



INSTITUTE OF CERTIFIED INVESTMENT AND FINANCIAL ANALYSTS

*Established Under the Investment and Financial Analysts Act, No.13 of 2015*

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**Our Ref: ICIFA/NA/2025**

**26 May 2025**

Mr. Samuel Njoroge, CBS  
The Clerk of the National Assembly  
The National Assembly Parliament Buildings  
P.O BOX 41842-00100.  
**Nairobi Kenya.**

**Dear Mr Samuel,**

**RE: SUBMISSION OF COMMENTS ON THE FINANCE BILL 2025**

The Institute of Certified Investment and Financial Analysts (ICIFA) is the only professional body mandated to regulate the Investment and Financial Analysis profession in Kenya. This mandate includes registering and licensing Certified Investment and Financial Analysts (CIFAs) in Kenya both in private and public practice under the Investment and Financial Analysts Act (No.13 of 2015).

We are writing to submit our comments on the Finance Bill 2025. We appreciate the opportunity to contribute to the legislative process and commend the National Assembly for its commitment to stakeholder engagement. Our submission reflects a careful review of the proposed provisions in the Bill and highlights areas where we believe amendments or clarifications would be beneficial to ensure sound fiscal policy, promote economic growth, and safeguard the interests of the public and business community.

Please find attached our detailed comments for your consideration.

We would be grateful for the opportunity to engage further should any clarification or additional input be required.

**Yours Sincerely**

**FA Diana Muriuki-Maina**  
**CHIEF EXECUTIVE OFFICER**

**COMMENTS ON THE FINANCE BILL 2025**

<b>No</b>	<b>Topic/ Marginal Note</b>	<b>Section to be Amended</b>	<b>CURRENT WORDING</b>	<b>PROPOSED WORDING/ AMENDMENTS</b>	<b>JUSTIFICATION</b>
<b>1.</b>	Repeal of 100% Investment Allowance	Income Tax Act – Investment Deductions	100% allowance for large or Special Economic Zones investments	Repeal these deductions	May discourage investment in underserved regions and SEZs, undermining regional development
<b>2.</b>	Introduction of Minimum Top-up Tax	Income Tax – Minimum Tax	No specific payment deadline	Must be paid within 4 months after closure financial year	Improves tax compliance and revenue planning

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<b>3.</b>	VAT on Agricultural Inputs	VAT Act - Exemptions	Some inputs zero rated	Reclassify to exempt (removes input VAT credit)	Likely to raise costs of food production and hurt small scale farmers
<b>4.</b>	Dividend Tax Exemption for Reinvested Earnings	Income Tax Act – Dividend Taxation	Dividends are taxed	Exempt dividends if Ksh 250M+ is reinvested in Kenya	Encourages reinvestment of profits into the Kenyan economy
<b>5.</b>	Tax relief for NIFC Start - Ups	Income Tax Act – Corporate Tax	30% standard rate	15% (first 3 years), 20% (next 4 years) for NIFC – Certified start - ups	Promotes innovation and supports start – up growth and sustainability
<b>6.</b>	Tax Incentives for NIFC certified companies	Income Tax Act – Corporate Tax	Standard corporate tax rate at 30%	Introduce preferential tax rates: 15% (first 10 years), 20% (next 10 years) for NIFC – certified companies	Encourages FDI, boosts Nairobi as a financial hub, creates jobs for Kenyan professionals
<b>7.</b>	Definition of “digital lender” (Excise Duty Act	Cap.472, s.2(1) (Interpretation)	“Digital lender” means a person holding a valid digital credit providers licence issued by the Central Bank of Kenya.	“Digital lender” means a person extending credit through an electronic medium but does not include a bank licensed under the Banking Act, a SACCO society or a microfinance institution.	The proposed definition dramatically broadens the tax base by capturing virtually all online lenders, not just those licenced by the CBK. While this raises revenue, it adds regulatory burden on many fintech/online

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					<p>credit platforms. It risks market distortions by potentially driving up borrowing costs (excise tax on fees) and discouraging digital credit innovation in a sector that can support financial Inclusion. Given Kenya's moderate GDP growth (~4.7% in 2024) and reliance on credit to spur economic activity, overtaxing digital lenders may undermine lending to SMEs and consumers. It also introduces compliance complexity, as lenders must self-identity under this broad definition. A more targeted approach (e.g. focusing on unregulated lenders) would align better with the spirit of the PFM Act, which calls for prudent revenue-raising without stifling growth.</p>

