Company, which ends up being misappropriated by those people. In this modern age, state ownership of parastatals is no longer rational. Even China was, the other day, being celebrated as a country that state owned enterprises are very good. We have several of them here in Kenya like Sheng Li and China Wu Yi, which make roads. However, if you look at the present China now, it is being told to scale down on state investments and state ownership of property. Therefore, in my assessment, under a globalised economy, governments should not channel money to any company. The free market economic forces should be allowed to reign. Therefore, I support this amendment. I have no problem with it but, instead of exempting, I propose we zero-rate so that we ensure that this benefit accrues to the farmer or, at least, to the processor. This is because, as I have illustrated, there are so many products here which have been exempted and the benefit is not accruing to the farmer. Therefore, in my assessment, that is the only way we are going to ensure that the sugarcane farmer is happy.

With those few remarks, I support, but subject to the argument that it is better to zero-rate as opposed to exempting.

Thank you.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Thank you, Hon. Member. I now give the Floor to Hon. Patrick Makau of Mavoko.

Hon. King'ola: Thank you, Hon. Temporary Deputy Speaker. At the outset, I must congratulate Hon. Wamunyinyi for bringing this amendment. Kenyan farmers of all cash crops have suffered for a long time and I am sure that if the Jubilee Government is serious on implementing the laws that we make here, so much will happen to Kenyans. This amendment reminds me of how the Kenyan farmer is demoralised and discouraged because of lack of market and new and challenging diseases. As we continue taxing the common farmer, we are not doing anything for this country. Sometimes, I look back and read history. There was President Sankara of Burkina Faso. He improved the way of farming by giving more incentives to farmers. They stopped consuming imports. In 1987, Burkina Faso was one of the poorest countries in the world, but because of that input by the president, a policy change brought a lot of change in the way things were done in Burkina Faso. After 50 years of independence, Kenya can do better. This amendment will give us a chance – as the Government and leaders - to improve farming. I agree with the previous speakers who have said that, instead of the exemption, we should zero-rate. That is because there is a way we can waive VAT and it benefits the middlemen and transporters and not the normal farmers. So, we must be very careful when we exempt that tax so that we do not make the middlemen benefit. From where I sit, most of them exploit our farmers.

Most of the sugar that is brought into this country is not even sugar from sugarcane. It is a bi-product and it is very cheap. If we subsidise and give our farmers market, the price of our sugar is going to go down automatically. That means we are going to attract more markets and make farming easy through mechanising. Farmers harvest their cane manually. If we mechanise, the efficiency will be improved. A farmer who has 100 acres of cane can harvest within 10 days from 100 days. If we also improve the seedlings that our farmers use, the maturity age of the sugarcane is going to improve hence promoting the income of our farmers. It is important that, as a nation, we tax areas where a normal citizen is not affected.

We can only kill those cartels if we revise how we tax our domestic products, be it coffee, tea, sugar or livestock. That is the only way. There is no economy which has grown without promoting the local farmer or producer. We have seen cartels taking over every sector of this economy. Be it milk, hide and skins business, everything has been taken over by cartels. As a nation and as leaders, we are saying that time has come when we must introduce taxes that will prohibit cartels.

When you look at what Madagascar has done to its farmers, for example, there is no single sugar farmer in Madagascar who buys fertiliser or insecticides. They are all provided by the Government at subsidised rates. During harvest time, the Government provides machinery to the farmers. That improves the period of harvest and the time of taking the cane to the factory. The most progressive sugar farming in Africa is in Madagascar. I think it is a way we can follow by implementing good laws in the sugar sector. I wish to commend the Member of Parliament who has brought this Bill.

With those few remarks, Hon. Temporary Deputy Speaker, I wish to support the Motion.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I now give the Floor to Hon. Jacob Macharia of Molo.

Hon. Macharia: Thank you very much, Hon. Temporary Deputy Speaker. At the outset, I stand to support the amendment Bill by Hon. Wafula Wamunyinyi. Sugar is a very emotive commodity in this country and in the world because people all over the world wake up to a cup of coffee or tea which has sugar. We have been asking this question as Kenyans: Why is it that sugar can be shipped from Brazil or Cuba into Kenya and is cheaper than sugar from Mumias or Awendo or Ahero? This is basically because of our production cost which is very high. This is

not only restricted to sugar. We have also seen the problem with other agricultural products. For example, eggs from South Africa which get into the Kenyan market are cheaper than eggs produced in Kenya. Because of the kind of commercial structure of sugar in the world, it will only be fair that transportation of sugar from farmers is exempt from VAT. Not only transportation. I would hope Hon. Wamunyinyi will look for other areas where the sugarcane farmer would be exempted from tax so that production can cost as little as possible so that we can compete in the market.

While talking about VAT exemption, it is also my interest and that of Kenyans that we also have books and educational materials exempted from tax. It is clear that all of us read and we have children who go to school. The 16 per cent of VAT on books and educational materials has really affected the education sector. When we bring in an amendment Bill into this House, I would like to ask Members to also support us in that area. For us to compete in the international and regional sugar markets, I support the proposal to exempt transportation of sugarcane from VAT.

Thank you, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Before I give an opportunity to the next Member, let me recognise pupils from Musa Gitau Primary School in Kikuyu Constituency, Kiambu County. It is the school that our first President attended. The school is in the constituency ably represented by Hon. Kimani Ichung'wah. Welcome to the National Assembly.

I now give the Floor to the Member for Kabuchai, Hon. James Mukwe.

Hon. Mukwe: Thank you, Hon. Temporary Deputy Speaker. Farmers are suffering. When we talk about the sugar industry in our country, it is the farmers who are suffering. For example, sometimes, cane overstays in the farms. Sometimes, it lasts for three years and it is the farmers who are losing and suffering. That demoralises the farmers because they have nothing to survive on and, at the end of it all, they stand to lose. Sometimes, the factory is situated far away from the farm and during transportation, the vehicle breaks down. Sometimes, the cane is stolen and so, the farmers stand to lose. Sometimes, the cane is harvested and lies in the farms for two weeks thus losing some weight. It is the farmers who stand to lose. When it comes to taxation, sometimes, the farmers lose because they end up earning zero or negative Kshs50,000. The other challenge is smuggling of sugar into the country. If we allow such barons in our country, our farmers are going to suffer because their cane is not going to be sold. They will earn nothing and, at the end of the day, they will lose. So, I support the proposal that taxation should be removed from the farmers. By so doing, we want to encourage farmers because they also want to take their children to school and have a good standard of living. Because of that taxation, the farmer stands to lose. Taxation demoralizes farmers from planting sugarcane. Those who smuggle sugar into the country take it to supermarkets. Like in Bungoma, we have Khetia sugar and Uchumi sugar. Where does that sugar come from? The farmers waste a lot on their farms planting sugarcane but, eventually, they earn nothing from it because of the sugar that is smuggled into the country.

