

SPECIAL ISSUE

Kenya Gazette Supplement No. 143 (National Assembly Bills No. 38)



REPUBLIC OF KENYA

KENYA GAZETTE SUPPLEMENT

NATIONAL ASSEMBLY BILLS, 2024

NAIROBI, 19th July, 2024

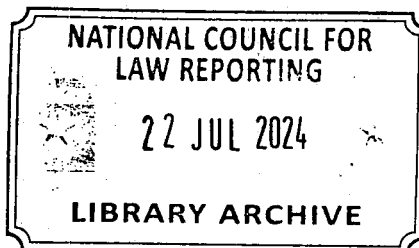
CONTENT

Bill for Introduction into the National Assembly—

PAGE

The Division of Revenue (Amendment) (No. 2) Bill, 2024

885



**THE DIVISION OF REVENUE (AMENDMENT)
(No. 2) BILL, 2024**

A Bill for

**AN ACT of Parliament to amend the Division of
Revenue Act**

ENACTED by Parliament of Kenya, as follows—

1. This Act may be cited as the Division of Revenue (Amendment) (No. 2) Act, 2024.

Short title.

2. The object and purpose of this Act is to amend the Division of Revenue Act, 2024, (hereinafter referred to as the “principal Act”) to provide for equitable sharing of the shortfall in revenue raised nationally, occasioned by downward revision of projected ordinary revenue, among the national government and county governments.

Object and
Purpose.
No.5 of 2024.

3. Section 5 the principal Act is amended by—

Amendment of
section 5 of No. 5
of 2024.

(a) deleting subsection (1) and substituting therefor the following new subsection—

“(1) If the actual revenue raised nationally in the financial year 2024/25 falls short of the expected revenue set out in the Schedule, the shortfall shall be borne by both the national government and the county governments equitably.”

(b) inserting the following new subsection immediately after subsection (1)—

“(1A) Notwithstanding the generality of subsection (1), the proportion of the shortfall to be borne by county governments shall not exceed fifteen per centum (15%) of that shortfall.”

4. The principal Act is amended by deleting the Schedule and substituting therefor the following new Schedule —

Deletion and
replacement of
the Schedule to
No.5 of 2024.

SCHEDULE

(s.4)

ALLOCATION OF REVENUE RAISED NATIONALLY BETWEEN
THE NATIONAL GOVERNMENT AND COUNTY GOVERNMENTS
FOR THE 2024/25 FINANCIAL YEAR

Type/level of allocation	Amount in KSh.	Percentage (%) of 2020/21 audited and approved Revenue i.e. KSh. 1,570,562,945,014
A. Total Sharable Revenue	2,602,123,505,582	
B. National Government	2,214,270,690,857	
C. Equalization Fund	7,852,814,725	0.50%
D. County equitable share	380,000,000,000	24.20%

MEMORANDUM OF OBJECTS AND REASONS

The principal object of this Bill is to provide for equitable sharing of the revised sharable revenue raised nationally by the national government among the national government and county governments.

The projected revenues raised nationally for the financial year 2024/25 have dropped significantly, due to the revised revenue raising measures occasioned by rejection of the Finance Bill, 2024, by **KSh. 346.00 billion**, from the initial projected revenue of **KSh. 2,948.12 billion** to revised projected revenue of **KSh. 2,602.12 billion**.

In this regard, the National Government share of revenue raised nationally has been adjusted downward by **KSh. 325.88 billion**. This shortfall in share of national government revenue has been partly covered by adjustment of budgetary allocations to the Executive, the Legislature, the Judiciary and constitutional commissions in the financial year 2024/25.

In this regard, and in order to facilitate bridging the above financing gap as well as facilitate the National Government to provide resources towards critical areas, the Bill proposes that the county governments equitable share for FY 2024/25 be reduced by **KSh. 20.12 billion**. This translates to **5.81 percent** of the projected shortfall in total sharable revenue.

Clauses 1 and 2 of the Bill provide for the short title of the Bill; and the object and purpose of the Bill.

Clause 3 of the Bill amends section 5(1) of the Division of Revenue Act, 2024 to provide for sharing of the shortfall in revenue raised nationally between the national and county governments equitably. The clause also provides for capping of the proportion of revenue shortfall to be borne by county governments which shall not be more than 15 % of the shortfall to ensure stable and predictable allocation of revenue in line with Article 203 of the Constitution.

Clause 4 of the Bill deletes the Schedule to the Division of the Revenue Act on allocations of revenues raised nationally between national government and county government and replaces it with a new Schedule which reduces the equitable share county governments from **KSh. 400.12 billion** to **KSh. 380.00 billion**; and reduces the equitable share to the National Government from **KSh. 2,540.15 billion** to **KSh. 2,214.27 billion**.

The revised allocation of **KSh. 380.00 billion** to county governments translates to **24.20 percent** of the last audited and approved

revenues of government for financial year 2020/21, which is above the Constitutional threshold of 15 percent.

The Schedule captures the approved vertical allocations of revenues raised nationally for FY 2024/25 and the proposed revisions to these allocations in FY 2024/25 and the resulting variances.

The readjusted sharable revenue amounting to **KSh. 2,602.12 billion** implies a deviation of **KSh. 346.00 billion** which translates to **11.74 percent** reduction in the original projected sharable revenue of **KSh. 2,948.12 billion**.

In order to ensure that the national government and county governments are able to perform assigned functions, as well as ensure the National Government is able to provide requisite resources to address the critical expenditures, the National Treasury proposes that both levels of government bear this shortfall equitably by reducing the equitable share to county governments by **KSh. 20.12 billion** which translates to **5.81 percent** of the projected **KSh. 346.00** deviation in projected sharable revenue.

The National Government on its part will bear a significantly higher share of the shortfall amounting to **KSh. 325.88 billion**, or **94.19 percent** of the projected shortfall of **KSh. 346.00**. The shortfall will be offset by expenditure reduction by putting in place austerity measures. Consequently, it's expected that county governments should also revise their budgets downwards to reflect the shortfalls and comply with the revised schedule.

Dated the 19th July, 2024.

NDINDI NYORO,
Chairperson, Budget and Appropriations Committee.

Section 4 of No. 5 of 2024 which it is proposed to amend—

4. Revenue raised by the national government in respect of the financial year 2024/25 shall be divided among the national and county governments as set out in the Schedule to this Act.

Section 5 of No. 5 of 2024 which it is proposed to amend—

5. (1) If the actual revenue raised nationally in the financial year falls short of the expected revenue set out in the Schedule, the shortfall shall be borne by the national government.

(2) If the actual revenue raised nationally in the financial year exceeds the projected revenues set out in the Schedule, the excess revenue shall accrue to the national government, and may be used to reduce borrowing or pay debts.

The Schedule to the Act which it is proposed to amend—

SCHEDULE

(s.4)

ALLOCATION OF REVENUE RAISED NATIONALLY BETWEEN THE NATIONAL GOVERNMENT AND COUNTY GOVERNMENTS FOR THE 2024/25 FINANCIAL YEAR

Type/level of allocation	Amount in Ksh.	Percentage (%) of 2020/21 audited and approved Revenue i.e. Ksh. 1,570,562,945,014
A. Total Sharable Revenue	2,948,123,505,582	
B. National Government	2,540,139,627,435	
C. Equalization Fund	7,867,090,000	0.50%
D. County equitable share	400,116,788,147	25.48%