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<b>8.</b>	Definition of “digital marketplace” (Excise Duty Act)	Cap.472, s.2(1) (Interpretation)	(No existing definition)	New definition: “‘digital marketplace’ means an internet-based platform that enables users to sell goods or provide services to other users”.	Introducing “digital marketplace” fills a gap for taxing e- commerce transactions, but the proposed wording is very broad. It may sweep in many online platforms (including small or peer-to-peer sites) and impose heavy compliance on them. This could burden informal traders and discourage entry into e-commerce, counter to policy goals of digital expansion. The term is also vague (“enables users” is open-ended), risking administrative confusion and disputes over whether a given platform qualifies. Practically, SMEs may struggle to comply with excise rules on marketplace transactions. It may be wiser to refine the definition (e.g. by revenue thresholds) or provide

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					clear guidance to avoid undue regulatory complexity and market distortions.
<b>9.</b>	Excisable services on digital networks	Cap.472, s.5(1)(d)	“Excisable services offered in Kenya by a non-resident person through a digital platform	Change (s.5(1)(d)): “... offered in Kenya by a non-resident person <b>over the internet, an electronic network or through a digital marketplace</b> ”.	This amendment greatly broadens the scope of excise to cover all e-services consumed in Kenya, not just those on a “digital platform”. While modernizing the law, it also means any foreign supplier of online services (e.g. streaming, consultancy, cloud services) may now be liable. This risks <b>double taxation</b> if services are already VAT-taxed or taxed abroad under treaties. It also complicates compliance for non-residents (how to register, declare, and pay excise on Kenyan consumption?). The expanded ambit adds <b>administrative complexity</b> with unclear benefit; it may deter

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					cross-border digital trade and investment. If revenue needs justify it, the design should ensure harmony with international norms (to avoid trade frictions) and perhaps focus on value-add industries. Given Kenya's current account deficit (~KSh 139B in Q3 2024) and moderate growth, such measures should be calibrated so as not to worsen import costs or inflation.
<b>10.</b>	Definition of “non- resident person” (Excise Act)	Cap.472, new s.5(4)	– (no definition in s.5)	Add s.5(4): “non-resident person means a person whose place of residence is outside Kenya”.	Providing a clear definition ensures foreign suppliers are captured by s.5. This adds legal clarity, but may be redundant since other laws already define non-residents. It imposes additional compliance on foreign entities providing services in Kenya. The term “residence” is broad and could create

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					uncertainty (e.g. digital nomads or telecom carriers). While aiming for tax fairness, the measure should consider consistency with income tax rules on residency to avoid overlap. The PFM Act would welcome revenue compliance, but one must ensure this addition doesn't create conflicts with double-taxation treaties or unjustly widen the tax net without considering bilateral agreements.
<b>11.</b>	Place of Supply – Digital Services (Excise Act)	Cap.472, s.13	Current: “Subject to this section, a supply of excisable services shall be deemed made in Kenya if supplied from a place of business of the supplier in Kenya”.	Renumber existing as (1); add (2): “If the supplier’s place of business is outside Kenya, the supply of services is deemed made in Kenya if the services are consumed by a person in Kenya through the internet, an electronic network or a digital marketplace”.	This new rule taxes cross-border digital service consumption. It aligns with efforts to tax e-services, but could be burdensome. The tax liability now depends on consumption in Kenya, which is hard to verify. Service providers may have to monitor user locations, raising privacy and enforcement issues.



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					This change could deter foreign digital firms (e.g. online learning, OTT streaming) from serving Kenyan customers, affecting consumer choice and market competition. On the other hand, it does extend the tax base in line with global trends. However, to avoid double taxation (with other jurisdictions) and excessive red tape, clear guidance and perhaps thresholds are needed. This measure may boost revenue (helping meet fiscal rules), but at the cost of potential market friction and implementation complexity.
<b>12.</b>	Document Processing Timeline (Excise Act)	Cap.472, s.17(1)	“The Commissioner shall [approve or act].” (No explicit time limit is currently specified.)	Amend s.17(1) by inserting “within fourteen days of receipt of the required documents” immediately after “the Commissioner shall”.	The fix “14 days” deadline for the Commissioner to act is meant to speed up regulatory processing (e.g. refunds or license approvals). In theory this improves efficiency.