I want to support Hon. Wamunyinyi because what he has brought to the Floor of the House is going to assist farmers and control smuggling of sugar into our country. That way, farmers in the sugar belt will earn something. A farmer expects to harvest and earn some money from the sugarcane that he has sold. Taxation has really killed the sugar industry. As such, it would be very prudent for farmers to be exempted from VAT.

With those few remarks, I thank you, Hon. Temporary Deputy Speaker, for giving me time to speak. I also thank Hon. Wamunyinyi for bringing this Bill.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I now give the Floor to Hon. Bernard Shinali of Ikolomani.

Hon. Shinali: Thank you, Hon. Temporary Deputy Speaker, for giving me this chance to contribute to this Bill. At the outset, I rise to support the Bill. This Bill is coming at a time when our farmers have really suffered because they grow cane but when they harvest, the prices they get are low. Some of them even get debits.

I want to thank Hon. Wamunyinyi for bringing this Bill. It is a step in the right direction because the sugar industry in western Kenya is dying and farmers are uprooting their sugarcane because the cost of growing it is expensive. It eats all the profits and farmers are getting debits. As I sat here, a few things were running through my mind. We pass laws here but do they serve the intended purpose? This law is intended to reduce the cost of farming to benefit the farmers so that they have something to take home. When we exempt tax on sugarcane, we should make sure that this law is adhered to so that transporters can have a platform to interact with the taxman to know what is being saved and how it is going to affect the industry.

I want to look at the process of licensing sugar factories. It is so tedious and yet, we are saying that we want to attract investors to come and manufacture sugar and offer stiff competition. The process of getting a sugarcane crushing licence is tedious and yet, you can easily get it to import sugar. It goes through long processes and I want to encourage Hon. Wamunyinyi to look into this area because we want to encourage competition which will encourage our people to bring the cost of production down. People in the western region largely depend on sugarcane growing and when inputs of sugarcane farming are reduced, the livelihoods and the economy of western Kenya will improve.

I want to thank the Government for getting interested in sugarcane farming in western Kenya. Although all the efforts that have been put are highly appreciated, I want to note that they are not enough and the Government should increase its support to farmers. In our view, sugarcane had been categorised as a cash crop for export and yet, sugar that is produced in Kenya is consumed locally. The levies should be removed. Sugar should be categorised as a food substance because it is consumed here and we even have a shortfall.

Thank you, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Is Hon. (Ms.) Janet Wanyama in the House?

Hon. (Ms.) Wanyama: Ahsante sana Mhe. Naibu Spika wa Muda, kwa kunipa nafasi hii kuchangia Mswada huu. Ningependa kumshukuru Mhe. Wamunyinyi kwa kuleta Mswada huu. Wakulima wa miwa kutoka upande wa magharibi wanaumia sana. Ushuru hutozwa kwa wale watu ambao wanapeleka sukari viwandani. Sukari kutoka nchi zingine hutozwa ushuru mdogo, lakini wakulima wa humu nchini wanatozwa ushuru mkubwa. Ningependa kuunga mkono wenzangu kuwa ni lazima Serikali inafaa kuwa na mikakati mwafaka kuhakikisha kuwa wakulima wa miwa wamepewa nafasi ya mazao yao, na wapate haki yao kwa wakati unaofaa.

Mhe. Naibu Spika wa Muda, Mhe. Chris Wamalwa alisema kuwa kiwanda cha mbolea kinachotarajiwa kufunguliwa Eldoret kifunguliwe haraka ili wakulima wa miwa pia wapate mbolea hiyo. Viwanda kama Nzoia, Butali na Mumias vimeajiri watu wengi ambao hivi sasa wanajimudu kimaisha. Katika kaunti yangu ya Trans Nzoia, wakulima wengi wameacha kupanda mahindi na hivi sasa, wanapanda miwa kwa sababu bei ya mahindi imeenda chini.

Ni sharti Serikali ijikakamue kutoa ushuru kwa wale wanaosafirisha miwa na wale wanaopanda ili wapate haki yao kwa sababu maisha yao na ya watoto wao inategemea faida kutoka kwa miwa. Natumai Wabunge wataunga mkono Mswada huu ili wakulima wa miwa wapate haki yao.

Ahsante Mhe. Naibu Spika wa Muda.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I now give the Floor to Hon. Robert Mbui.

Hon. Mbui: Thank you, Hon. Temporary Deputy Speaker for giving me this opportunity. I want to thank my able Chairman, Hon. Wafula Wamunyinyi, for coming up with a legislation that will fight for his people. That is the purpose of this House and the work that all of us should be doing.

I am not from a sugar growing area and so, I will be as brief as possible because I know there are those who have vested interests in this debate. We used to grow sugar-cane in Kathiani a while back but ours used to be for making local brews. Unfortunately, that was banned and we accepted and moved on. The responsibility of any Government is the welfare of its people, particularly in the area of eradicating poverty. This can be done through economic empowerment to the people. Every nation has to be careful on the regime of taxation that it imposes on its people. Taxes must not be punitive, but beneficial to the people. Our tax regime in this country, particularly Value Added Tax (VAT) on some of the products, amounts to double taxation. The farmer is taxed and later on, on the transportation of the same goods, he is also taxed. We should ensure that taxation is not extreme.

Hon. Temporary Deputy Speaker, Kenya is predominantly an agricultural country. A while back, we had the Kenya Meat Commission (KMC) which was dealing with livestock farming in Kenya. Botswana borrowed heavily from KMC ideas. They formed Botswana Meat Commission, which is currently exporting beef from Africa to Europe. However, KMC collapsed. Money was injected in KMC, but it collapsed again. Currently, we have some billions in the Budget which we want to give to KMC. We need to ensure that our industries, which can bring profit to this nation, are empowered. The Government needs to make serious effort in ensuring that, that happens.

