



DOMESTIC TAXES DEPARTMENT

BUSINESS TRANSFORMATION OFFICE

**iTax Enhancements and Resolution of Defects for June 2023
Volume I**

1. Finance Act 2022 Changes

- a) **CGT Rate for NIFCA Certified Firm** - As per the Finance Act 2022, the Income Tax Act was amended to increase CGT rate from 5% to 15% provided that in the case of a firm certified by the Nairobi International Financial Centre Authority that— (a) invests five billion shillings in Kenya; and (b) the transfer of such investment is made after five years, the applicable rate shall be the rate that was prevailing at the time that the investment was made. The iTax system has been enhanced by creating a New CGT Type 'CGT2-NIFCA Certified Firm'. Taxpayers who apply for this CGT type will make a request to their respective Tax service offices before they are enabled to generate the CGT payment slip. A detailed user guide will be provided at a later date.
- b) **CGT Rate for transfers that occurred before 1st January 2023** - As per the Finance Act 2022, the Capital Gains Tax (CGT) rate was amended from 5% to 15%. However, there are taxpayers who might have finalised their transfers before 1st January 2023. The system has been enhanced to allow qualifying taxpayers make their CGT payments at 5% after validation of relevant supporting documentation at the respective TSO. This will be on a case by case basis and once the payment is generated, the PIN of the seller will no longer be able to generate another transaction for 5% for date of transfers before 01/01/2023 at 5% until there are enabled again through a new request.

2. Other Enhancements

- a) **e-citizen-BRS-iTax Integration Error Resolution** - To enhance the percentage of PINs being generated through the e-citizen platform compared to the private limited companies being registered, some errors identified earlier have been resolved. These include harmonising the one-email policy in iTax with BRS and harmonisation of characters declared in the field for Building.
- b) **Tax Representative Module** – The module has been enhanced to allow for selection of tax obligations during appointment of a tax representative and cancellation of the appointment by the tax



- representative subject to approval at the respective Tax Service Office. A user guide for this enhancement will be provided.
- c) **Set Off of DST credits against tax payable in Income Tax Ledger** - Taxpayers who had paid DST and claimed in the IT2C return were still having liabilities as system was not setting off the DST credit against the tax payable in the ledger. Issue has been resolved.
 - d) **iTax KEBS Integration** – It is now mandatory to first register with KIMS (KEBS Information Management System) before payment for standards levy in iTax since the entry number is being validated and applied to prepopulate relevant details. A taxpayer who is not registered with KEBS and attempts to settle payments for standards levy in iTax will receive the error message '*The Taxpayer PIN is not registered in KEBS Information Management System. Kindly Visit the site and register your PIN.*'.
 - e) **Declaration of Exempt Sales** - Some changes have been made to the VAT Return. Going forward, Sheet E of the VAT Return (Exempted sales) will be mandatory when filing the return. Taxpayers are required to confirm their amount of Exempt sales and declare the correct details where applicable.
 - f) **VAT Return Sheet B for DST Taxpayers** – The sheet B section for declaring customers on a line item was greyed out and could not allow importing CSVs for the customers who are registered and intending to claim the input. Issue has been resolved and the VAT template updated.
 - g) **Consult and Reprint Acknowledgement Receipts for Additional Processes** – Taxpayers can reprint acknowledgements for the following processes under the 'Consult and Reprint Acknowledgment Receipts Menu', Business Process '*Compliance and Monitoring*';
 - ✓ Application for Cancellation of Withholding IT Certificate
 - ✓ Application for Cancellation of Withholding VAT Certificate
 - ✓ Application for Cancellation of Withholding Rent Certificate
 - ✓ Reprint of Return Defaulter Notice
 - ✓ Reprint of Payment Defaulter Notice
 - ✓ Reminder of Return Defaulter Notice
 - ✓ Reminder of Payment Defaulter Notice.