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					In practice, 14 days may be unrealistic for complex cases, given limited KRA resources. Non-compliance with this tight deadline by the tax authority is unspecified (no penalty if missed), so the benefit is uncertain. It also forces the revenue office to rush analysis, potentially causing errors. Balancing speedy service with administrative accuracy is key. A sliding scale of timelines or an automatic approval rule might be more practical. Without clear enforcement of this rule, it may simply add <b>pressure</b> without delivering results.
<b>13.</b>	Electronic Tax Invoice Exclusions (Tax Proc. Act)	Cap.469B, s.23A(4)	"The electronic tax invoice...may exclude emoluments, imports, investment allowances,	Replace s.23A(4): "...may exclude <b>payments of emoluments, payments for imports, payments of interest, transactions for accounting for investment</b>	The proposed change largely formalizes existing practice (allowing e-invoices to skip items that already bear final tax) and adds "payments subject to

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			interest, airline tickets and similar payments.”	<b>allowances, airline passenger ticketing, and payments subject to withholding tax that is a final tax.”.</b>	withholding tax (final tax).” This is logical to avoid double-taxing such payments. However, broad exclusions can create loopholes: taxpayers might classify transactions as “final tax withheld” to evade e-invoicing duties. The list remains quite long and complex, increasing compliance burdens on businesses to correctly apply exclusions. In effect, small errors in exclusion criteria could lead to penalties. While simplifying invoices is beneficial, the negative is that narrower definitions might have sufficed. The change should be accompanied by clear guidance to avoid misapplication. It modestly relieves admin burden on suppliers but potentially opens up gamesmanship.

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<b>14.</b>	Amendment Notification Reasons (Tax Proc. Act)	Cap.469B, s.31(8A)	<b>Current: No</b> requirement to provide reasons in amended- assessment notices.	Insert new s.31(8A): “Where the Commissioner has made an amended assessment, the Commissioner shall include in the notification... the reasons for the amended assessment.”.	Requiring the tax authority to state reasons improves transparency and taxpayer rights. It helps taxpayers understand and contest assessments. However, it places extra burden on revenue officials, potentially slowing down finalization of assessments (they must draft justifications). In a system already short-staffed, this could delay collections. Despite that, the benefit of clarity for taxpayers is significant. From a fiscal perspective, it may improve compliance and trust (aligning with public finance accountability), but the KRA must ensure timely issuance of detailed reasons to avoid bottlenecks. If not properly managed, it could bog down appeals (longer disputes) and add administrative cost.

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<b>15.</b>	Withholding Liability (Tax Proc. Act)	Cap.469B, s.39A	Current (renumbered s.39A(1)): If a payer fails to withhold tax, that payer is liable for the unpaid tax (as per existing law).	Renumber current as (1); add (2): “Despite (1), a person who does not deduct/withhold tax shall not be required to pay the principal tax not deducted where the recipient has paid and accounted for the full tax.”.	This amendment prevents “double taxation” on a single payment: if the payee has already paid the tax, the payer need not pay again. It promotes fairness. However, it shifts proof burdens: the payer must verify that the recipient did indeed pay the tax correctly. This adds compliance complexity (e.g. obtaining certificates from the recipient). It could be exploited to delay payment: a payer might claim “recipient paid” without proof. The KRA must therefore establish strict evidence requirements. In practice, this change weakens enforcement against non-compliant payers (who might falsely assert the recipient paid) and could create loopholes, unless tightly regulated. It also requires

