What is a finance Bill?

To finance the financial year 2018/19 budget and specifically the Universal Health Coverage (UHC) which is among the presidency big four plan, tax increases have been introduced among them mobile money transfer charges (Mpesa). Mpesa transaction charges increased effective July 2018 and the increase was by a margin of twenty percent. But what legal provisions allow the Cabinet Secretary to introduce a new tax? Section 40(3) of the Public Finance Management Act 2012 requires that the Cabinet Secretary introduces a finance bill on the same day he/she presents the budget policy highlights and revenue raising measures to the National Assembly. In addition, Article 209 of the constitution of Kenya 2010 authorizes the national government to impose income tax, value added tax customs duties and excise tax.

With the current system of a devolved Kenyan government, the law also bestows upon the county governments the mandate to tax in order to raise revenue for their expenses. Article 209 (3) stipulates that the county government may impose property rates, entertainment taxes and any other taxes as may be permitted by an Act of Parliament. Equally, section 132 (1) of the PFM Act 2012 asserts that the County Executive Committee member for Finance shall, on the same date that the revenue raising measures are pronounced, submit to the county assembly the County Finance Bill setting out the revenue raising measures for the county government, with a policy statement explaining on those measures. The national government supplements county governments own source revenue acquired by collecting taxes locally.

A Finance Bill by definition, is a money bill containing proposals of the government for levy of new taxes, modification of the existing tax structure or continuation of the existing tax structure beyond the approved period. The Bill is usually accompanied by a memorandum containing explanations of the provisions included in it. Article 114 (3) of the constitution of Kenya 2010 establishes it as a money Bill that contains provisions dealing with taxes, the imposition of charges on a public fund or repeal of any of those charges. Like any other bill presented to national or county assembly, the Finance Bill is also subjected to all the stages other bills go through right from the first reading to assent by the president at the national government or the governor at the county level.

Taxation, the core component of the Finance Bill, links the two sides of the budget- expenditure and revenue. The significance of taxation cannot be overlooked as it is one of the means through which governments raise revenue. Other ways of raising revenue include borrowing from internal and external sources, and grants. The Finance Bill should be considered and approved by the respective assemblies (National or county) within ninety days of passing the Appropriation Bill.

Brief prepared by:
Institute of Public Finance Kenya. info@ipfkenya.or.ke
WEBSITE: www.ipfkenya.or.ke
TWITTER: @ipfkenya.
FACEBOOK: Institute of Public Finance Kenya