



MGK Consulting Limited

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## KRA VERIFICATIONS/COMPLIANCE AUDITS

The Kenya Revenue Authority announced that they had surpassed their revenue collection target for the financial year 2021-2022. This was partly contributed to the aggressive approach they have adopted in pursuing non-compliant companies among other measures. At the moment, we have seen an increase in the number of companies receiving letters from KRA requesting to verify their tax filings, which is in line with Section 59 of the Tax Procedures Act, 2015. This trend will continue with the KRA required to collect even higher revenues by the current government. Below are some of the reasons which triggers such verification exercise.

### What triggers the verification audits?

1. Non-filing of Corporate income tax return;
2. Variances between turnover declared in income tax returns and VAT returns; and
3. Variances between employment costs as declared in the income tax and PAYE returns.

### What you need to do should you receive a notice of verification from KRA

1. Adhere to the timelines indicated in the provision of information. In the event you are unable to, make sure you inform the KRA team of the same and request for extension of time;
2. Compile the requested documents, you may need to engage the services of a professional firm; and
3. Once the documents have been shared with KRA, it is advisable that any further queries arising from review of the documents is resolved at this point. Failure to do so may result to assessments to be issued and which will have to be objected to. The objection process tends to be time consuming.

### Way forward?

From experience, we have noted Companies receiving assessment and ending up paying back taxes as a result of poor document keeping and lack of tax knowledge. It is paramount that tax, accounting and any other supporting documents are properly archived up to a period five (5) years. Engaging professional tax advice is also one of the ways of minimizing if not eliminating the risk of back taxes being demanded during such verification exercise.

In case of any enquiries or further clarification on the above kindly contact the below Tax Service Team Members:

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