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					cross-checking records, increasing audit work.
<b>16.</b>	Debt Settlement Plans (Tax Proc. Act)	Cap.469B, s.40	<b>Current:</b> Under s.40(5)(b) proviso, a liability payment plan simply delays lifting a distrain notice; no stamp-duty relief is mentioned	Amend s.40: (i) In s.40(2) add “or stamp duty” after “fee” (broadens scope). (ii) Replace s.40(5) proviso: (a) Plan liabilities must be settled under the plan before lifting any notice; (b) transfer of property under the plan shall be exempt from stamp duty.	Introducing stamp-duty exemption for property transfers under a payment plan may ease corporate restructurings (since transfers to settle debt incur no extra tax).  However, it erodes revenue from stamp duty and preferentially benefits indebted entities. This could encourage gaming – transferring property to avoid paying some taxes.  It also adds complexity in verifying the conditions (proportional shareholding, etc.). Moreover, clause (a) requiring full settlement before lifting a notice is very strict – it may defeat the purpose of an

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					installment plan (which usually pays over time). From a fiscal standpoint (PFM Act's prudence), granting tax waivers undermines revenue mobilization; from a market standpoint, it distorts incentives (subsidizes debtors). A better design might be a partial exemption or spreading stamp duty over time.
<b>17.</b>	Taxpayer Scope Expansion (Tax Proc. Act)	Cap.469B, s.42(1)– (14)	Current: Provisions repeatedly refer only to a “taxpayer” in various subsections (no explicit mention of non-residents).	In multiple places in s.42 (subsections (1) (a–d), (2) opening statement, (2) (b–e), (3), (4)(b), (5), (6), (8–10), (11–12), (13), (14) (a–d)), insert “or a non-resident person who is subject to tax in Kenya” immediately after “taxpayer”; adjust phrases accordingly.	These textual changes explicitly subject foreign persons with Kenyan tax obligations to the same rules as residents. It closes gaps for enforcement on non-residents. The downside is the added compliance burden on foreigners (e.g., diaspora KRA filings, foreign contractors). It may deter foreign investment or services if obligations are unclear.

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					<p>Implementation will be complex: e.g., how does KRA track “non-resident” taxpayers consistently? There may also be treaty implications.</p> <p>Conceptually this aligns with broad tax base (helping PFM goals), but the fine print effectively creates parallel obligations for foreigners, complicating international business.</p> <p>Policymakers should ensure harmonization with existing definitions in income tax and avoid duplicating obligations</p>
<b>18.</b>	Return Filing and Appeals (Tax Proc. Act)	Cap.469B, s.47(1)(a)(i), (2), (4A)	(1)(a)(i) requires filing of returns and paying tax including income tax and input VAT. (2) previously allowed 90 days to make an	(1)(a)(i) delete “and input value added tax” (so returns focus on income and other taxes only). (2) replace “ninety days” with “one hundred and twenty days”; (4A) replace “one hundred and	Removing “input VAT” from s.47(1)(a) likely shifts VAT compliance wholly to the VAT Act. This streamlines TPA filings but may confuse taxpayers if not harmonized with VAT rules.



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			objection. (4A) allowed 120 days for appeal.	twenty days” with “one hundred and eighty days”.	Extending objection/appeal deadlines (90→120 days, 120→180 days) gives taxpayers more time, ostensibly fairer. However, it also delays resolution of disputes, leaving revenue uncertain longer. Under PFM Act principles (timely and transparent budgeting), longer deadlines can impede fiscal planning and revenue collection. Moreover, taxpayers might strategically delay matters. While protecting taxpayers’ right to appeal, the extensions risk clogging the appeals system and deferring cash flows. These changes should be weighed against the need for efficient tax administration.

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<b>19.</b>	Late Objection Deadlines (Tax Proc. Act)	Cap.469B, s.51(7B)	Current: No special rule; late objections (if granted) use original objection deadline.	Insert new s.51(7B): “Where the Commissioner has allowed the application for late objection and the objection has been validly lodged, the period within which the Commissioner may make an objection decision shall be computed on the day the objection is lodged.”.	By resetting the decision timeframe from the actual lodging date, late objections won’t be cut short by the original timeline. This is taxpayer- friendly. But from an administrative perspective, it encourages late filing (strategic delay) and extends the period of uncertainty. Each late objection effectively restarts the clock, burdening the revenue office with unpredictable schedules. It complicates enforcement of statutory timetables and may delay resolution of other taxpayers’ cases. This could indirectly hurt revenue and increase workload. A possible alternative could have been to deny late objections or cap overall delay, balancing fairness against process efficiency.

