

TAX ALERT

Tax changes effective 2021

1. Corporation Tax Rates

KRA informs the public on changes to Corporation Tax rates through the Tax Laws (Amendment) Act published on 25th April, 2020 and the Tax Laws (Amendment) Act No. 2 of 2020 published on 24th December, 2020 which provided for resident corporation tax rates of 25% and 30% respectively. In light of the above, corporation tax rates shall apply as follows:

- a) 30% on income of a person whose accounting period ended on or before 30th March, 2020.
- b) 25% on income of a person whose accounting period ended between 1st April, 2020 and 31st December, 2020.
- c) For persons whose accounting period ends after 1st January, 2021, the Corporation Tax rate shall be applied as follows;
 - ✓ 25% for income earned in the period prior to 1st January, 2021.
 - ✓ 30% for income earned in the period on or after 1st January, 2021.

Provided that a person to whom (c) applies shall determine the income for the accounting period and apportion the same between the two periods and charge the applicable rates.

Further, KRA informs taxpayers that the process of enhancement of the iTax System is underway to incorporate the interpretation referred to above. In the intervening period, taxpayers are advised to prepare their accounts and submit returns through the current iTax system and pay the correct amount of tax. Any erroneous penalties or interest once validated shall be corrected when the system is fully deployed.

2. Turnover Tax changes

The Amendment Act 2020 had a complete overhaul of the turnover tax. Turnover tax is now payable by businesses including incorporated companies whose annual turnover is more than one million shillings but does not exceed or is not expected to exceed fifty million shillings during any year of income. The rate is at one percent and the returns are done monthly on or before the 20th day of the following month.

Contacts:

info@krestonkm.com

Tel: +254 720 018525/20 2404880

3. Fringe Benefit Tax

For the purposes of Section 12B of the Income Tax Act, the **Market Interest Rate** is **7%**. This rate shall be applicable for the three months of **January, February and March 2021**.

4. Deemed Interest Rate

For purposes of section 16(5), the **prescribed rate of interest** is **7%**. This is applicable for the months of January, February and March 2021.

Withholding tax rate of 15% on the deemed interest shall be deducted and paid to the Commissioner by 20th of the month following the month of computation.

5. Low Interest Benefit

For purposes of Section 5(2A) of the Income Tax Act, the prescribed interest rate for the period of six months (January-June 2021) will be **6%**.

Disclaimer:

This publication contains general information only and should not be regarded as offering a complete explanation of the taxation matters that are contained within this publication. Please contact us on info@krestonkm.com for more information.

Accordingly, no person, entity or corporation should act or rely upon any matter or information as contained or implied within this publication without first obtaining advice from an appropriately qualified professional person or firm of advisors, and ensuring that such advice specifically relates to their particular circumstances.

Contacts:

info@krestonkm.com

Tel: +254 720 018525/20 2404880