



**STEP BY STEP GUIDE FOR THE PREFERENTIAL TAX RATES -
REGISTRATION AND FILING**

REGISTRATION

1. Log into your iTax profile.
2. On the Registration menu, select the option “*Other Registration*” >> “*Registration for preferential Tax Rates*”



3. The system will redirect you to the page below. Click on the button marked “*Next*”

All fields marked with * are mandatory

Registration of Preferential Tax Rate	
Applicant Type*	Taxpayer
Taxpayer PIN*	Taxpayer Name

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4. Section B of the resulting page should be filled in as appropriate. There are 4 options to select from.



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HOME >> Registration of Preferential tax rates

Registration of Preferential tax rates

All fields marked with * are mandatory

Section A: Tax payer Details

PIN* Taxpayer Name*

Email Address* Descriptive Address*

Section B: Tax Rate Details

Category of Preferential Tax Rates*

Commencement Date of Preferential Tax Rates*

Upload Document* No file chosen
Only .pdf,.doc,.docx,.jpg,.gif,.png formats of maximum size of 400 KB.

Application Remarks*
(Maximum characters: 500)
You have 500 characters left.

5. For those to whom the “*Developers for low-cost housing*” option applies, they will need to capture additional information on “*Number of housing units constructed*”

Section B: Tax Rate Details

Category of Preferential Tax Rates*

Commencement Date of Preferential Tax Rates*

Number of Housing Unit Constructed*

Preferential Corporate Tax Rates Registration Approval Order Number*

Upload Document* No file chosen
Only .pdf,.doc,.docx,.jpg,.gif,.png formats of maximum size of 400 KB.

Application Remarks*
(Maximum characters: 500)
You have 500 characters left.

6. For those to whom the “*SOFA*” option applies, they will need to capture additional information relating to “*Approved tax rate*” and “*Number of years*”

Section B: Tax Rate Details

Category of Preferential Tax Rates*

Approved Tax Rate*

Commencement Date of Preferential Tax Rates*

Number of Years*

Upload Document* No file chosen
Only .pdf,.doc,.docx,.jpg,.gif,.png formats of maximum size of 400 KB.

Application Remarks*
(Maximum characters: 500)
You have 500 characters left.



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- Once the appropriate option is selected, capture the commencement date, application remarks and upload relevant documents. Thereafter, click on the “Submit” button to lodge the application.
- The system will generate an acknowledgement receipt which will need to be approved by a KRA officer before the preferential rate can be granted.
- Upon approval, an approval notice will be generated with a number on the top left-hand corner. This number is to be provided when filing the tax return so that the preferential rates can be applied in the computation of tax and validated upon upload.

RETURN FILING

- On the basic information sheet of the Income Tax Company return (after filling in all the preceding cells), answer “Yes” to the question “**Have you been granted any preferential rate?**” This will enable two additional cells i.e., “**Type of preferential tax rates**” and “**Preferential tax rate approval certificate number**”

9 *	Have you been granted any preferential rates?	Yes
0	Type of Preferential Tax Rates *	
1	Preferential Tax Rate Approval Certificate Number *	

- Select the preferential rate granted and the certificate number in the enabled cells.
- Fill in the rest of the details in the return where relevant.
- In the tax computation sheet M, “**M_Tax_Computation**”, the following scenarios need to be considered:

- For those whom part of their business benefits from the preferential rate and some part of it doesn't, they will need to deduct the preferential income as captured in the P & L that relates to the arm of the business that has been conferred a preferential rate. This is to be effected in the section highlighted below by an arrow

