



Managing KRA Audits in the Era of Desktop Audits

Presentation by:

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Presentation agenda



- Introduction
- KRA Audit Triggers
- Process of KRA Audit
- Managing KRA Audits
- Q & A

Introduction....



*“In life, you do not
get what you
deserve, you get
what you negotiate”*

Definitions



- **What is a Kenya Revenue Authority audit?**
- A KRA Audit is an examination a taxpayers affairs to ascertain whether the taxpayer has **correctly self assessed**, their tax position and fulfilled their tax obligations.
- The audits are a major tool for tackling **non-compliance** and constitute the largest deployment of resources by the KRA for administration of the various tax laws.

KRA- Active engagement and negotiation



- Increased revenue targets –the KRA’s aggressive pursuit of taxes
- Technical training of KRA personnel
- Performance based contracts and evaluations
- Review of legislation for potential gaps:
 - PINs
 - Provisioning
 - Transfer Pricing



KRA Audit Triggers

Uphold public interest

General triggers



- Multinational Organization - Inter-company transactions
- Related company audits
- Staff – moles, unhappy employees
- Non-filing of tax returns (general non-compliance)
- Third party information – Exchange of information, iTax

PAYE Audit Triggers



- Accounts versus PAYE returns reconciliation
- PAYE not paid on time
- Significant fluctuations in PAYE
- Directors fees vis a vis the standard of living
- Higher salaries: Employees Vs Directors

Corporation tax audit triggers



- Failure to **separate source**
- **Perpetual losses**
- **Variance** in income: VAT returns and Income per Accounts
- Expenses **without** matching income e.g. rental
- Reputation of auditors and tax advisors

Transfer pricing audit triggers



- Lack of TP documentation (or failure to submit docs to KRA when requested)
- Exchange of information
- Companies in perpetual losses
- Publicity: Websites, upstream declaration of profits

VAT Audit Triggers



- Consistently in a refund position
- Third party information. - WVAT and iTax
- Sales inconsistencies
- VAT refund claims
- Consistently filing VAT returns late

Customs & excise duty audit triggers



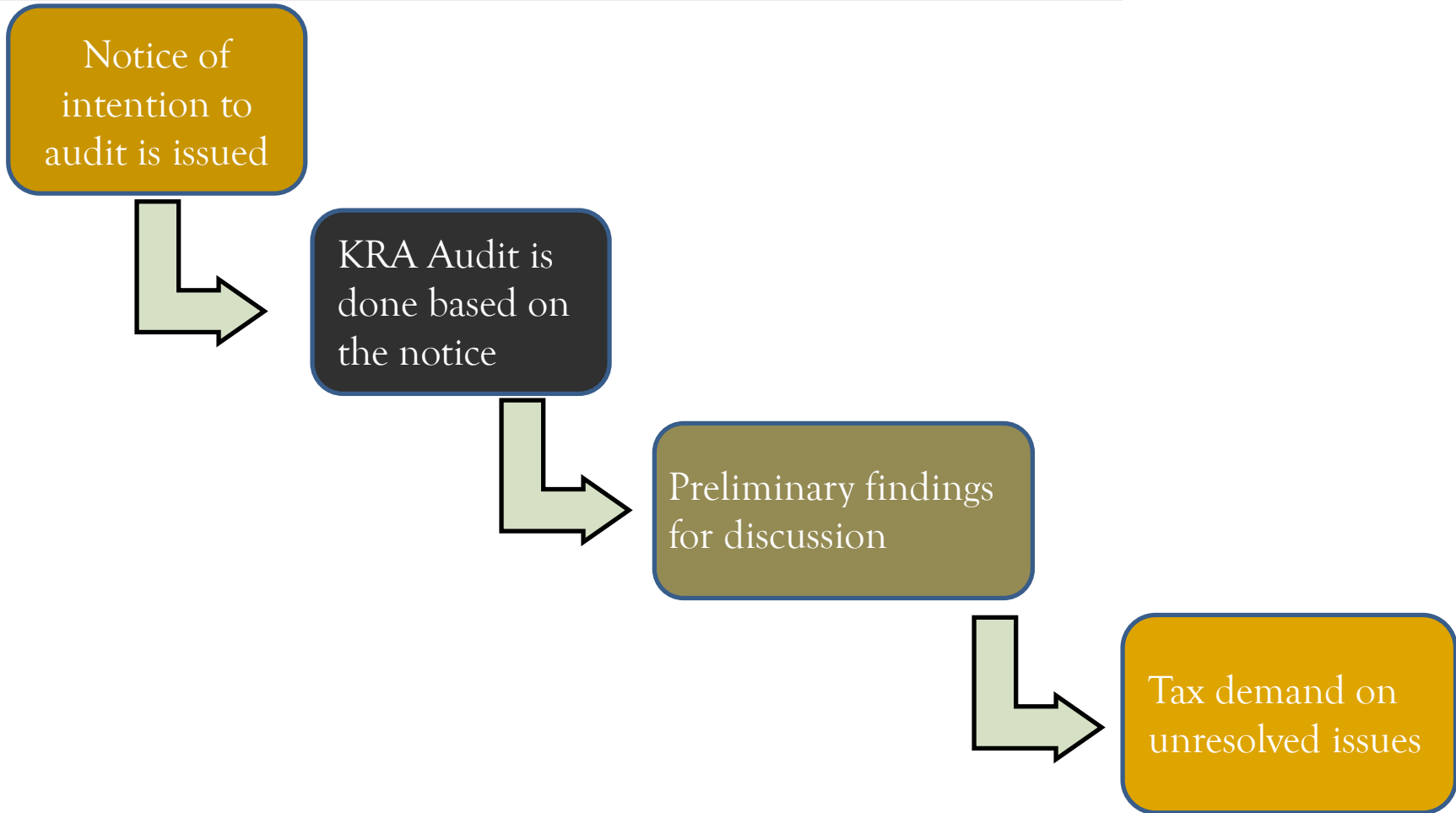
- Glaring differences on duty paid for similar goods
- Reputation of clearing agent
- Excise tax refund claims
- Failure to determine the correct ex-factory price
- Claiming remission or refund without complying with the provisions of the Act