The sugar industry is very hard hit because of sugar barons. If we continue to tax the sugar farmers heavily, we will create a loophole for people to come in as middlemen and import sugar through the back door and sell it locally. Regional integration is a very key thing. We need to understand that Kenya is not alone. We operate within a region where there are other nations. One of the areas which a nation can grow is by enhancing international trade. Kenyan sugar is extremely expensive. That means that as we continue with our integration process, we are opening our borders for imports from outside. Therefore, this means that this industry might collapse. So, it is important that the nation understands that the process of integration is ongoing, and borders are opening. Therefore, we must ensure that our tax regimes do not hurt our farmers.

I support the Value Added Tax (Amendment) Bill. The CORD Members of Parliament have played a very critical role in fighting the tax regime in this nation. I will not fail to mention Hon. John Mbadi and Hon. Wamunyinyi. That is the way to go. We need to pool together our efforts and ensure that taxation in this country is fair for all.

Thank you, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I give the Floor to Hon. Immanuel Wangwe, Member for Navakholo.

Hon. Wangwe: Thank you, Hon. Temporary Deputy Speaker. Allow me to appreciate my very good neighbour at home and colleague, Hon. Wafula Wamunyinyi, for the very good Bill he has proposed to the House. At the outset, I support the Bill. Many would have proposed to have exemption and zero-rating, but zero-rating might not be the proper route. I support exemption because zero-rating the VAT on transportation will encourage administrative costs in managing returns. Therefore, I support the exemption of VAT on transportation of sugarcane.

Mumias Sugar Company is billing farmers Kshs1,000 per tonne on transportation of sugarcane. If this Bill is passed, farmers in my constituency will save Kshs138 per tonne. That is a good saving to the farmer at home. The Cabinet Secretary for the National Treasury proposed that Sugar Development Levy shall be exempted. We will make something reasonable to go into the pocket of the farmer. We have always asked to move in that direction. Therefore, I urge my colleagues to support this Bill. We should have exemption of tax because our farmers are poor. There has been a gap among the farmers, transporters and the millers. I have not witnessed any shop in this country, and any other part of the world, where sugar is bought on credit. Most of the time, it is bought on a cash basis. However, our farmers are paid six months, four months and two months after they have already supplied the sugarcane. Therefore, millers have taken advantage of our farmers to an extent that farmers see no need of continuing to supply or produce sugarcane. Therefore, this is an incentive that has come at the very much needed time. This is the time we need to support the farmers.

The Government assisted Mumias Sugar Company with Kshs2.16 billion. However, farmers are not supplying sugarcane to the miller. Therefore, this is the time to entice the farmers to make sure that sugarcane production makes a lot of commercial sense so that we encourage our farmers to move on. The parity among the three parties – the farmer, the transporter and the miller – can only be streamlined when the farmer is supported.

There is devolution of agriculture. Most of our counties have brought in farm inputs and machinery. Our farmers get farm inputs more cheaply rather than getting on credit from the millers. There is realisation of the devolution part of our Constitution. Therefore, we must do what we need to do as the national Government. We must allow the exemption of tax and contain the importation of sugar. We should not amend the production, and then open up the marketing part of it. Therefore, we must protect the whole chain. We should not say we are protecting the millers at the top and defending the farmers at the bottom, and then leave a window. Therefore, this Bill comes in handy. We should make sure that it is passed.

With those remarks, I support.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Thank you, Hon. Member. I give the Floor to Hon. John Kobado, Member for Uriri.

Hon. Kobado: Thank you, Hon. Temporary Deputy Speaker, for giving me this opportunity to contribute. At the outset, I would like to congratulate my brother, Hon. Wafula Wamunyinyi, for bringing this progressive Bill. The agriculture sector is the mainstay of the Kenyan economy. The sugar industry is a major contributor to this country's economy. Therefore, we need to look at how we can revive the sugar industry. The situation in the sugar industry is extremely worrying.

Since 2002, we have been requesting for COMESA safeguards to put in place the minimum reforms so that the industry can thrive and remain competitive. The key thing here is competitiveness in the region. The industry in this country cannot be compared to our competitors in the region. We are comparing very badly with Malawi, Zimbabwe, Egypt and Mauritius. The main thing that we need to address is how to make the sector competitive.

Transportation is one of the steps in the production of value chain. Before you start the production process, you need to move the sugarcane from the farm to the factory. Therefore, there is no need to tax the transportation of sugarcane from the farms to the factories. Indeed, we need to look at an elaborate process of increasing our competitiveness. Therefore, we need to address the cost of production, which is extremely high. The cost of production of sugar in this country is more or less double the cost of production within the COMESA region. That will not make us competitive. So, we need to look into this aspect. Poor infrastructure adds to this cost of production. The roads are in pathetic state. There is heavy wastage of the sugarcane just before you get to the factory. You waste up to about 40 per cent of what is supposed to be delivered to the factory. When you tax this again, it means you are double taxing. We are increasing the wastage. We are increasing and lowering the level of productivity. There is need to consider all this to put the sector in place.

We are aware that the Government is in the process of privatising the five State-owned sugar factories. Before you privatise, there is need to make these things competitive. There is need to ensure that the factories are making profit so that as you are selling it, you will be selling something that is profitable. The way it stands now, we are talking of privatisation yet the industries are on the verge of collapse. A lot needs to be done. Farmers are suffering. There is delayed harvesting of sugarcane from the farm. There are delayed payments and unmoving stock. There is heavy stock in the warehouses that is yet to be sold. You need to look at this to make sure that the industry is improved.

I belong to the Departmental Committee on Agriculture, Livestock and Cooperatives. Last year, we did a very comprehensive report which was presented to this House. We had a raft of recommendations that were supposed to be addressed by the Government to make the sector competitive. None of this has been tackled. We are talking about sugar cartels in the industry. These have been identified. There is need to address this. With corruption in the sector, not much is going to be achieved. We need to address ourselves as leaders on issues of corruption. These people have been identified. We know who they are. Why can we not take action against them so that we improve and help the sector to come up? These are issues that we need to heavily look at.