3. Resolution of Bugs and Defects

- a) **Tax Returns Processing (TRP) Module**
 - i. **Unified Payroll Return (UPR) with KRA-NHIF-NSSF-NITA Components** - The following updates have been made on the UPR to enhance the user experience:
 - ✓ Section L1 in the Unified Return, has been labelled properly, from 'NHIF Payment' to section M1 Details of NITA Payment



- ✓ NHIF Monthly Remittance Acknowledgement Slip - When a taxpayer successfully files the Unified Payroll Return, the NHIF acknowledgment slip sent to taxpayers will also be captured in the email body sent to the taxpayer.
 - ✓ The NHIF acknowledgment slip amount has been updated to capture amount in in the proper format e.g. **Kshs 13,414,650.00**, as previously system was truncating the amounts.
 - ✓ **Tax Representatives** have been enabled to pay for NITA Levy - Currently Tax Representatives can file UPR with both PAYE and NITA, but could not generate a payment slip as agency revenue because NITA levy option is not enabled under payments registration for a tax representative. The system has been enhanced to cater for this.
- ii. **Missing PAYE Credits for the Large Employers (e.g. TSC, Kenya Police etc.)** - There has been a challenge in the posting of PAYE credits to the respective employee ledgers for employers with many employees. A solution has been provided to address such cases for both current and historical cases.
- iii. **Missing PAYE Credits for Amended PAYE Returns** - The system has not been posting PAYE credits for cases where the original return has been amended or data corrected. This issue has been resolved going forward and a workaround employed for historical cases.
- iv. **Declaring Advance Tax Credits in IT2P Return** - The current IT2P return does not have an advance tax sheet where the advance credits to be shared amongst the partners can be declared. The return template has been enhanced to allow for sharing of advance tax amongst partners and posting of the respective credits to the partner's ledgers.
- v. **VTDP Penalties and Interest for 2022** - As per the VTDP provisions in the TPA, taxpayers who pay their principal taxes under VTDP in the year 2022 in full are supposed to enjoy 50% automatic remission of penalties and interest. There were cases of erroneous rates being applied for certain taxpayers and obligations which has now been resolved.
- vi. **Calculation of Minimum Tax in the IT2C return for taxpayers with exemption certificates** - It had been observed that the IT2C return was computing minimum tax for taxpayers who have exemption certificates for income tax purposes. This issue has been resolved and taxpayers who had already filed can amend their returns where applicable.
- vii. **Exporting of Taxpayer Ledger to PDF/Excel** - Taxpayers have not been able to export ledgers. The system has been enhanced to allow for export of ledgers either in pdf or excel formats from both the Taxpayer Portal and Back Office.



- viii. **Taxpayers filing ITR/ITNR and Vice Versa** - Taxpayers who filed ITNR returns in previous years have been having challenged filing ITR for 2022. This issue has been addressed.
- ix. **ITR with NHIF Filing Error IDs** - System has been generating error IDs when uploading some ITR returns where an alphanumeric NHIF number is captured in both taxpayer profile and back office. To resolve the error, taxpayer or officer should capture correct NHIF number as numeric. Please note NHIF number is numeric and can be confirmed by sending an SMS to 1550 in the format ID, then space, then the ID Number e.g. ID 12345678. The validation of NHIF number during upload of the ITR which had been deployed in February 2023 has been relaxed to facilitate annual filing and address data quality issues. However, to avoid unnecessary amendments during refund application process, taxpayers are advised to capture the correct NHIF number when filing the ITR returns.
- b) Exemptions Module**
- i. **Exemption Checker for Tax Relief Scheme** - The current exemption checker on the iTax portal does not recognize exemptions related to Tax Relief Schemes, yet the schemes submit their certificates to suppliers paying them so that they do not withhold tax. The exemption checker on the iTax Portal has been enhanced to cater for this.

N/B The issue of system rejecting valid PWDs certificates during ITR/ITNR and PAYE return filing has been resolved.