



Tax Alert - Public Notice on Migration of Legacy Balances to iTax

Now, for tomorrow



Public Notice on Migration of Legacy Balances to iTax

Background

Prior to the year 2014, the Kenya Revenue Authority (KRA) was using manual or semi-automated tax system commonly referred to as legacy system. In 2014, the KRA introduced the iTax system, a more robust automated system that was supposed to automate the tax compliance in terms of filings of returns and payments of taxes.

Shift to iTax from legacy

The process of migration of legacy balances to iTax begun in 2020 where KRA embarked on reconciling taxpayers' legacy balances. The reconciliation process started with the Large and Medium Taxpayers and was rolled out to other taxpayers.

In mid-2024, KRA migrated the Value Added Tax (VAT) and Income Tax ledger balances from the Legacy System to the iTax system. On 31st July 2024, just a month after the lapse of the amnesty programme that was introduced by the Finance Act 2023, KRA issued a public notice updating taxpayers on migration of Legacy VAT and Income tax ledger balances to iTax.

The KRA indicated that the migrated balances should not be regarded as assessments. The taxpayers are supposed to review the uploaded balances and if in agreement with the balances proceed to pay or seek a payment plan with KRA to settle the outstanding debt.

The above said, where the taxpayers are contending the balances, KRA has provided a window up to 31st December 2024 for taxpayers to submit the support documentation for review and adjustments. The documentation required includes payment registration slips, bank confirmations, bank slips, tax returns among other relevant documents. Any debit balances after this period will be treated as assessment and demand notices will be issued for the tax due.

As per the KRA public notice, credit balances qualifying as tax overpayments will be utilized as per section 47(1)(a) of the Tax Procedures Act. This implies that the credits will be offset against the taxpayer's outstanding and future tax liabilities.

Conclusion

Based on the tight deadline for the adjustments, it is crucial that taxpayers embark on reviewing their ledgers with an aim of identifying any variances thereon. Some taxpayers may require the support of tax agents to expedite the review process and submission of the necessary documentation for the contested balances.

We will keep monitoring the situation and keep you updated on any development on this issue and any other tax changes that would have an impact on your business operations.

How we can assist

Bakertilly can assist you identify areas in your business affected by changes the law. Furthermore, we can offer advisory services on tax planning to make the most of the tax incentives provided as well as provide awareness to avoid penalties that may arise due to omissions considering requirements by the law.

Get in touch.

Should you require more information or wish to discuss this further, please do not hesitate to reach out to any of our contacts at Bakertilly or kindly contact the team below:

Contact us.

Jimmy Merali

Practice Development Manager

t: +254 733 603 200

e: jimmy@bakertilly.ke

Apollo Karumba

Tax Department

t: +254 738 600 209

e : apollo.karumba@bakertilly.ke

Rosemary Mwebia

Tax Department

t: +254 733 603 200

e: rosemary.mwebia@bakertilly.ke