



**KENYA REVENUE
AUTHORITY**

**DOMESTIC TAXES
DEPARTMENT**



**TURNOVER
TAX**

Tulipe Ushuru, Tujitegemee

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I. WHAT IS TURNOVER TAX (TOT)?

Turnover Tax was introduced by the Finance Act 2007 through the provision of the Income Tax Act, Cap 470, under section 12c as read with section 34.

- The effective date of implementation shall be 1st January 2008.
- For income tax purposes, TOT is a final Tax.
- The Tax shall be applicable to any resident person whose turnover from business does not exceed Kshs. 5 million during any year of Income.
- For TOT purposes, “ Business” includes any trade, profession or vocation, and every manufacture, adventure and concern in the nature of trade, but does not include:
 - (i) employment income
 - (ii) exempt incomes falling under the 1st Schedule of the Income Tax Act

- (ii) business incomes subject to a final Withholding tax i.e. Bank interest, dividends, Incomes earned from government bonds & treasury bills, payments made to non-residents
- (iv) Persons in receipt of business Incomes but with annual turnover below Kshs. 500,000-
- (v) limited companies
- (vi) Rental Income
- (vii) Professional, management fees

NB:- No expenditures or capital allowances shall be granted against TOT.

- Taxpayers who prefer to remain in the normal tax regime shall apply in writing to the Commissioner, Domestic Taxes.

2. BENEFITS OF TURNOVER TAX

- Simplifies the tax procedure.
- Simplifies tax computation
- Makes returns filing easier.
- Simplifies record keeping
- Reduces cost of compliance

3. REGISTRATION

- All taxpayers whose gross business income is below Kshs 5 million and above Ksh. 0.5 million per year are registrable.
- Application for registration shall be done through the KRA online services portal, www.kra.go.ke/portal.

NB: For TOT purposes, "person" includes partnerships, individuals and Companies

4. RATE OF TAX

- TOT is charged at the rate of 3% on gross sales per annum.

5. RECORDS

The TOT registered taxpayers shall Maintain the following records:-

- Cash books
- Sales receipts and invoices (Daily Sales Summary)
- Purchases invoices
- Bank statements

6. TAX PERIOD

For TOT purposes, tax period means every 3 calendar months commencing 1st January of every year.

7. RETURNS AND PAYMENTS

- The TOT taxpayer shall submit a quarterly return.
The return shall be on a prescribed form TOT 3.
- TOT 3 also doubles as a pay in slip.
- Payment shall be made on or before the 20th Day of the month immediately following the end of the quarter.

- Payment shall be made through banks appointed by the Commissioner of Domestic Taxes which are National Bank of Kenya, Kenya Commercial Bank and Co-operative Bank of Kenya.
- Payment will be made by cash, cheques or Electronic Funds Transfers.

8. ENFORCEMENT

- TOT payers who fail to submit the quarterly returns will pay a default penalty of Kshs 2000.
- Failure to pay tax by the due date shall attract late payment interest at the rate of 2% per month, on the unpaid tax.

9. OBJECTIONS AND APPEALS

- The taxpayer has a right to object to any assessment issued by the Commissioner.
- Objections and appeals shall be dealt with in accordance to the provisions of the Income Tax Act - CAP 470 Laws of Kenya.



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ENQUIRIES

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