There is need for the Government to assist some of the firms that are still in the heart of the Government to improve on technology. The technology in some of these industries is archaic. It is technology that is not used anywhere. If the technology is that much, the cost of maintaining some of this machinery becomes very high. Now and again, the machines will be breaking down. Therefore, there is huge downtime and a lot of wastage of human resource and time. Time is a cost of the final product. If a lot of time is wasted on downtime, then the output of that process becomes extremely expensive. These are the things we need to look at; not taxing over again. The tax regime should be addressed so that it is lowered more particularly in the aspect of cost of production as has been recommended by colleagues elsewhere.

The other thing which we need to address as we reform the sector is the issue of diversification. The region is competitive because those factories are heavily diversified so that it is not just the product sugar. In some of the countries that have done very well like Brazil, you find that the product is not only sugar. There is a lot we can get from the product sugarcane. So, we need to diversify. We can generate power. We can get biogas, sugar and molasses. There are so many products that come out of this process. It is the responsibility of the Government to come up with policies that will encourage the direction of improving productivity and improving the performance of the industry.

With those many remarks, I strongly support this Bill and hopefully we will exempt the factories from transportation cost.

Thank you.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Thank you, hon. Member. I now give the Floor to Hon. Joseph Kiuna, Member for Njoro.

Hon. J.K. Ng'ang'a: Thank you, Hon. Temporary Deputy Speaker. As I begin, I want first of all to thank the Mover of this Bill, Hon. Wafula Wamunyinyi. This Bill is going to affect sugarcane farmers in Kenya. Though in my view it is overdue, it is not too late. Many farmers, especially in western Kenya and Coast where they grow sugar, have been exploited. They have been suffering. You find that in areas where they grow sugarcane, there is no much development. The little they receive cannot make much development. If only the Government and leaders of those regions can sit and see how they are going to help that small farmer who relies on growing sugarcane, that is the only way they will come out of that abject poverty they have been in ever since.

I normally ask myself this question: How come Kenyans have very good cotton soil where we can grow enough sugarcane, not only for our local consumption but also for export yet you hear the Government cannot grow enough wheat to feed its citizens? I totally disagree with that notion. I have a feeling that in Kenya, we have enough qualified and competent people and farmers who can grow enough sugarcane to feed this nation. We will be left with surplus for export. Unfortunately, these farmers have been exploited for long.

When that sugarcane gets to the factory, instead of getting their dues--- The management of those factories leaves a lot to be desired. Unless we look at it, that small farmer will continue being exploited. I have a feeling that there is a lot of corruption in the industry itself. That is where all the sweat of that farmer gets lost.

On the other side, I have a feeling that there are some cartels that are within or maybe outside the country who collaborate to import sugar into our country. Unless we find a way to set up strict laws that will prevent these cartels from importing sugar, our local farmer will continue suffering. Majority of them do not pay import duty when they bring that sugar yet the ordinary *mwananchi* has been exploited with all kinds of taxation. That is why you will find that the Kenyan sugar is more expensive than the one imported. Import duty is never paid. Even if it is paid, we need to find a way of increasing those duties so that the local sugar can easily be marketed in our country.

We should also try to reduce fertiliser prices for these farmers so that they get something. I normally ask myself: How come when farmers who grow maize, beans and other cereals, deliver the produce to the National Cereals and Produce Board (NCPB), they are normally paid in cash? How come that the ordinary sugar farmer waits for about three months without being paid? I remember the olden days when coffee farmers were paid promptly. How come we, Members of Parliament, the leaders who come from the areas where coffee, sugarcane and other crops are grown, cannot come up with measures to protect farmers? It is high time we woke up because in 2017, small-scale farmers from the sugar and coffee belts will stand up and say: "Enough is enough. We have been electing you to Parliament but you have not been enacting laws to protect us." It is very important for us to come up with solutions to help the small-scale farmer in the cereal, sugarcane, coffee and tea farming. I am saying this because I come from Nakuru in Rift Valley, where pyrethrum farmers have been exploited all along. I have been singing this song. I have tried my best but there are powerful cartels, who are trying to prevent the small-scale pyrethrum farmer from getting his due.

With those remarks, I support the Bill.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I give the Floor to the Member for Sirisia, Hon. John Waluke.

Hon. Waluke: Thank you very much, Hon. Temporary Deputy Speaker, for giving me a chance to speak on this Bill, which has been brought by my neighbour, Hon. Wafula Wamunyinyi. It is a good Bill and I support it as it is although it has delayed. Farmers in this country have really suffered. This is the time for the Government to come out clearly on the issue of not only sugarcane farmers but all the farmers in this country, be it maize, sugarcane, coffee, pyrethrum or tea farmers. The Government must come out and give them support.

I also want to thank the Government. In as much as we blame them, we must in one way or the other thank them where they have done well. On the issue of subsidizing fertilizers, it has helped the farmers in the last three years. The prices of fertilizers have gone down. We used to buy fertilizer for Kshs3,000 per 50-kilogramme bag but we are now buying it at Kshs1,500 for the same bag. We, therefore, thank the Government for coming up with that initiative.

I always ask myself why the price of sugar in Brazil or Egypt is cheaper than in this country. You find that the price of sugar that has been shipped from Brazil to Kenya is two times cheaper than locally produced sugar. The problem is taxes. The Government of Kenya must come out clearly on the issue of taxation of fuel. If we are being taxed six shillings more on a litre of fuel, that goes down to the poor farmer, who should not be taxed further. Everybody who drives in this country is being taxed through the fuel levy. Somebody who drives a car pays around Kshs16 per litre of fuel. Farmers should therefore not be taxed to enable them transport their sugarcane from the farms to the factory; otherwise, this is where the poor farmer loses. This sometimes affects production by the factories, causing the farmer to wait for about a year before being paid. The farmer has children to feed and educate yet they do not get paid in time to provide their families with basic needs. So, the Bill that Hon. Wamunyinyi has brought to the House is very important to all farmers in this country.

In Ruiru, many farmers are uprooting coffee and selling their farms to people to build houses instead. The Kenyan coffee is liked all over the world. We are losing some of the commodities that this country needs to retain, just because of taxation.

I fully support this Bill and thank Hon. Wamunyinyi for bringing it to the House.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I give the Floor to Hon. Abdul Dawood, Member for North Imenti.

