

## **The 2024/25 Budget Season Beckons**

**By Robert Waruiru**

If there is one lesson we have learnt from the 2023/24 budget cycle, it is that public participation in the end-to-end process is critical. Courts have underscored the importance of public participation, particularly in the promulgation of laws, as envisioned in Article 118 of the Constitution.

We could all do with less controversy and disputes and the attendant uncertainty that necessarily follows these disputes. Businesses would be much happier with crystal clear certainty of their obligations and the effective dates of such obligations. The governed would also be happier if actively involved in the law-making process.

Perhaps to forestall some of these potential challenges and given the central role that the budgeting process plays in our economic pursuits, it is useful to recall the budget calendar.

The budgeting process starts off with planning and collation of expenditure estimates of revenues and expenditure. Under the Public Finance Management Act (PFMA), this process kicks off by 30 August each year when the Cabinet Secretary to the National Treasury issues guidelines on the budget process. These estimates are set out in the Budget Policy Statement which is considered by the National Assembly.

Not later than 30 April of each year, the CS National Treasury is required to submit to the National Assembly the budget estimates and working with the National Assembly, the relevant Bills to implement the national government budget.

Once these documents are submitted to the National Assembly, the legislative process kicks in in earnest and the Departmental Committee on Finance and National Planning essentially takes over the budget making process. In particular, this committee runs with the Finance Bill right from laying it in parliament, the first reading, second reading, committee stage and third reading before the Bill is passed into an Act of parliament for presidential assent.

Once the Bill is commuted to the committee, the committee invites submissions and memoranda and thereafter holds public participation to listen to views of the public. As many taxpayers as possible should participate in the process and hopefully, the outcome will be a consensus position on matters tax.

The public hearings culminate in a report of the committee which gives the public an idea of the eventual position of the committee and the likely final look of the Finance Act, particularly on contested matters.

A common feature in these reports is the tight balancing act between the need to raise more revenues to finance expenditure and supporting economic activity and growth.

As ever, the challenge remains imposing tax without destroying the twin pillars of demand and savings. Demand spurs spending which results in higher indirect tax collections whilst savings spurs investment and direct taxes from the income of those investments as well as the employee taxes.

The Medium-Term Revenue Strategy has a raft of tax proposals, including novel taxes such as carbon taxes as well as reformulated minimum tax and presumptive taxes. It will be interesting to see the Finance Bill, 2024, proposals and how these align with the growth friendly fiscal consolidation plan.

In the meantime, 30 April 2024 remains a critical date for taxpayers and will kickstart the 2024/25 tax debate.

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