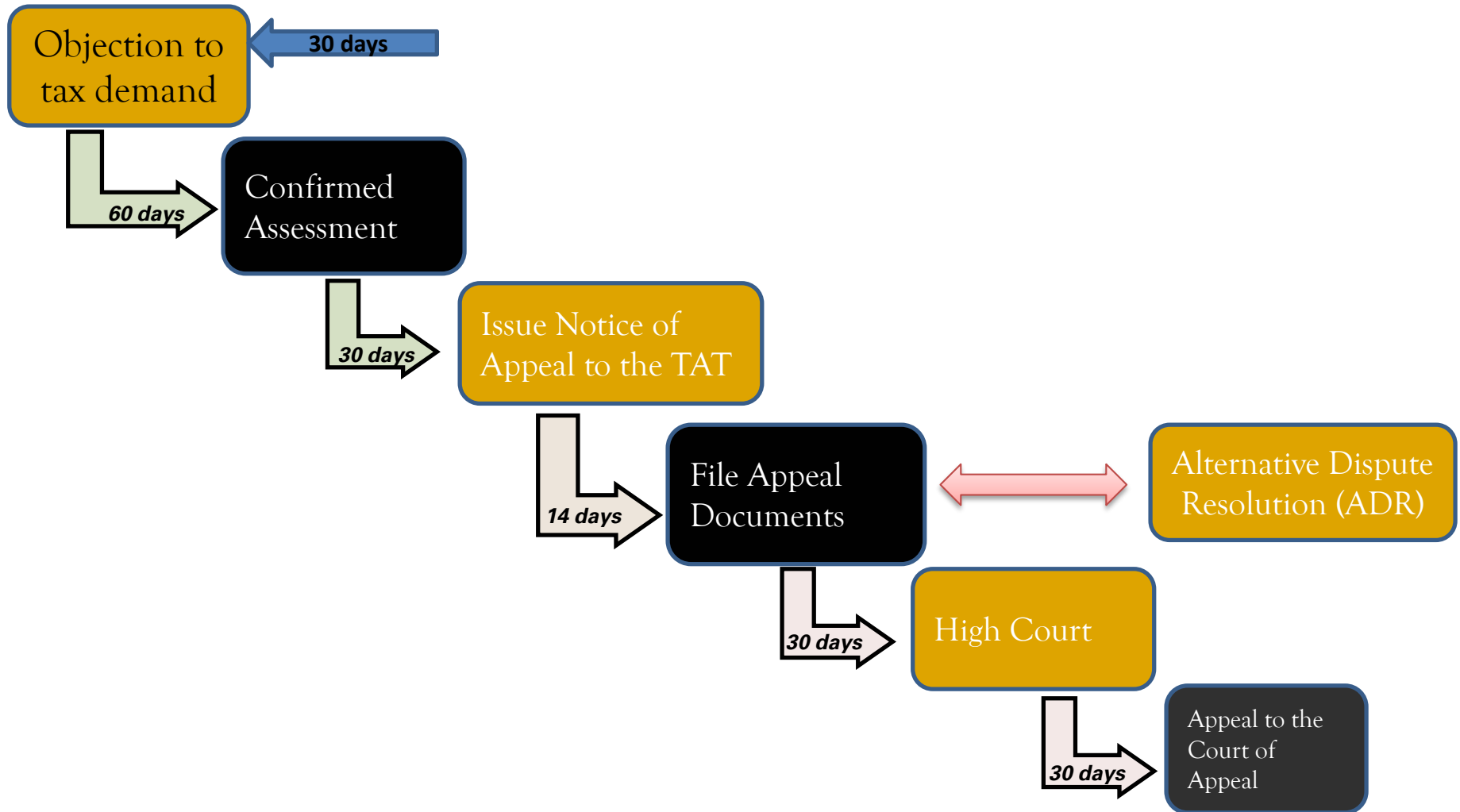
KRA Audit Process

Uphold public interest

KRA Audit Process



KRA Audit- appeal process





Managing KRA Audits

Uphold public interest

Managing KRA Audits



- Before
- During
- After



Before the KRA Audit



- Involve a tax consultant before to analyze your records
- Obtain official letter from KRA with the list of information required
- Prepare the relevant information
- Agree with the KRA on time frame
- Inform staff to avoid any surprises

During the KRA Audit



- Invite your tax advisors for the opening meeting
- Appoint one contact person to avoid many people dealing with KRA
- Senior most person to avoid dealing with KRA until last stages
- Document information provided to KRA, date provided and date returned
- Co-operate, Co-operate, Co-operate

During the KRA Audit



- Avoid off the cuff questions
- Consult your tax advisors on queries you are not sure of
- Invite your advisors for the exit meeting
- Resolve straight forward issues with audit team during field review

After the KRA Audit



- Follow-up with KRA to issue their official letter confirming the position
- Involve your tax advisors from this stage
- Pay any tax not in dispute – *in duplum* rule is now in force!
- Respond to KRA's letters on timely basis

Q & A

