



**DOMESTIC TAXES DEPARTMENT**

**BUSINESS TRANSFORMATION OFFICE**

**iTax Enhancements and Resolution of Defects for August 2023**

**Volume I**

[iTax Releases: 8.0.17.14, 14\_1, 14\_2, 8.0.18.0, 8.0.18.1]

**Enhancements**

**a) Finance Act 2023 Changes**

**1. Tax Returns Processing Module**

- **Turnover Tax Change of Tax Rate** - As per the Finance Act 2023, the rate of Turnover Tax (TOT) has been updated from the current 1% to 3% effective from 01/07/2023. Taxpayers will be expected to download the current return as the new rate is depended on the return period captured by the taxpayer. The updated return has also been updated on the KRA Website.
- **VAT 3 Return Changes** - As per the Finance Act 2023, Sheet 'C\_other\_rated\_sales' of the VAT-3 Return will be unavailable for return periods from 01/08/2023. For sheet G\_other\_rated\_purchases in the VAT return, taxpayers will not be able to claim Purchases whose invoice date is 01/08/2023 moving forward but can claim invoices for 30/06/2023 backwards (i.e. within the six-month rule). After the lapse of the six months from 30/06/2023 the sheet will be greyed out/or hidden (i.e. from February 2024 tax period). Taxpayers are therefore required to download the updated VAT 3 Return from their portal when filing subsequent returns. The updated return has also been updated on the KRA Website.
- **PAYE (P10) Return Changes** - This particular return has been updated to effect the new PAYE bands as per the Finance Act 2023. These changes have also been effected on the unified Payroll return with effect from 01/07/2023. Kindly advise taxpayers to download the latest P10 return from their profiles, the updated return has also been updated on the KRA Website.



On the First Kshs. 24,000	10%
On the Next 8,333.33	25%
On the next Ksh. 467,666.67	30%
On the next Ksh. 300,000	32.5%
For All Income over Kshs. 800,000	35%

- **Affordable Housing Levy** - As per the Finance Act 2023, the PAYE (P10) return has been enhanced to update the Sheet 'Affordable Housing Levy\_dtls' for the administration of Affordable Housing Levy. The return will automatically compute 1.5% of the gross salary of the employee and match it up with the employer's share of contribution. The payment registration module under iTax has also been enhanced to allow taxpayers to generate a Payment Slip by Selecting 'Tax Head' as 'Agency Revenue', and Tax Sub Head as 'Housing Levy'. The payment slip will be generated separately from that of PAYE and other payroll levies such as NITA.
- **Filing ITR return for Spouse** - In a bid to delink filing for spouse in the Income Tax Resident Return, the registration page in iTax has been enhanced to disable the 'Tributary Bond Option in the registration page. Also, when filing an ITR or ITNR, the field for 'Do You Want to Declare Wife Income' under basic information for all original returns being filed going forward from 01/01/2023 has been disabled. For 2022 and prior system will allow the selection of wife's income for amended returns, data correction, and additional and default assessments to cater for those who had filed with wife details previously.

## 2. Payment/Bank Collection (BCL) Module

- **Withholding Income Tax (WHIT) Changes** - The following new transactions for Withholding Income Tax have been introduced under both Web form and Excel forms with effect from 01/07/2023 to facilitate payments as per the Finance Act 2023:
  - (i) **Digital Content Monetization at the rate of 5%** for residents and 20% for Non-residents. For Residents, PIN of Withholdee is a mandatory field, while for the Non-Residents it's optional.
  - (ii) **Sales, Promotion, Marketing and advertising** at the rate of 5% of the gross amount for a resident Withholdee (supplier). Withholding tax for non-residents for this nature of transaction is already implemented at 20% rate.
  - (iii) **The narration of the Winnings from Betting and Gaming** has been updated to 'Winnings from Betting, Gaming, Lottery, Prize Competition, Gambling or



**Similar Transaction'** as per the Finance Act 2023. The tax rate remains unchanged at 20%.

- **Withholding Tax Payment Changes** - The following changes have been effected on withholding tax payment procedures to comply with the Finance Act 2023, effective from 01/07/2023:
  - (i) In the case of Withholding VAT, the field 'Payment Date'- both in Web and Excel has been updated to read '*Payment Date to Supplier/Withholdee*'.
  - (ii) In the case of Withholding Rent under both web and excel forms, the field 'Amount of Gross Rent Paid or Payable (Ksh)' has been updated to '*Amount of Gross Rent Paid/Payable/Collected by Rental Income Tax Agent*'. Additionally, for the Withholding Rent web and excel forms, the payment 'Date to' will be greyed out/un-editable from 01/07/2023.
  - (iii) In generating Payment Slips for withholding tax both under the Web or Excel form, taxpayers will be required to only capture transactions paid to suppliers/Withholdee on the same day in the same PRN.
  - (iv) Due Date for Withholding Tax – The due date for the payment of WHIT, WHRENT, WHVAT is now 5 working days from the date of payment to the supplier/Withholdee. This has taken into account weekends and holidays and system will automatically impose late payment penalty and interest as provided by the TPA for all late payments.
- **Excise Duty – Payment registration:** - The iTax system has been enhanced to allow taxpayers who are registered for Excise obligation to make Self-Assessment payments before the end of the tax-period. This option is now available in iTax Back Office.