Section M : Tax Computation						
Sr. No.	Description	Business (Ksh)	Farming (Ksh)	Rental (Ksh)	Interest (Ksh)	
1	Profit / Surplus / Loss as per Profit / Surplus and Loss Account (Line number 9 of B_Profit_Loss_Account)	1,000,000.00	0.00	0.00	0.00	
2	Less : Exempt / Preferential Income (if included in Profit / Surplus and Loss Account)					
3	Adjusted Profit / Surplus / Loss as per Profit / Surplus and Loss Account (1-2)	1,000,000.00	0.00	0.00	0.00	
4	Add Back: Disallowable Deductions (4.1 to 4.13)	0.00	0.00	0.00	0.00	
4.1	Depreciation (Line number 2.4.5 + Line number 6.1 of B_Profit_Loss_Account)	0.00	0.00	0.00	0.00	
4.2	Entertainment Expenses (to the extent not allowable)					
4.3	Expenses related to Exempt Income (if debited to P & L)					
4.4	Loss on Disposal of Depreciable Assets (Line number 6.2 of B_Profit_Loss_Account)	0.00	0.00	0.00	0.00	
4.5	Balancing Charge					

Example:

- Profit as per line 9 in the P & L is Kshs. 1,000,000.



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- Profit attributable to the arm of business with a preferential rate of tax is Kshs. 800,000
- In sheet M, capture Kshs. 800,000 in the cell marked with the arrow in the respective column depending on the source of income.
- Kshs. 200,000 will be taxed at the prevailing Income Tax rate. Kshs. 800,000 will be taxed at the preferential rate at the conclusion of the next steps highlighted below.

(ii) For those whose total profits relate to an arm of business that is conferred the preferential rate, deduct the full profit in the cell highlighted above.

5. On row 12.3 of the Income Tax return, indicate the turnover attributed to the preferential tax rate. The return will then calculate the tax based on the rate conferred by the specific category

60	11	Compensating Tax/ Dividend Tax Account(11.8 or 11.9)	0.00
61	11.1	Opening Balance of Dividend Tax Account	
62	11.2	Current Year Corporation Tax (consolidated tax restricted to positives) (Line 12.1 From M_Tax_Computation)	0.00
63	11.3	Dividend Received	
64	11.4	Allowable Dividend Received ((t/(1-t))*11.3)	0.00
65	11.5	Current Year Refund Claimed	
66	11.6	Current Year Dividend Paid	
67	11.7	Allowable Current Year Dividend Paid ((t/(1-t))*11.6)	0.00
68	11.8	Compensating Tax Due (If result of (11.1+11.2+11.4-11.5-11.7) if negative, else 0)	0.00
69	11.9	Balance of Dividend Tax Account (If result of (11.1+11.2+11.4-11.5-11.7) is positive, else 0)	0.00
70			
71	12	Tax Payable (Higher of 12.5, 12.6)	0.00
72	12.1	Gross Tax Payable or Tax on Taxable Income (Line Number 9 (Consolidated)*Applicable Rates)	0.00
73	12.2	Compensating Tax (Line number 11.8)	0.00
74	12.3	Turnover attribute to Preferential Tax Rates ←	
75	12.4	Tax Payable under Preferential Category (Applicable Rates * 12.3)	0.00
76	12.5	Calculated Tax on Total Income (12.1+12.2+12.4)	0.00
77	12.6	Calculated Minimum Tax (Applicable rates * Gross Turnover)	0.00
78			
79	13	Tax Credits (13.1+13.2+13.3+13.4+13.5+13.6+13.7+13.8)	0.00
80	13.1	Total Installment Tax Paid (Total of ' Amount of Installment Tax Paid' from F_Installment_Tax_Credits)	0.00
81	13.2	Withholding Tax (Total of "Withholding Tax Amount" from G_WHT_Credits)	0.00
82	13.3	Credits u/s 12A -Advance Tax on Commercial Vehicle (Total of "Amount of Advance Tax Paid" from H_Advance_Tax_Credits)	0.00

For those with the prevailing rate and the preferential rate, tax from the two will be consolidated to provide the total.

6. For those operating under the Special Operating framework agreement "SOFA", the approved rate will have to be captured in the return which will compute the tax on all the income based on the approved rate.



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29	* Have you been granted any preferential rates?	Yes
30	Type of Preferential Tax Rates *	SOFA
31	Preferential Tax Rate Approval Certificate Number *	KRA212
32	Approved Tax Rate *	5.00
33	Are you exempted from Minimum Tax? *	No

7. Upon upload, there will be validations to confirm that the certificates captured in the returns were issued to the taxpayers uploading the returns.
8. If all validations pass, the return will be successfully uploaded.

END