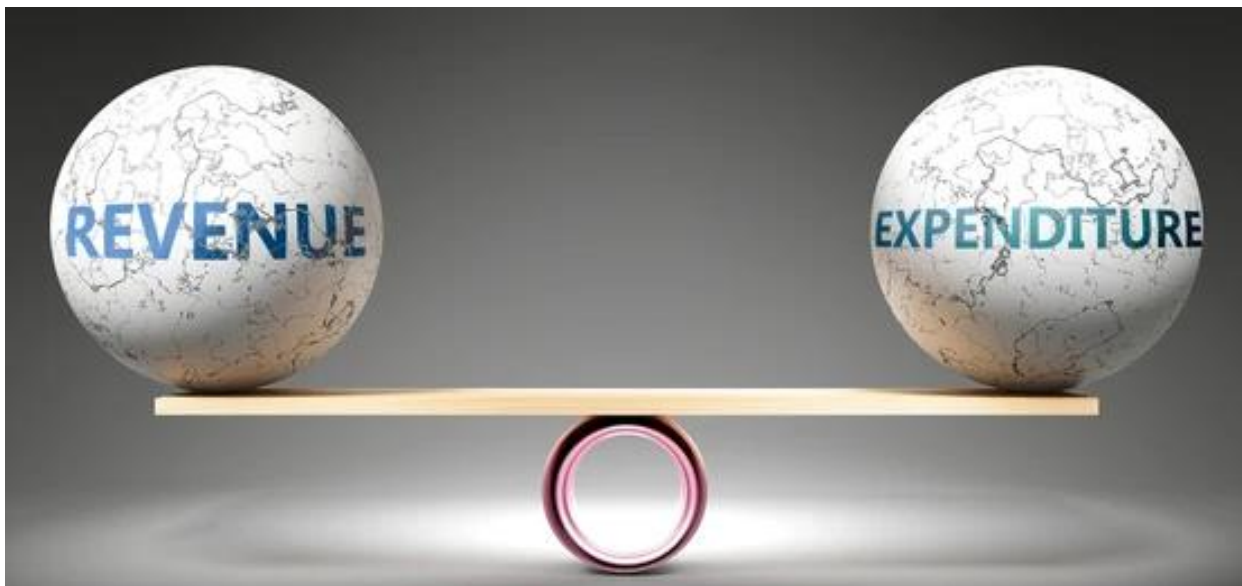


Kingdom Securities Limited

Budget Summary Fiscal Year 2022-2023



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summary for the 2022-2023 Budget that was read yesterday. The is an over ambitious revenue collection plan which coupled with the slow recovery of the economy remains a herculean task for the Kenya Revenue Services.

Key things to note is:

- i. Nominal GDP projected to grow by 10.9%. The government inflation target stands at 5.0% meaning the real GDP Growth target is 5.9%
- ii. Expenditure to grow by 6.0% to 23.9%.
- iii. Revenues to grow by 18.6% to 17.5% of GDP
- iv. Fiscal deficit to grow by 6.2% to 6.2%.
- v. External borrowing to decline by 32.0% to 2.0% of GDP
- vi. Domestic borrowing to decline by 5.7% to 4.2% of GDP

Below is the summary:

Budget Item KES Bn	2021-2022	Revised 2021-2022	2022-23	Difference to 2021-22 Budget	Difference to 2021-22 BROP	Budget to % of GDP 2021-22 Revised	Budget to % of GDP 2022-23
Expenditure	3,030.3	3,154.3	3,342.8	10.3%	6.0%	25.0%	23.9%
Recurrent	1,991.9	2,071.8	2,201.0	10.5%	6.2%	16.4%	15.7%
Development	669.6	667.9	711.5	6.3%	6.5%	5.3%	5.1%
Interest Payment and Pension	697.5	742.5	869.3	24.6%	17.1%	5.9%	6.2%
Equitable share to Counties	370.0	370.0	370.0	0.0%	0.0%	2.9%	2.6%
Conditional Allocation to Counties - National Govt	7.5	7.5	5.6	-25.3%	-25.3%	0.1%	0.0%
Conditional Allocation to Counties - Development Partners	32.3	32.3	31.4	-2.8%	-2.8%	0.3%	0.2%
Budget Item KES Bn	2021-2022	Revised 2021-2022	2022-23	Difference to 2021-22 Budget	Difference to 2021-22 BROP	Budget to % of GDP 2021-22 Revised	Budget to % of GDP 2022-23
Revenues	2,038.6	2,063.1	2,447.0	20.0%	18.6%	16.3%	17.5%
Income Tax	833.79	817.90	998.38	19.7%	22.1%	6.5%	7.1%
VAT	472.96	477.10	584.83	23.7%	22.6%	3.8%	4.2%
Excise Duty	240.55	259.60	296.09	23.1%	14.1%	2.1%	2.1%
Import Duty	118.24	118.80	144.37	22.1%	21.5%	0.9%	1.0%
A-in-A	262.98	262.98	305.88	16.3%	16.3%	2.1%	2.2%
Other Taxes	108.05	91.20	117.46	8.7%	28.8%	0.7%	0.8%
Grants	62.0	62.0	33.0	-46.8%	-46.8%	0.5%	0.2%
Budget Item KES Bn	2021-2022	Revised 2021-2022	2022-23	Difference to 2021-22 Budget	Difference to 2021-22 BROP	Budget to % of GDP 2021-22 Revised	Budget to % of GDP 2022-23
Deficit	929.7	1,029.3	862.5	-7.2%	-16.2%	8.2%	6.2%
Net Foreign	271.2	412.5	280.7	3.5%	-32.0%	3.3%	2.0%
Net Domestic	658.5	616.8	581.7	-11.7%	-5.7%	4.9%	4.2%
GDP Target	12,393.1	12,628.1	14,002.1	13.0%	10.9%		
Fiscal Deficit	7.5%	8.2%	6.2%				

Summary of proposed revenue measures**Value Added Tax Measures**

- Locally manufactured motor vehicles exempted
- Inputs and raw materials for manufacture of passenger motor vehicles exempted
- Plant and machinery for manufacture of pharmaceuticals exempted
- Fuel pellets exempted
- Medical oxygen, urine bags, adult diapers, artificial breasts, colostomy or ileostomy bags exempted

Income Tax Measures

- Donations to all charitable entities allowed as deductions
- Digital services tax exemption for services under sections 9(2) and 35 of Income Tax Act.
- Microfinance institutions under the Microfinance Act exempted from thin capitalization (EBITDA).
- Permanent establishments in Kenya exempt from Digital Service Tax

Miscellaneous Fees and Levies

- Reduction of export levy from 80% to 50%.
- Inputs and raw materials for manufacture of pharmaceutical products exempted from RDL and IDF

Excise Duty Measures

- eggs for hatching exempted
- Neutral spirit for manufacture of pharmaceuticals exempted
- Locally manufactured motor vehicles exempted

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