### 3. Finance Act 2023 - Excise Tax Changes

- **Excise Return Template Changes** - The following changes have been effected in the Excise Return for Goods and Services as per the Finance Act, with effect from 01/07/2023
  - (i) **Goods** - Powdered Juice @ Kshs. 25 per kg. Also, class of goods 'Plastic' has been removed from the excise return.
  - (ii) **Mobile Money Services** – Label has been updated to include (Mobile money transfer by cellular phone service providers or licensed payment service providers) and rate changed to 15%
  - (iii) **Financial Services - Fees Charged**, rate of tax changed to 15%
  - (iv) **Financial Services - Money Transferred**, rate of tax changed to 15%
  - (v) **Betting, Gaming, Lottery and Price Competition**, rate of tax changed to 12.5%



- (vi) **Advertisement fees on TV, print media, billboards, radio stations** (for alcoholic beverages, betting, gaming, lotteries and prize competition) - new type of excisable service added with a tax rate of 15%
- **Excise Licensing of new services** - The system has been enhanced to allow taxpayers apply for excise services license for services introduced by the Finance Act 2023. The additional excisable service is '*Advertisement fees on TV, print media, billboards, radio stations (for alcoholic beverages, betting, gaming, lotteries and prize competition)*'. On application, the approval task will have to be approved at the respective TSO before taxpayer can file and make payment. In case the effective date needs to be back dated, TSO should escalate such cases through email DTDBTO@KRA.GO.KE.
  - **Amendment of existing Excisable service:** on the application portal for excise service license, the existing service 'Mobile Money' has been amended to "*Mobile money transfer by cellular phone service providers or licensed payment service providers*".
  - **Import Certificate Application - Additional Class of Goods** - In line with the Finance Act 2023, the following additions to this functionality have been provided to the existing class of goods that taxpayers can apply import certificate for in iTax:
    - (i) Imported chocolate and other food preparations containing cocoa (1806.31, 1806.32, 1806.90)
    - (ii) Imported articles of plastic (3923.30.00 and 3923.90.90)
    - (iii) Imported fish
    - (iv) Imported sugar (except by registered pharmaceutical manufacturers)
    - (v) Imported paints, varnishes and lacquers (of heading 3208,3209,3210)
    - (vi) Powdered juice
- NOTE:** Processing of tasks relating to these new classes of goods is to be processed under the respective TSO's. (i.e. Category 1).
- **Import Certificate Application - Amendment of Existing Class of Goods:** The following the existing class of goods under import certificate application have been amended to comply with the Finance Act 2023, with effect from 01/07/2023:
    - (i) Imported white chocolate - amended to Imported white chocolate of heading 1704
    - (ii) Imported furniture – amended to Imported furniture of tariff 9403 (Excluding EAC origin)
    - (iii) Imported glass bottles - amended to Imported glass bottles (excluding pharmaceutical packaging)
    - (iv) Importers of cellular phones – amended to Imported cellular phones



## b) Other Enhancements/Resolution of Bugs and Defects

### 1. Taxpayer Registration Module

- **Declaring LLP as a Partner** - The system has been enhanced to allow a Limited Liability Partnership (LLP) to be a partner in another partnership firm.
- **ITAX-CRM INTEGRATION - Report a Problem** - The iTax Report a Problem tool has been redirected to CRM site so that the marketing team can effectively respond to the queries channelled by taxpayers through this platform.

### 2. Tax Return Processing Module

- **Filing VAT Return for a branch** - There are several taxpayers who had challenges in filing VAT returns for the Branch (e.g. P051132739S - NYAGAH MECHANICAL ENGINEERING LIMITE) due to the issue of 'Credit Brought Forward from the Previous Month'. This issue has been resolved and branches that have not filed can download the auto-populated return, fill other details and upload it.
- **Issue of Advance Tax for Certain Taxpayer** - Taxpayer P051208031T - Elemech Engineering (Kenya) Limited has not been able to file the amended return for the year 2020 since the advance tax was wrongly picked by the system. This issue has been resolved.
- **Investment Allowance Changes In IT2C Return** - The income Tax investment allowance changes have been implemented in the IT2C return as per the finance Acts 2021 and 2022. Implementation of the same for ITR, ITNR and IT2P returns will be communicated when finalized.
- **Issuing Default Assessments for MRI**: It had been reported that officers were not able to initiate default assessment for WHT MRI as system could not open the sheet to capture relevant details, hence no default WHT MRI assessment initiated. Issue has been resolved.