Hon. Dawood: Thank you, Hon. Temporary Deputy Speaker. I would like to support this Bill by Hon. Wamunyinyi. I would like to ask him to consult tax experts because by having VAT exempted, it will mean that any input tax that will be borne by the transporter cannot be recovered, whereas when it is zero-rated, the VAT input can be claimed. Whatever the transporter charges cannot be recovered. This increases the cost to about Kshs1,200 because the transporter cannot recover the VAT input. He would be paying VAT input when buying spare parts of trucks or whatever vehicle they use. So, Hon. Wamunyinyi should look into the tax point of view because an exempt supplier is not eligible for registration for VAT refund in the first place. Even if we zero-rate or exempt VAT, we need to know whether the benefits go down to the farmer. Sugar factories in Kenya are the most expensive. Within the COMESA region, there are countries which can supply us sugar much cheaply than our own sugar factories. We need to know what is wrong with our sugar factories. There must be somebody somewhere making more money than they are supposed to or there is something wrong in the way the factories mill sugar in Kenya. I agree with my other colleagues who have said that we need to

diversify and see how they can get the sugar into the mills with the least cost because if 40 per cent of the sugarcane from the farm to the millings is lost, we are not making good sense of what we are doing. We need to get everything that is harvested. A loss of 5 per cent is understandable, but a loss of 40 per cent of sugarcane before it reaches the factory needs to be looked into.

A government cannot afford to be subsidizing sugar factories day in, day out because sugar factories are being mismanaged. People are stealing from sugar companies to a point that the companies go under. We have private sugar companies which are doing very well. Apparently, the sugar factories that are run under Government ownership are the ones where people steal from. Why are they not being brought to book? We need to prosecute the people who steal our money in the sugar factories and seize their assets. Unless we do that, we will still be losing money. It is not just in sugar companies where farmers are losing, it is the whole Kenyan economy which is losing because the money to subsidise sugar factories could be used to do something better for agriculture in our country.

Hon. Temporary Deputy Speaker, I thank the Government for giving Kshs1 billion to *miraa* farmers. We need to put interventions in the whole agriculture system so that our sugar, tea, coffee and maize farmers can all benefit from Government subsidies. If we just look at one side of the coin, it will not help. We need to see if we can privatise sugar factories. We can agree with Members of Parliament from that area where sugarcane is grown to a good settlement where we privatise them to make them more cost-effective. Once they are cost-effective, even farmers will benefit more. As we stand now, farmers grow sugarcane yet they are not paid for more than six months. That is not fair at all. We need to come up with ways and modalities of seeing how sugarcane farmers can benefit and not the managers of the sugar companies.

With those remarks, I support the Bill. I urge my colleague, Hon. Wamunyinyi, to consult tax experts to see the best way: Is it zero-rating or exemption.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Thank you, hon. Member. I now give the Floor to Hon. Member for Othaya, Mary Wambui.

Hon. (Ms.) Munene: Thank you, Hon. Temporary Deputy Speaker. I rise to support the amendment Bill which has been brought by my colleague, Hon. Wamunyinyi. The reason I support is because I am a Member of the Departmental Committee on Agriculture, Livestock and Cooperatives. We have discussed the sugar industry for a long time. The sugar industry has cartels which import sugar into the country. Even managers of the sugar factories also have cartels and know what they do. The people who suffer are the ordinary small-scale farmers who grow the sugarcane. It stays long in the farms before it is taken to the factories and thus loses many kilogrammes.

We thank our Government because it has done a good job in supporting the sugar industry and farmers by providing fertilizer. The Government should help the ordinary farmer who tries to get daily bread from farming. It is not the sugar industry alone. Even the coffee and dairy industries suffer. We have not seen the Government put effort in them. Agriculture is the pillar of this Government. If the farmers do not farm, we will not go anywhere.

These days, we see that when we sell our coffee outside the country, it is number one but, people are no longer growing coffee. They are opting for real estate. Soon we will not have any cash crop to sell outside the country. We should sit with the Government and think of a way forward to help farmers to see the need to grow maize or tea. In tea growing areas, we have small plots of land so we buy maize to eat.

We want to look at all sectors and the Government should help us. If we help farmers in this country, Kenya will progress. The problems in the sugar industry are the cartels. I do not

know what we are going to do about them. The managers of sugar factories do something that ensures that we do not go far even if the Government tries to help the sugar industry.

I want to ask Kenyans when they elect leaders at the factory level or at the tea factories, they should elect people who are willing to serve them and who are not corrupt. Corruption is the biggest problem in this country. Corruption comes from the bottom. It is not perpetrated by senior people. Even ordinary persons at the factory level want to steal kilogrammes of coffee from farmers so that he sells more. When he comes to farmers, he tells them the number of kilogrammes they sold yet they sold more. I have seen it in my place where they said that coffee had been stolen but it had not. It is better for the Government to pull its stockings and help ordinary Kenyans who have elected us: They are the people who rise up early in the morning to line up to elect the Government. They are suffering now. They are unable to take their children to school and they do not get enough to eat. This is very bad.

I rise to support the amendment Bill by Hon. Wamunyinyi. Thank you. I know the Government will help us. I am a Member of the Departmental Committee on Agriculture, Livestock and Cooperatives and we have seen many problems. When we tried to solve them, we were threatened that we would lose our lives. But we do not fear because we were elected to serve the public. We need to ask the people who manage sugar factories to think because they cause many problems. We have talked about sugar factories for three years without getting a solution. I hope the Government will now get a solution.

Thank you, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Thank you, hon. Member. I now give the Floor to the Hon. Member for Kimilili, Hon. Murunga.

Hon. Kasuti: Thank you, Hon. Temporary Deputy Speaker, for giving me the opportunity to add my voice to this Bill which affects quite a number of my constituents. Right from the outset, I would like to say that farmers have had to bear a lot of burden in the past, especially with taxation.

Sugarcane farmers are some of the worst hit in this country. Every now and then we see in newspapers that farmers have stayed for months or years without any payment. That puts them in a very awkward position. Any taxation relief given to them would go a long way to assist in having something in their pockets. I support relief of this nature where farmers will not pay tax on transportation of the sugarcane to the factory.

In the past, we have really tried to get farmers to come together so that they can transport the sugarcane to the factory themselves. That way they would escape any taxation on transportation.

