

Transfer Pricing Compliance Update

Income Tax Return Filing requirements



Tax Return update

The Income Tax Company Return, should be submitted to the Kenya Revenue Authority on or before the 6 month after the end of the reporting period.

The tax return has been amended to include information required for the tax authority to assess transfer pricing risks, understand how resources are allocated and ascertain the extent of income attributable to Kenya for tax purposes.

The income tax return form has been updated to include additional information on intercompany transactions as follows:

- Name of related person;
- Nature of the relationship;
- Jurisdiction of residence;
- Jurisdiction of incorporation;
- Description of transactions;
- Mode of consideration; and
- Aggregate value of the transactions.

The return also includes the following information on controlled transactions that give rise to taxable income or tax deductible expenses and controlled transactions of a capital nature, as follows:

- Item/category;
- Description;
- Type of transaction;
- Transaction value in Kenya Shillings;
- Transfer Pricing adjustments (if any); and
- Transfer Pricing method.



The following details of borrowings and current accounts from related persons are also required to be disclosed:

- Source jurisdiction;
- Interest rate;
- Opening balance;
- Additional amounts;
- Repayments; and
- Closing balance.

Subsequently, taxpayers will be required to provide group financial statements to demonstrate intercompany transactions among other financial information.

The tax authority requires taxpayers to provide a comparative performance financial breakdown detailing the financial performance of the Kenyan entity and the consolidated financial performance of the parent company or head office.

CbCR Documentation – Submission deadlines

The Finance Act, 2022 introduced the Country by Country Reporting standard in Kenya. Multinational enterprises (MNE's) with a gross turnover of KES 95 Billion are required to provide the tax authority with financial information relating to each jurisdiction where the group has taxable presence, for FY 2022 and subsequent years.

MNE's that meet this threshold are required to submit their local and master file to the Commissioner of Domestic Taxes by the statutory deadlines listed below.

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