

Overview of Withholding VAT



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Kenya Revenue Authority



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Tulipe Ushuru, Tujitegeme!

What is withholding VAT?

Withholding VAT is a method of collecting VAT where a portion of VAT charged is collected by appointed withholding VAT agents when making payments to suppliers of taxable goods and services.

What is the amount of VAT to be withheld and remitted?

The VAT to be withheld and remitted is 2% of the value of taxable supplies.

Who remits withholding VAT?

Withholding VAT is remitted by the appointed Withholding VAT agents to the Commissioner within five (5) working days after making the deduction.

How does withholding VAT work?

When the appointed agents are making payments to their suppliers, they are required to;

1. Deduct 2% the value of the taxable supplies and remit it to Commissioner. The payments are done online via iTax, by generating a payment slip and remitting the VAT withheld through KRA accredited banks or mobile payment.

Following receipt of the payment by the Commissioner, a withholding VAT certificate is issued to the supplier through iTax to their registered email.

2. Pay the balance, including the remaining 14% VAT, to the supplier.

Which payments are not subjected to withholding VAT?

Withholding VAT should not be applied on payments for taxable supplies to:

- a) Official aid funded projects
- b) The taxable value of zero-rated supplies
- c) Registered manufacturers whose value of investment in the preceding three years from the 31st December 2024 is at least two billion Kenya shillings. The Registered manufacturer(s) are required to provide to the payer of the supplies, an exemption certificate (issued by Commissioner for Domestic Taxes
- d) Non-VAT registered persons

Can a withholding VAT certificate be cancelled once issued?

A VAT Withholding agent can apply for cancellation of a withholding certificate through iTax due to any of the following reasons:

- a) The certificate is issued to the wrong person.
- b) The certificate is issued in error.
- c) A credit note is issued resulting into reduction of transaction value.
- d) Any other reasonable cause.

When cancellation of the certificate is approved and the withholding VAT certificate was issued to their supplier in error, the appointed agent can refund the supplier the 2% VAT% deducted.

What penalties can be applied to an appointed withholding VAT agent?

An appointed agent who without reasonable cause fails to:

- a) withhold the whole amount of the tax which should have been withheld; or
- b) remit the amount of the withheld tax to the Commissioner by the fifth day of the following month the deduction was made,

is liable to pay the withholding VAT due on the payment and a late payment penalty of 10%. Interest at 1% per month will apply on the withholding VAT due on the payment.

Who can apply for revocation of their appointment as a withholding VAT agent?

- a) Withholding VAT agents who cease operations or carrying out business and notifies the Commissioner for Domestic Taxes attaching a business deregistration certificate
- b) Withholding VAT agents whose purchases and sales requiring electronic tax invoices are 100% TIMS or eTIMS compliant for at least six consecutive months
- c) Public bodies, privileged persons and institutions listed in Part B of the Second Schedule to the VAT Act, provided that they are not carrying on any business.

Useful links

- i. Guidelines for appointed VAT withholding Agents - <https://www.kra.go.ke/images/publications/Guidelines-For-Appointed-Vat-Withholding-Agents-061223.pdf>
- ii. Step by step guide on how to apply for withholding-VAT exemption - <https://www.kra.go.ke/images/publications/STEP-BY-STEP-GUIDE-ON-HOW-TO-APPLY-FOR-WITHHOLDING-VAT-EXEMPTION-11.10.23.pdf>