If you look at the factories that are owned privately, the owners transport the sugarcane from the farms themselves. That way, farmers who are contracted by these factories do not suffer the cost of transportation. That way they do not feel the taxation. When they are paid by the factories, the factories do not deduct any tax. As we urge the Government to allow farmers not to pay the VAT, we should encourage farmers to come together and form cooperatives where they ferry the sugarcane to factories. That way they will not be taxed. That goes a long way because the production of sugarcane in this country is very high. As representatives of farmers, we should come up and see how best sugarcane can be produced in this country and transported to factories in a way that reduces the cost burden on farmers to ensure that farmers get better returns. I encourage Hon. Wamunyinyi to look for a way of bringing farmers together to form cooperative societies to transport the cane to factories. He also comes from sugarcane growing areas. His

constituency produces almost 30 per cent of the sugarcane that goes to Nzoia Sugar Company (NSC).

I thank Hon. Wamunyinyi for coming up with this Bill. As the hon. Member from Meru County said, Hon. Wamunyinyi should consult tax experts to ensure that whatever relief is being sought will be felt by the farmers when it is given. It should not get lost in other taxation routes such that the farmers do not get something out of it.

Thank you, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I now give the Floor to the Member for Vihiga, Hon. Yusuf Chanzu.

Hon. Chanzu: Thank you, Hon. Temporary Deputy Speaker.

This is a very important amendment to the VAT law. When you look at the Budget Statement that the Cabinet Secretary for the National Treasury read in this House recently, you will find that the revenue we are able to raise locally to run the affairs of the Government is low. The Budget is at Kshs2.26 trillion but the money we are able to raise locally depends on income tax and VAT. Income Tax is expected to raise almost 45 per cent while VAT is expected to raise almost 25 per cent of the total revenue. Therefore, VAT is a large component of the revenue that we expect to raise. Excise duty is expected to raise about 11 per cent, while Ministries are expected to raise 8 per cent. Import duty will raise 6 per cent of the revenue as other sources of revenue raise 6 per cent. This money is supposed to benefit those who pay the tax. That is why it is important that the proposed waiver of VAT on transport of sugarcane to the factories should be carried out. It is a hindrance to farmers at the start. One can produce sugarcane but be unable to transport it because of excessive costs. That way, no progress is made. That is what has been hindering growth in this country and making Kenyans poor.

Agriculture is the mainstay of our economy. The national Government at independence thought very well. I praise our independence Government. Factories like Mumias Sugar Company (MSC), Nzoia Sugar Company (NSC) and Pan Paper Mills in Webuye were set up in the western region of Kenya. That took into account the fact that Kenya is an agricultural country. The factories were set up to encourage our people to produce and earn their livelihood. Even factories that existed before independence, like Miwani Sugar Factory, were killed. People wonder if we can produce sugar. The soils are good for sugar production. Kenyan produce like tea and sugar fetch the best at the world market, but we are not able to produce because of corruption and heavy taxation on farmers by the Government.

This is one way of helping farmers to earn from their sugarcane. In any case, creation of employment is very important. The era of white collar jobs is gone. There is a limit as to how many people cities like Nairobi can take from the rural areas. The more incentives we give to the agriculture sector to keep people in the rural areas, the better. It will help towns. There are countries where governments are starting new cities. The Government of Tanzania wants to start up a new city in Arusha. If the economy of Kenya can grow through aspects like sugar, tea and the paper mills, like the one in Webuye which the Government is now making an endeavour to revive, the big number of Kenyans with skills in diverse areas should help to develop this country as we create adequate employment opportunities instead of forcing everybody to move to the cities in search of employment. Everybody thinks that they will get employment if they come to Nairobi. If those factories are working, out of what I heard a colleague talk about economies of scale, there are many advantages that will accrue. Out of the earnings generated there, it will be easy for us to maintain the road infrastructure and render other services. For those who have been to a factory like Mumias Sugar Company, they know that it has facilities

that could take care of the whole region. They had very good schools and hospitals within the company and so on. There are many benefits that will accrue with the Government reviving these sectors.

Mumias Sugar Company and Nzoia Sugar Company were at the verge of collapse. I thank the Government. As much as somebody said that the money that was used to bail out those factories was from the Sugar Levy Fund, a decision had to be made as to where the money was to be applied. It is just like the Constituencies Development Fund money that we get as Members of Parliament. The money may be from the CDF but somebody has to make the right decisions on where it has to be applied at the right time. I thank that effort.

Apart from the VAT on transport costs which should be removed, the Government should set aside more to revive Mumias Sugar Company. More money should be put into that area. As I said, the issue of employment is critical. The element of diversification is also important. The by-products we get out of sugarcane are aspects which can help. Mumias Sugar Company had already started producing power, which I think would also help in improving the power supply to the national grid. These are some of the aspects that should be encouraged.

Countries like Singapore developed because of discipline; doing the right things at the right time and minimizing or eliminating corruption completely. The aspect of corruption just like one Member alluded to is a major problem. On the issue of transportation of tea, farmers go to tea collection centres to deliver tea. It is not collected sometimes until very late in the night. Some of them stay until midnight or 1 O'clock because of disorganisation and corruption. Those are the aspects that need to be addressed so that we can improve the economy.

Otherwise, I support the amendment and congratulate *Mhe. Wamunyinyi* for being mindful of the welfare of the farmers who elected him. I hope they will elect him again.

Thank you, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I now give the Floor to Hon. David Wafula of Saboti Constituency.

Hon. Wekesa: Asante sana, *Mhe. Naibu Spika wa Muda*, kwa kunipa fursa hii ili nami nijijunge na wenzangu kwa kuchangia Mswada huu.

Mwanzo, ningependa kutumia nafasi hii kumpongeza na kumshukuru ndugu yangu, *Mhe. Wafula Wamunyinyi* kwa mawazo ya busara na hekima ya kuuleta Mswada huu. Najua *Mhe. Wafula* ana ujuzi wa miaka mingi kama mkulima wa miwa na mtetezi wa wakulima wanyonge ambao wamenyanyaswa kwa muda mrefu sana.

Tayari, tunajua wakulima wengi wa miwa wamenyanyaswa kwa njia nyingi na hawajiwezi. Wengi wao hawajimudu kununua vifaa vya kupanda na kukuza miwa. Ingekuwa heri kama Serikali ingekuwa na mbinu ambazo zitawezesha mkulima wa kawaida kununua vifaa vya miwa kwa bei rahisi na pia kumsaidia apate bei nafuu ya kuuza miwa badala ya kuweka ushuru kwa usafirishaji wa miwa ambao tunajua wazi ni mzigo unaelekezwa kwa wakulima.

