



**DOMESTIC TAXES DEPARTMENT
CORPORATE TAXPAYER ACCOUNT MANAGEMENT DIVISION
(CTAMD)**

**Taxpayer's guide for application for reversal of erroneous penalty
and interest in iTax.**

1. Introduction

It has been established that some taxpayers were assigned or picked wrong obligations at the point of PIN Registration. This has led to imposition of penalties and interest as a result of non-compliance with commitments associated with such obligations.

The circumstances resulting in such scenarios include:

- i. Wrong obligations assigned to taxpayers at the time of PIN registration (e.g. students having VAT and PAYE obligations, Monthly Rental Income (MRI) obligation assigned to tenants instead of landlords, etc).
- ii. Refund set-off payments effected in the taxpayer's ledger after due date whereas instructions from taxpayers to utilize the funds were issued on time.
- iii. Payments remitted by due date intended for iTax but missing in the iTax ledger because they were:
 - Direct payments to the Central Bank of Kenya (CBK)
 - Remitted through RTGS, without being linked to an iTax payment slip
 - Payments remitted through non-iTax accredited banks.
- iv. Existence of two parallel filing systems (iTax and Legacy Systems) where returns are filed in one system and payments are made in another system e.g. payments made in Legacy System for returns filed in iTax System and vice versa.
- v. Erroneous assessments by Refunds Unit to reject refund claims already paid in Legacy Systems.
- vi. Erroneous late filing penalties in iTax for returns that were filed on time
- vii. Penalty and interest accrued from:
 - Taxpayers under dormancy
 - Cases undergoing manual reconciliation process and capturing of payments



- Manual reconciliation of ITMS online payments.

Until June 2020, the only available avenue for vacating such penalty and interest was through a waiver process. We are pleased to inform our taxpayers that we now have a module for reversal of such penalty and interest without subjecting such applications through a waiver process. If a case fits any of the above circumstances, taxpayers are requested to contact the Debt Office on their Tax Service Office (TSO) for further assistance.

2. Objective

Following the roll out of the new module, taxpayers **MUST** do the following in applying for reversal of erroneous penalty and interest:

3. Application process

- Taxpayers **MUST** lodge a formal application stating why the applicant considers the penalty & interest to be erroneous.
 - For applications relating to wrong obligations, the taxpayer should prove how this is a wrong obligation.
- Each application **MUST** be supported with documentary evidence, which will be uploaded to the system.
 - No penalty or interest may be vacated using this platform without proper supporting evidence.
 - For applications relating to wrong obligations, the applicant is required to prove how the obligation is wrong.

4. Details of documents to support applications

The supporting document will depend on the category of the case as described below:

No.	Category	Explanation	Evidence/Due diligence to be undertaken by the debt officer
i.	Students	These are cases of PINs being acquired as a mandatory document accompanying student applications for HELB loans. At the point of registration VAT or PAYE obligations were assigned to PINs, yet the obligations were not required by the students.	<ol style="list-style-type: none"> Sworn affidavit Certified copy of student ID Certified copy of national ID Certificates or transcripts proving that the taxpayer was a student during the period of registration.
ii.	Payments missing on iTax ledgers.	These are payments made on time but remitted outside iTax for returns filed in iTax.	<ol style="list-style-type: none"> Proof of payment (e.g. swift advise, RTGS, bank receipts) <p>These payments will be subject to confirmation with KRA records.</p>
iii.	Monthly Rental	These include: <ul style="list-style-type: none"> • Cases that do not have property 	<ol style="list-style-type: none"> Sworn affidavit Letter from the local chief



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	Income (MRI) Cases	<p>earning rental income</p> <ul style="list-style-type: none"> • Some PINs tied to applications for services registered for by third parties on behalf of the actual owners. • There are cases where tenant or agent information was registered as landlords resulting in their erroneous registration as rental income earners. 	<p>(particularly where the property does not earn any income e.g. buildings still under construction)</p> <p>c) For cases of incomplete property or those that are not in use, the applicant should avail proof from KPLC that the meters are inactive or not in use.</p> <p>d) For income earning property where agents, caretakers or tenants have been registered for MRI obligation, they should present information indicating who should be the correct owner for the purposes of assigning the obligation to the correct taxpayer.</p> <p>e) Third parties e.g. contractors who have been erroneously assigned MRI obligations on behalf of their clients should avail contracts/agreements to prove that the property belongs to a separate person/ entity.</p>
iv.	Employees	Employees who are not in business and should not therefore have other obligations such as VAT or PAYE.	<p>a) P9 or letter from the employer confirming that the applicant was their employee at the time of assignment of the obligation.</p> <p>b) Proof that the only income earned was from employment</p>
v.	PIN acquired as a requirement for government services	Land transactions	<p>a) Copy of National ID for cases where PIN was acquired solely for the purpose of land subdivision or processing of land title deeds.</p> <p>b) Letter from the local chief confirming that the area that is the subject of whatever transaction that resulted in the PIN being acquired for belongs to his jurisdiction.</p>
		Water connection meters	Copies of the application for water meters or proof that the request for the PIN was tied to the application for water connection.
		Driving License.	Copies of the driving license application documents or proof that the request for the PIN was tied to an application for a driving license.
vi.	Companies'	Companies that claim they have	a) Sworn affidavit that the



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	claims of erroneous obligation	never traded and never asked for the said obligations.	company has never traded. Each case will be analysed and recommendations made as appropriate.
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Other situations that may not be included above will be examined on a case by case basis.

Only valid cases will qualify to have the erroneous penalty and interest vacated from the system.

This service, like all other KRA services, is free.