



UNPACKING TURNOVER TAX

What is Turnover Tax (TOT)?

Turnover Tax is a tax charged on businesses whose gross turnover is more than Kshs. 1,000,000 but less than Kshs. 50, 000,000 in any given year.

It is charged under Section 12 (C) of the Income Tax Act (CAP 470).

What is the rate of Turnover Tax?

It is payable at the rate of 1% on gross sales effective from the month of April 2020.

Eligibility for Turnover Tax

Any resident person or corporate whose gross turnover is more than Kshs. 1,000,000 but less than Kshs. 50, 000,000 in any given year is required to register for Turnover Tax. Additionally, Turnover Tax does not affect a taxpayers' registration for VAT on condition it meets the VAT threshold.

Can an eligible taxpayer opt out of the TOT regime?

Taxpayers who are eligible for Turnover Tax may opt not to be under the provisions of this tax by writing to the Commissioner of Domestic Taxes for approval.

They can only opt out after receiving written approval from the Commissioner.

Registration for Turnover Tax

Registration is done online through the iTax platform.

The tax became effective from 01/01/2020

Penalty for Turnover Tax

- Late filing of TOT attracts a penalty is Kshs. 1,000 per month (with effect from 25.04.2020).
- Late payment penalty is 5% of the tax due
- Interest on unpaid tax is 1% of the tax due

Due date for filling and paying of TOT

The due date for filing and paying for any taxes due on Turnover Tax is the 20th of the following month.

Exemptions under Turnover Tax regime

Incomes exempt from TOT include:

- Income exempted by law
- Employment income
- Rental income
- Management and professional services

Additionally,

- Turnover tax does not also apply to income, which suffers Withholding Tax that is final, such as qualifying dividends or qualifying interests.
- Turnover tax does not apply to non-resident taxpayers

Can someone claim for expenses under Turnover Tax?

No, expenses are not allowed for deduction.

Turn over Tax is charged on the gross sales and is a final tax.

Benefits of Turnover Tax

- Reduced expenses as there is no need for accountants. Taxpayers are only required to keep a daily gross sales records and daily purchase records.
- Secondly, there is no requirement to invest in computers and electronic tax registers
- Simplified filing and payment processes including payment through mobile phones
- Reduced time for filing and paying taxes
- The tax rate of 1% is lower relative to other rates of tax on income
- Turnover Tax is a final tax
- One is not required to file end of year income Tax return on income subject to TOT.



Tel: +254 (020) 4 999 999, +254 (0711) 099 999 | Email: callcentre@kra.go.ke



www.kra.go.ke



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