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<b>20.</b>	Waiver of Penalties – E-Tax Systems (Tax Proc. Act)	Cap.469B, s.89(5A)	Current: No express provision for waiving penalties due to electronic system errors.	Insert new s.89(5A): Cabinet Secretary may waive any penalty or interest where liability arose from (i) an e-tax system error; (ii) system update delays; (iii) duplicate penalty from system malfunction; or (iv) incorrect registration of taxpayer obligations.	This clause is taxpayer-friendly, recognizing the realities of digital tax systems. It aligns with efficiency principles by not punishing taxpayers for government system failures. However, it also shifts risk to the treasury. Granting waivers could be open to abuse if insufficiently monitored (taxpayers might claim “system error” to escape penalties). It adds administrative oversight: officials must investigate each waiver request. Frequent waivers could reduce deterrence against late filing. From a policy view (PFM Act’s transparency), clear criteria and accountability are needed to prevent revenue loss. The provision is positive for encouraging e-TIMS adoption, but

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					the negative is potential revenue forfeited and claims adjudication overhead.
<b>21.</b>	Interest on Overpaid Tax (Misc. Fees & Levies Act)	Cap.469C, s.9B	Marginal note: “to excess tax refunds”. Text: refers to “provisions of section 47 of the Act”.	Delete “to excess tax refunds” from marginal note, and delete “provisions of section 47 of the” in the text.	The change effectively removes the link to excess refunds, which may broaden or alter interest payments on overpayments. If interpreted broadly, it could allow interest on any tax overpayment, not just refunds from s.47. This may benefit taxpayers (who get interest on credits), but also increases cost to the treasury. Conversely, if intended to narrow interest (eliminate interest on refunds), it could deprive taxpayers of rightful interest. The net effect is unclear without context. Administratively, the wording deletion may simplify the provision, but it alters expectations of both KRA and

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					taxpayers. From a fiscal standpoint, clarity is needed: the amendment should state explicitly whether interest is owed and under what conditions.
<b>22.</b>	<i>Export Levy – Aero Parts</i> (Misc. Fees & Levies Act)	Cap.469C, Second Schedule (Part A & B)	<b>Current:</b> Part A, para (xv) and (xva) impose levies on certain steel goods; Part B, para (xiii) and (xvi) on similar goods (imports of steel).	In Part A delete (xv) and replace (xva) with “all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00”; in Part B delete (xiii) and replace (xvi) similarly.	This adds broad categories (Chapter 88 = aircraft and parts) to the Export/Investment Promotion Levy. In other words, most aircraft components will now be subject to the levy. This hurts Kenya’s aviation and aerospace sector, increasing costs for operators and maintenance firms that import these parts. It could lead to higher ticket prices (inflationary pressure) and impair trade efficiency. These categories were previously exempt or not listed; now they face a levy, distorting the market. Given Kenya’s ambitions in aviation (Nairobi as a hub), this

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					could be counterproductive. While it does raise revenue, it violates the efficiency principle (unnecessarily penalizes a capital-intensive industry). Policymakers should reconsider or phase this in to avoid harming a strategic sector.
<b>23.</b>	<i>Export &amp; Investment Levy – Steel (Misc. Fees &amp; Levies)</i>	Cap.469C, Third Schedule (s.7A(1))	<b>In the Third Schedule, steel products (e.g. certain bars, rods, semi-finished steel) were taxed at 17.5% of customs value</b>	Delete “17.5%” rates and replace with “10%” for those steel goods (semi-finished steel, specific rods and bars).	Reducing the levy from 17.5% to 10% is intended to stimulate the steel and export sectors. However, it significantly <b>cuts government revenue</b> from these tariffs. It may also skew market incentives by favoring steel exports over other industries. In a tight fiscal environment (PFM Act calls for responsible revenue generation), this reduction could exacerbate budget deficits unless offset elsewhere. On the positive side, it may aid local manufacturers who

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					benefit is lower protectionism revenue but it encourages <b>sector bias</b> (other raw materials still at higher levies). A more neutral fiscal approach would be to broaden industrial incentives beyond just a few categories or to implement such cuts only if accompanied by revenue measures in other areas compete internationally. Yet from a purely critical angle, the