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# **Executive Summary: KNCCI Position on the Finance Bill, 2025**

**1. Context & Objectives**  
KNCCI presents this submission as the collective voice of Kenya’s business community—especially MSMEs—calling for a **fiscally enabling environment**. The Finance Bill, 2025, introduces wide-ranging tax reforms that, if unmodified, could **undermine economic recovery, job creation, and formalization**.

We come not in opposition, but in support of a transformative national agenda. As the voice of over 7.5 million enterprises — from small traders to major exporters — KNCCI is represented across all 47 counties, and we are committed to walk this journey with:

* The National Treasury
* Its parent agency, the Kenya Revenue Authority
* This great respected Committee of Parliament and
* The Senate

We submit to you as a trusted partner, ready to help position Kenya as a continental leader in GDP, job creation, innovation, and enterprise competitiveness.

**2. The Big Picture**

* Kenya has an estimated **7.5 million MSMEs**, but fewer than 2 million are KRA-registered.
* These enterprises contribute only **35% of GDP**, well below peers like Uganda (49%) and China (60%+).
* KNCCI argues that if properly enabled, MSMEs can:
  + Add **Ksh 4.05 trillion to GDP**
  + Create **12 million jobs**
  + Generate **Ksh 600–800 billion in tax revenues**

## **Key Recommendations for Parliament**

## **I. Income Tax Proposals**

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| --- | --- | --- |
| **Clause** | **KNCCI Recommendation** | **Strategic Reason** |
| **TOT & Housing Levy** | Cap at 0.5% for low-margin MSMEs; 3-year startup tax holiday | Avoid discouraging formalization and support enterprise growth |
| **Significant Economic Presence Tax** | Retain current 1.5% DST to remain regionally competitive | Aligns with OECD norms, attracts FDI |
| **Capital Gains/Loss Carryforward** | Maintain deductions; indefinite or at least 10-year carryforward for strategic sectors | Encourages long-term investments and startup growth |
| **CSR Deductibility** | Retain to support business-sponsored social development | Incentivizes corporate responsibility, especially in youth, trade, and education |

## II. **VAT-Related Proposals**

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| --- | --- | --- |
| **Clause** | **KNCCI Position** | **Strategic Concern** |
| **VAT Refund Audit Period Extension (300 days)** | Reduce to 90 days | Liquidity risk for exporters and manufacturers |
| **Bad Debt Refund Waiting Period (2 years)** | Welcome change, but recommend <1 year | Improves SME cash flow |
| **Input VAT Restrictions (only on directly taxable supplies)** | Reject the amendments in totality | Avoids stifling service sector and hybrid businesses |
| **Pre-Registration VAT Claim (from 36 to 24 months)** | Retain 36 months | Affects capital-heavy startups (e.g. hotels) |

## **III. Excise Duty and Digital Tax**

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| --- | --- | --- |
| **Clause** | **KNCCI View** | **Justification** |
| **20% Excise on Digital Services** | Reject | Overlapping with existing DST & VAT; stunts digital economy growth |

## **IV. Miscellaneous & Procedural Provisions**

|  |  |  |
| --- | --- | --- |
| **Clause** | **Issue** | **KNCCI Position** |
| **Eco Levy (10% on electronics)** | Propose suspension | Conduct impact assessment; protect ICT sector and consumers |
| **Export Levy (from 17.5% to 10%) on semi-finished goods** | Welcome move-Remove all Together | Introduce alongside local incentives and power subsidy |
| **Mandatory Invoicing for Exempt Supplies** | Reject | Adds admin cost for small, informal traders |
| **KRA Access to Private/MPesa Data Without Warrant** | Reject | Retain judicial oversight to avoid rights violations |
| **Audit Period for Refunds (extended to 180 days)** | Reduce to 60 days | ETIMS and iTax allow faster audits; avoid SME liquidity squeeze |

## **Strategic Messaging for the Chamber President & CEO**

## **Framing for Parliament:**

* “You cannot tax poverty into prosperity—but you can enable enterprise into productivity.”
* “This Bill, as drafted, burdens those who can least bear it. Let us build Kenya’s prosperity on a foundation of enterprise, not overregulation.”
* “If passed with pro-MSME reforms, this Bill can ignite Kenya’s single largest economic transformation.”

## **Priority Asks for Parliamentarians:**

1. Cap turnover and housing levies for MSMEs.
2. Fast track VAT refunds and avoid liquidity shocks.
3. Remove excise on digital services to grow the tech sector.
4. Retain CSR deductibility and maintain judicial checks on data access.

## **Conclusion & Call to Action**

KNCCI calls on Parliament to:

1. Rethink taxation as a **tool to enable growth**, not just extract revenue.
2. Ensure **predictable and simplified compliance** frameworks.
3. Support **inclusive economic transformation** led by Kenya’s enterprises.

KNCCI reaffirms its readiness to collaborate with the National Assembly, Kenya Revenue Authority and Treasury to build a resilient, competitive, and prosperous economy.

**Submitted By:**

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