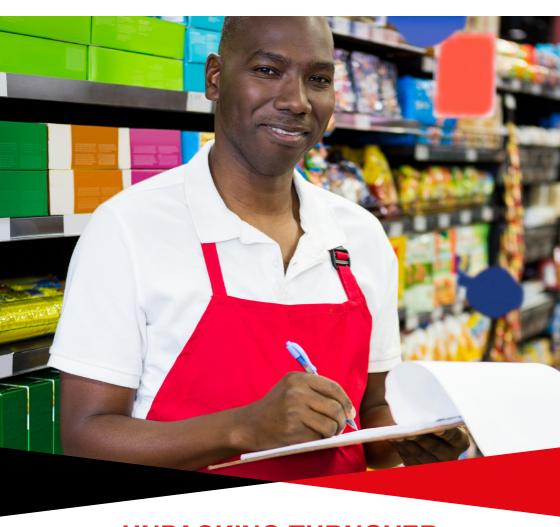


Tulipe Ushuru, Tujitegemee!



UNPACKING TURNOVER TAX (TOT)

Disclaimer: KRA notifies taxpayers that it will not accept responsibility for payments not received, credited and validated in the relevant KRA accounts. Corruption Reporting: +254 (0726) 984 668, Email: corruptionreporting@kra.go.ke. Short Messaging Services (SMS): Dial (*572#) or Text to 22572. Contact Centre: +254 (020) 4 999 999, +254 (0711) +254 (0) 20 3 343 342, Email: cic@kra.go.ke



What is Turnover Tax (TOT)?

- Turnover Tax is a tax charged on businesses whose gross turnover is more than Kshs.
 1,000,000 but does not exceed or is not expected to exceed Kshs. 25, 000,000 during any year of Income.
- TOT is chargeable 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 3% on gross sales effective from 1st of July 2023 as per Finance Act 2023.

Eligibility for Turnover Tax

- Any resident person or corporate whose gross / expected turnover is more than Kshs.
 1,000,000 but does not exceed or expected to exceed Kshs. 25,000,000 in any year of
 income is eligible for Turnover Tax. However, a person may elect, by notice in writing to
 the Commissioner, not to be taxable under TOT in which case the other provisions of the
 Income Tax Act shall apply to such a person.
- A Turnover Tax registered taxpayer dealing in vatable supplies and has a turnover of Kshs.
 5,000,000 and above is required to register for VAT as well.

Exemptions under Turnover Tax regime

Turn over tax shall not apply to-:

- a. Rental income
- b. Management or professional or training fees; and
- Any income which is subject to a final withholding tax under the Income Tax Act such as qualifying dividends or qualifying interests

Additionally, Turnover tax does not apply to non-resident taxpayers.

Can someone claim for expenses under Turnover Tax?

- · No expenses are allowed for deduction.
- Turn over Tax is charged on the gross sales and is a final tax.



Benefits of Turnover Tax

- Reduced record keeping expenses because TOT registered taxpayers are only required to keep daily gross sales records and daily purchase records.
- Simplified filing and payment processes including payment through mobile phones –
 M-Service App
- · Reduced time for filing and paying taxes
- · Turnover Tax is a final tax
- · One is not required to file end of year Income Tax return on income subject to TOT.

Registration for Turnover Tax

Registration is done online through the iTax platform

- · Login to iTax using your PIN and password via https://itax.kra.go.ke
- · Click on Registration module, select 'amend PIN details'
- Under section 'A', basic information click on yes under question 'Do you want to register for TOT?'
- Under section 'B' Obligation details, select the date of registration of TOT and submit the application.

Due date for filling and paying of TOT

A person subject to turnover tax under this section shall submit a return and pay the tax due to the Commissioner on or before the twentieth day of the month following the end of the tax period.

- · Login to https://itax.kra.go.ke,
- · Under the returns menu, select file return, then turnover tax and download the excel return,
- · Complete the return and submit,
- After filing the return, go to the payment menu, select "payment", select the amount payable, and generate a payment slip,

Make the payment at a partner bank or through M-PESA

Penalty for Turnover Tax

- Late filing of TOT return attracts a penalty of KShs. 1,000 per month.
- · Late payment penalty is 5% of the tax due.
- Interest on unpaid tax is 1% of the tax due.



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