Mimi najua kuna wakulima wengi ambao tayari wameamua kung'oa miwa kwa ajili ya kupuuzwa na wanyanyasaji ambao wanajinufaisha kwa njia nyingi. Pia najua Serikali ina mipango ya kuleta mbolea ya bei rahisi ili kumwezesha mkulima mdogo kuinunua. Lakini, kusema kweli hiyo mbolea haifikii mkulima wa chini. Wale ambao wanajiweza ndio wanaoinunua kwa wingi na kisha wanamuuzia mkulima kwa bei ghali.

Mhe. Naibu Spika wa Muda, kwa hayo machache naunga mkono ndugu yangu.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Thank you, hon. Member. I now give the Floor to Hon. Anthony Kimaru of Laikipia East.

Hon. Kimaru: Thank you, Hon. Temporary Deputy Speaker. Although I come from a non-sugarcane growing region I feel with my compatriots who grow sugarcane. I would like to thank Hon. Wafula Wamunyinyi. He should be Wafula Wamunene, if he came from my area, for this very good amendment.

We have over time been told that subsidies have no place in Africa. We had a time in Kenya where all subsidised production had to suffer under the Structural Adjustment Programme (SAP). Today, we have very little agricultural production that is subsidised. Whereas we are forced by the World Bank and our donor partners to abandon subsidies, these countries subsidise production in agriculture. The move to have Value Added Tax (VAT) reduced is a good move but as other members who have spoken before me have said, we need to look at it keenly to see that the gains that we would want to go to the farmer are not lost. More often than not, you will find that whenever taxes and prices are reduced, this is not transferred to the end user. This may not be transferred to the farmer. When we look at the transporters, the same factories may be transporters. You may also have private transporters in this business. So, if taxes reduce, probably what might end up happening is that instead of the farmer benefiting, it is the transporter who is benefiting. I would prefer in future a situation where we even have direct subsidies going to the farmers to help them reduce the cost of production. As a country, over time, we have embarked on a destructive path. We are no longer growing coffee and tea as we used to. We want to abandon sugarcane farming and go for alternatives. The net effect of this is that our exports are thoroughly reduced. Our balance of payment is affected. Every day we are importing more than we are exporting. So, our balance of payment is unfavourable to this country. We tend to be a nation that consumes more than it produces. Rarely do you create wealth by consuming only. If you have to be a prosperous nation, you must produce and export even more.

We should not be keen on seeing that sugar from Brazil and other places is cheap. We must look for ways of making the sugar that is produced locally cheaper and economically viable to produce. That way, we will even enrich our very own in the villages. They will become richer because they will have a source of livelihood. However, if we abandon every viable agricultural venture, knowing that our country is really agricultural, we are not going to progress as a nation.

I remember those good days where we had textile factories that were working where I come from in Nanyuki. They employed thousands then. That was in the 1970s and 1980s. We had a sisal factory that was employing thousands and creating wealth. All these are dead today. We do not have them. We still insist that as a country, we want to industrialise and move forward. From my experience, when you want to successfully industrialise, you cannot import raw materials all the time. It will make a lot of economic sense to produce the raw materials locally. So, it behooves all of us as legislators and representatives of the people to come up with solutions that will make agriculture viable wherever we are, be it sugarcane, pyrethrum, sisal or even cotton which is not grown anymore in Kenya. It used to be an important cash crop here in Kenya. I suppose that the Government should even go further and subsidise. Nations all over the world, even those which are developed, largely subsidise production of agricultural products. Therefore, I support this amendment. I hope that the benefits that will come with it will be transferred to the farmers and not the bourgeoisie providing services or the middlemen.

I support, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I now give the Floor to the Member for Baringo County, Hon. Grace Kiptui.

Hon. (Ms.) Kiptui: Thank you, Hon. Temporary Deputy Speaker, for the opportunity. I rise to also support this discussion. I have listened since I came in and heard my colleagues talk about several issues affecting the sugar industry and, by extension, the agricultural sector in this country. It is unfortunate that 50 years down the line, we are still struggling with issues of management and corruption. Every so often, we see the Government bailing out governmental factories or institutions. Until and unless we deal with the corruption aspect and we develop discipline in business, there is no point setting up huge factories and we do not manage them the way a business is supposed to be managed. I wonder where the minds of people who still from such factories are. They are creating poverty in the country. They steal and invest. Very soon we will find a lot of discontentment from the common *wananchi* who are being exploited. It is a fallacy that somebody is investing thinking that he will be secure with his property when the majority of Kenyans are wallowing in poverty. I wish they would be sensible enough to know that by distributing wealth and taking care of those farmers, they will be securing their own futures.

Recently we travelled to Turkey for a humanitarian summit and we came face to face with running refugees from Syria. Every so often we see on television so many buildings being bombed and tumbling down mercilessly. It is the result of people who are bitter with those who have. I want to plead with those Kenyans who are siphoning money from any institution thinking that they are going to be secure themselves to stop.

I want to congratulate my brother Hon. Wamunyinyi for this Bill. Members of Parliament from the regions that grow sugar need to form a bloc and try to see that even those who are put to manage the factories have mercy on farmers. I have seen so many farmers whose cane is wasting on the farm and they have nothing to eat and no money to pay school fees. It is a very unfortunate scenario. I hope Hon. Wamunyinyi will lead the caucus to deal with this issue.

Thank you, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I now give the Floor to the Member for Lamu, Hon. Shakila Abdalla.

Hon. (Ms.) Shakila Mohamed: Thank you, Hon. Temporary Deputy Speaker, for giving me this opportunity. I would like to first of all thank Hon. Wamunyinyi for bringing this Bill. Sugar is a very essential commodity which you cannot afford to do without in any household.

Removing tax on sugar will be doing a favour to everybody hoping that it will not only benefit the farmers but consumers of sugar. In this country, it is unfortunate that we have not been able to properly feed our people. Most areas in this country are languishing in poverty and we need to come up with a programme of feeding the nation without depending on relief food or a situation where people do not afford a kilo of sugar. As a grown up person, I can take tea without sugar but children cannot. Sugar is an essential commodity and we need to subsidise tax on it to make it available and affordable to every person in this country.

