AAK/RA/PARL/26/1 13TH October, 2026

The Clerk of the National Assembly
Parliament Buildings,
P.O. Box 41842 – 00100
Nairobi

ATT: The Chairperson, Departmental Committee on Finance and National Planning

RE: SUBMISSION ON THE TAX LAWS (AMENDMENT) BILL, 2026 — REVIEW OF THE 30% EXCISE DUTY ON IMPORTED WOOD-BASED PANELS INTRODUCED BY THE FINANCE ACT, 2026

The Architectural Association of Kenya (AAK) welcomes the opportunity to make this submission in response to the Committee's call for public views on the Tax Laws (Amendment) Bill, 2026. We write on behalf of the built and natural environment professionals in Kenya, representing architects, planners, quantity surveyors, engineers, interior designers, construction project managers, landscape architects and environmental design professionals who design, specify, cost and deliver Kenya's buildings, and whose daily work has been directly affected by the excise duty on imported wood-based panels.

Our members prepare the designs, specifications and bills of quantities for residential, commercial, institutional, hospitality and public projects across the country.

The provision of concern and our request

The Finance Act, 2026 amended the First Schedule to the Excise Duty Act, 2015 to impose excise duty at 30% on imported wood-based panels. The measure was not in the Finance Bill as published for public participation; it was introduced at a late stage of the legislative process, so the built environment professions had no opportunity to comment on it. AAK respectfully requests that the Committee use the Tax Laws (Amendment) Bill, 2026 to **delete the 30% excise duty on imported wood-based panels in full**. Our reasons are set out below.

a) Project costs and bills of quantities have risen sharply

Since the excise took effect, our quantity surveyor members have recorded steep increases in the rates for joinery, fitted kitchens, wardrobes and board-based finishes. These increases arrive mid-project. Developers face cost overruns they did not budget for, financiers re-examine viability, and some projects are being paused or scaled down. The measure has made budgeting less predictable at a time when the construction sector needs confidence.

b) Reversing a Success Story

In recent years, Kenyan manufacturers successfully replaced finished imports by producing high-quality kitchens, wardrobes, and fitted furniture locally—providing faster lead times, local currency pricing, and local jobs.

The new excise duty has undone this progress:

- **Higher Local Costs:** Price increases have made locally manufactured fitted furniture more expensive than imported finished goods.

- **Incentivizing Imports:** Clients are reverting to importing completed furniture (e.g., from China).
- **Policy Backfire:** A tax intended to protect local industry now penalizes local value addition and rewards finished imports.

c) Contracts signed before the change are now under strain

Many projects under construction were tendered and priced before the duty was introduced. Fixed-price contracts leave contractors and fabricators absorbing losses; fluctuation clauses pass the cost to clients. Either way, our members are dealing with claims, variations and disputes caused by a sudden tax change that no party could have foreseen at tender. This undermines the predictability the National Tax Policy seeks to provide.

d) Our clients' technical specifications cannot be met locally at present

A growing share of our clients — multinational corporations setting up in Kenya, development finance institutions, international NGOs, hotels, hospitals, schools and universities — specify materials to international standards. Typical requirements include:

- **FSC or PEFC certification** with a documented chain of custody, so the client can show the timber was legally and sustainably sourced;
- **Low or zero formaldehyde emission grades** (E1, E0, NAF/CARB P2 or equivalent) for indoor air quality;
- **Antibacterial and moisture-resistant boards** for healthcare, food preparation and wet areas;
- **Fire-rated boards** to meet fire safety requirements in public and high-occupancy buildings;
- **Green building certification** under EDGE, LEED or similar rating systems, which depend on certified, documented materials.

At this stage, local panel production cannot supply these grades with the required certification and chain-of-custody documentation. Where no local equivalent exists, the excise protects no domestic producer. It simply adds 30% to the cost of meeting a client's compulsory specification, or forces the client to import the finished product instead.

e) Kenya's design market needs choice and variety

Kenya's architects and interior designers work to global design trends. Nairobi and our other cities are now regional hubs for corporate headquarters, diplomatic missions, hospitality and premium residential development, and clients expect finishes, colours, textures and performance comparable to what they see internationally.

That depends on access to a wide range of decors and board types. Restricting that range through cost narrows design choice, lowers the quality of what Kenya builds, and weakens our country's appeal as a destination for regional investment. The point is not that every option must be imported; it is that the full range must remain available to local fabricators so they can serve this market.

f) Housing and public projects pay more too

The same panels are used in affordable housing units, schools, hospitals, county offices and other public buildings. The excise raises the cost of delivering the Affordable Housing Programme and publicly funded infrastructure, so

government ends up paying part of the duty back to itself through higher contract sums, while delivering fewer units for the same budget.

g) Environmental considerations

Kenya is working to increase tree cover and protect its forests. Imported, certified engineered panels make efficient use of plantation and recovered wood, and relieve pressure on domestic forests. Making them more expensive risks pushing parts of the market towards uncertified or illegally sourced timber, which runs against national environmental goals.

h) Jobs in fabrication and installation are at risk

Behind every locally made kitchen or wardrobe are carpenters, machine operators, installers, designers and small workshops, many of them young people and informal-sector artisans. As work shifts back to imported finished furniture, those jobs and skills leave Kenya. Kenya risks becoming an import market for finished furniture and fittings, losing the local value chain that was built over many years.

Our prayers to the Committee

AAK respectfully urges the Committee to:

1. **Delete the 30% excise duty on imported wood-based panels** introduced by the Finance Act, 2026, through an amendment in the Tax Laws (Amendment) Bill, 2026.
2. Ensure that any future measure affecting construction materials is subjected to proper public participation and a cost impact assessment on housing and construction, with the built environment professions consulted.
3. Engage AAK and its member chapters as a technical resource on material specifications, local production capacity and project cost data before such measures are designed.

Signed,

George A. Ndege,
President, Architectural Association of Kenya.