### 3. Payments Processing Module

- **Payment for Payment Plans Not in Ledger** - Officers had reported several cases where payments done for payment plans were not reflecting in taxpayer's ledger, even though they appeared as 'Received' under consult payments. Issue has been resolved.
- **Challenges generating payment slip** - Taxpayer P051375907F had reported a challenge in generating payment slip for Income Tax Company for the 2022 Tax period. Issue has been resolved.
- **Taxpayer unable to Pay TOT for Partner** - It had been observed that taxpayer A009488569U could not generate payment slip for TOT for Partner. Issue has been resolved.



- **Missing Withholding Certificates when WAV is utilized** - Taxpayer P051674480P made a withholding VAT payment on 18/03/2021 where a WAV was generated and taxpayer re-uploaded the transactions and claimed a Withholding Adjustment Voucher. The system only generated 15 WHVAT certificates instead of 90 as per the acknowledgement receipt. The missing WHVAT certificates have been generated.

#### 4. Tax Credits and Refunds Module

- **Reprinting Approval Orders for Refunds** - There has been a system error when reprinting approval orders for refunds under the '*Consult and Reprint Acknowledgment Receipts Menu*'. Upon consulting, system displays several acknowledgements but when reprinting system displays acknowledgement for refund application and not the approval order. Issue has been resolved.
- **Issue of Refund When Taxpayer files for Spouse** - Taxpayer A000138000V has been filing ITR return and declaring the spouse since 2016 but the refund amounts populating are higher than the actual refund amount payable. PAYE credits are all in the ledger hence refund amounts as per the ITR should match the refund payable. Issue has been resolved and the system now populates the correct refund amount.
- **IT Credits Not Populating in Tax Computation:** There was a defect on IT return when payments are declared under respective Sheet, the amounts were not reflecting in the row on Tax Computation. The Income tax returns have been enhanced such that payments credits captured under the respective sheet will reflect on the Tax computation
- **Reversal Entries for TCR Additional Assessments** - The system has been passing credit entries for additional assessment from TCR with the narration '*Being entry passed for Reversal amount of Assessment from refund application account to taxpayer account*'. The entries appear even in periods where there is no additional assessment. The system should also not set off the TCR additional assessment where the taxpayer paid net of the assessment. The issue has been resolved for P051180233I, P051160452N and P051091094W.
- **Overstated Refund Amount** - Taxpayer A005477544C applied ITR refund for 2019 task no KRA202302390607. However, the iTax system allowed taxpayers to apply for a higher amount than the Self-assessment return and this was due to the doubling of advance tax credits. A solution has been provided for this case such that the correct amount is reflected in the refund task and ledger.
- **Error When Rejecting VAT Refund Claims** - Refunds officers have been facing a challenge when trying to reject VAT refund claims due to an error e.g., 'VAT refund task KRA202303209042. The iTax system



displays the error '*Unable to process request. Contact system administrator*'. This issue has been resolved.

- **System Check for Outstanding Liability on Refund Application** - One of the preconditions for refund applications has been that the Taxpayer should not have outstanding debt. However, it had been noted that system is still allowing taxpayers to apply even when they have debt and the pin is not in the special table. This issue has been addressed.
- **Send Back Refund Task for Excise:** Refund task KRA202219707127 (BASCO PAINTS) and KRA202203983736 could not be sent back to analysis officer. The iTax system was generating an error '*Unable To Process The Request. Please Contact Your System Administrator.*'). This issue has been resolved.
- **Deactivation of the Refund or Offset of Overpaid Tax Menu** – This is in line with the requirement that the Commissioner should get budgetary allocation from the National Treasury for purposes of offset during the refund approval process.

## 5. Technical Support Services/Exemptions Module

- **Invalid PWD Certificates when filing PAYE Return** - There had been various cases of PWD exemption certificates that are indicated as invalid when queried on PIN checker or when filing PAYE return and declaring such certificates under the sheet for disabled employee. This issue has been resolved.
- **Notification for Expiry of PWD Certificates** - As the system allows the NCPWD to initiate renewal application for a PWD within 60 days of the expiry of the previous IT Exemption certificate, the system has been enabled to also send a reminder email to the PWD through their registered iTax email reminding them that their IT Exemption Certificate will expire in 60 days and they need to initiate the renewal process with the NCPWD.

## 6. Debt and Enforcement Module (DNE)

- **Agency Notice Finance Act 2022 Changes** (Ticket 63157) – The Finance Act 2022 amended the Tax Procedures Act, 2015 section 42 The Agency notice wording has been updated to align with the Finance Act 2022 amendment.
- **Officer Unable to Initiate Reversal for Certain Taxpayers** - It had been reported that reversal for erroneous penalty could not be initiated for taxpayer A002799619K for MRI January 2018. This issue has been resolved.
- **Rewording of Legacy Assessment Order** - The following amendments have been effected on the legacy assessment order:
  - (i) Title of the legacy assessment order amended to 'Migrated Legacy Balance'.



- (ii) The subtitle Assessment Details amended to 'Return Details'.
- (iii) The assessment period was amended to 'return period'.
- (iv) The assessment type was amended to 'return type'
- (v) The Legacy Balance Assessment was amended to 'Legacy Balance Amount'.
- (vi) The Liability Details amended to 'Legacy Balance'.