I want to thank the Member who brought this Bill because he thought of what we can do to help farmers and Kenyans to benefit from this commodity. The Government should remove the cartels that are bringing corruption in the sugar industry because even if we subsidise and remove taxes, the cartels will still look for ways of bringing corruption to the sugar market in the country.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I now give the Floor to the Member for Butula, Hon. Onyura.

Hon. Onyura: Thank you, Hon. Temporary Deputy Speaker for giving me this opportunity. I rise to support this Bill. It is an important and timely Bill that will go a long way in

supporting the sugar industry which is currently experiencing a lot of challenges that relate to the cost of production. Right from the time of producing sugar, the cost of inputs and bureaucracy in the sugar industry have discouraged farmers from pursuing sugar farming. If we are not careful, the sugar industry will collapse and it is going to be a big shame if we reach a stage where nearly 100 per cent of sugar used in this country is imported. This Bill will assist.

Challenges in the sugar industry are far reaching. The structure of sugar production from payment through to milling is wanting. In my constituency, we have substantial areas that grow sugar and there are complaints all over. Farmers invest their time and resources in sugar and they wait for two to three years to harvest and deliver it but it is discouraging that when they deliver it and they are supposed to be paid, many of them end up with debits instead owing money to the sugar factories. I had a conversation with a sugarcane farmer on what they went through on another farm where they just planted eucalyptus trees. The sugar venture was a misadventure. All these challenges need to be addressed. There are also other challenges in the sugar industry. This is one of the sectors which are full of cartels and barons. That needs to be addressed. Issues of management have also been mentioned by my colleagues here. We need to look into the efficiency, professionalism and the commitment of the managers in the sugar industry.

Hon. Temporary Deputy Speaker, I can see the signals from the Mover of this Bill. I thank *Mheshimiwa* Wafula Wamunyinyi for tabling these amendments.

I support the Bill.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): I will give the Floor to the last speaker before I call the Mover to reply.

Hon. Ababu, please take two to three minutes.

Hon. Ababu: Thank you, Hon. Temporary Deputy Speaker.

I want to reiterate a fundamental point; that the cost of production of sugar in this country remains stubbornly, persistently and inexorably high. The Mover must have already shared this statistic that comparing Kenya to Uganda, our next door neighbour, the cost of producing sugar here is almost twice as high. The cost of transportation and harvesting account for almost 45 per cent of the cost of production. Among the worst mistakes we made that has only made this problem worse was the VAT Act of 2013 that obligated sugarcane farmers to pay VAT through the transporters.

I commend the Member for Kanduyi for bringing this Bill which will remove this adulteration that should never have been there. The VAT Act of 2013 should never ever have burdened the sugarcane farmer with this additional cost of VAT on transport. I thank Hon. Wamunyinyi who is farmer number one in Kanduyi, and a real champion for sugarcane farmers. I believe this is a major effort to reduce the cost of production by Hon. Wamunyinyi. This will increase the revenue that will go directly to our sugarcane farmers. This will bring Hon. Wamunyinyi a step closer to the people of Kanduyi to overwhelmingly return him to this House to serve in the 12th Parliament.

I want to use this opportunity to urge the Government to continue with the conversation we have had as leaders from the sugar belt. This conversation that has gone all the way between us and his Excellency the President about reviving the sugar industry, and investing further in this sector should be implemented fully. More resources should be pumped into this subsector. Efforts such as this to reduce the cost of production will make sugarcane farming and production a very profitable venture.

I support the Bill, Hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Thank you, Hon. Member. I give the Floor to the Mover of this Bill, Hon. Wamunyinyi. You have six minutes to reply.

Hon. Wamunyinyi: Thank you very much, Hon. Temporary Deputy Speaker, for giving me the opportunity to reply. First, I want to thank Members for the support they have given to this Bill. It has received overwhelming support except for a few instances where Members want to clarify something. I quickly looked at one of the cases of zero-rating. In economics, zero-rating to supply reverse to items that are taxable, but the rate of tax is nil on their input supplies. The term is applied to items that would normally be taxed under valued added systems such as goods and services. In this amendment that we are seeking Parliament to approve, it is clear. If Members had looked at the amendment Bill and the Act, they would have seen that we are seeking to include transport of sugarcane under Part II. If you look at the VAT Act, 2013, Part II of the First Schedule, that is where we are seeking to insert an additional item which should be exempted from the VAT.

Secondly, it is to ensure that this benefit goes to the farmer. I have looked at the statement from one of the sugar companies. This statement clearly provides the value of sugarcane from the farmer and makes deductions by the sugar company. For example, this is a farmer from Namwacha Sub-Location called Godfrey Barasa. He has deductions listed here: Seed Cane, Urea, DAP and Transport Survey Charge. Even before they plough the farm, it is surveyed and that charge goes to the farmer and many others enumerated here which include transport, VAT, levies, cess of 1 per cent to the county government and union fee of 1 per cent for the farm organisation. Therefore, it would not be difficulty in ensuring that the farmer benefits from this because it is the company, either Government-owned or privately owned, which has a contract with the farmer that will undertake this deduction. Therefore, the benefit will obviously go to the farmer

The other thing which I wish to clarify is that it is important for Members to note that VAT is just one item. I looked at one case here where the companies in Kenya generally pay an average of Kshs3,000 per tonne of raw sugarcane to the farmer, then they charge this farmer Kshs216 for harvesting. The furthest farmer at the outgrower is charged Kshs1,200 per tonne for transport plus VAT. The farmer is also charged for the seed cane that was provided by the company and ploughing if the company ploughed for him. There are also other charges which include planting, feeding of the cane with fertiliser and other maintenance costs involved including security. So, there is so much. If you put together all these costs and compare with the Kshs3,000 paid per tonne, the farmer gets just about Kshs400 per tonne.

I have been warned. I want to conclude by saying that this Bill is very important. The other Members of the community who ought to benefit from this are the sugarcane cutters. They play an important role. They are paid Kshs216 per tonne. They are temporary workers employed by the companies.

With those few remarks, I wish to thank you.

I beg to move.

ADJOURNMENT

The Temporary Deputy Speaker (Hon. (Ms.) Shebesh): Thank you, Hon. Wamunyinyi. Hon. Members, we will not put the Question at this time for obvious reasons.

Hon Members, the time being 1.00 p.m., this House stands adjourned until this afternoon at 2.30 p.m.

The House rose at 1.00 p.m.