



WILL YOU EXPERIENCE TRANSITION VARIANCES WHEN FILING YOUR 2015 INCOME TAX RETURN?

This year the Kenya Revenue Authority (KRA) has invested significantly in taxpayer education to ensure that every taxpayer is aware that they should file their 2015 Income Tax Return (ITR) online via the iTax platform. Emphasis has been placed on the fact that this year no manual ITRs will be accepted by the KRA. This message is currently being carried on every media platform i.e. television, radio, billboards, newspapers, social media etc. It would therefore seem that the perennial winding queues of frantic taxpayers in the days leading to 30th June each year will soon be a thing of the past.

One outstanding selling point during the media campaign has been how easy the process of filing the ITRs on iTax will be for those receiving employment income only. However, is it really as simple as it is being made out to be?

Most employed taxpayers wishing to comply with the ITR filing obligations are finding themselves in a dilemma on realising that the entries in the general ledger reports on their iTax profiles are incomplete. As such, the reports generated by KRA are inconsistent with the Tax Deduction Cards (P9 Forms) granted by their employers.

The same issue was experienced last year when filing ITRs for the tax year 2014 which led to many taxpayers receiving endless iTax system generated defaulter notices in their inboxes and subsequent penalty and interest entries added to their tax records on iTax. It is for this reason that many taxpayers are reluctant to hit the “submit” button for the filing of their 2015 ITRs.

Based on the above, two questions arise: -

- How do these variances come about? and
- What is the way forward for taxpayers?

These questions must be answered in order to ensure that taxpayers enjoy the transparency and efficiency that comes with the iTax system without having to worry about penalties and interest erroneously being charged to their accounts as a result of transition variances.

Prior to the shutdown of the manual tax filing and payment platform, a few taxpayers had already embraced the iTax system and were already reaping its benefits. Majority of these taxpayers were impressed by the transparency and accountability that came with the system. However, the larger taxpayer base was slow to change and preferred the old manual tax filing and payment procedures.

Taxpayers whose employers had enrolled on the iTax platform as early as January 2014 realised that their general ledger reports reconciled with their Tax Deduction Cards (P9 Forms) on filing their ITRs for the tax year 2014. These taxpayers will also not experience transition variances when filing their returns this year. This will also apply for taxpayers whose employers were enrolled on the system as at 1st January 2015.

Unfortunately, most employers only enrolled on the iTax platform in the month of August 2015 when it became the only tax filing and payment platform available. As a result, most employees will notice that some records of the Pay-As-You-Earn (PAYE) taxes deducted by their employers in the tax year 2015 are missing from their general ledger reports on iTax.

The good news is, taxpayers whose employers filed PAYE returns on iTax for less than 12 months are provided with the option to modify the system assessed tax paid amounts on iTax when filing their ITRs for the year 2015. Moreover, KRA is able to reconcile both the manual and iTax records to ensure that payments made by an employer outside the iTax system are taken into account even though the same are not reflected on an employee's profile.

Complete and accurate records for the tax year 2016 will be available on every taxpayer's iTax profile next year noting that no employer is currently permitted to file and/or remit the monthly PAYE outside the iTax system.

Most taxpayers expect a flawless system with no variances and which incorporates all their old tax records. However, to enjoy the benefits that come with the iTax system, taxpayers need to appreciate the teething challenges that arise when implementing an integrated system of this nature. With every system change come variances that can only be reconciled over time. Kenyan taxpayers are however, fortunate to have KRA's customer care centre with dedicated iTax support which is interactive and offers

assistance whenever it is required.

In the end, when the system is fully implemented and functional it will present a win - win position for both the taxman and the taxpayer.



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