

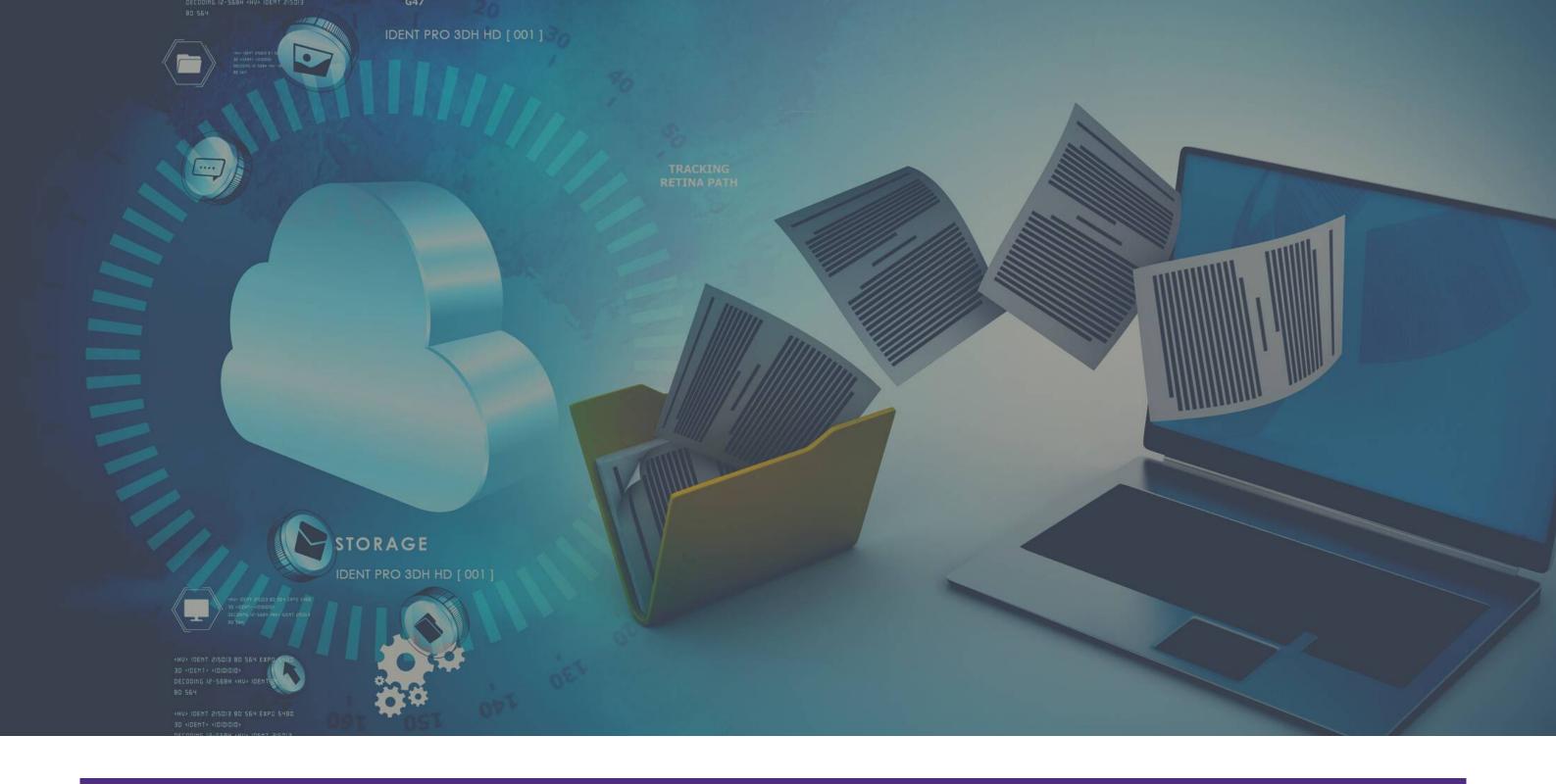


Audit | Tax | Advisory

# **Transfer Pricing Compliance Update**

**Income Tax Return Filing requirements** 

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#### 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.

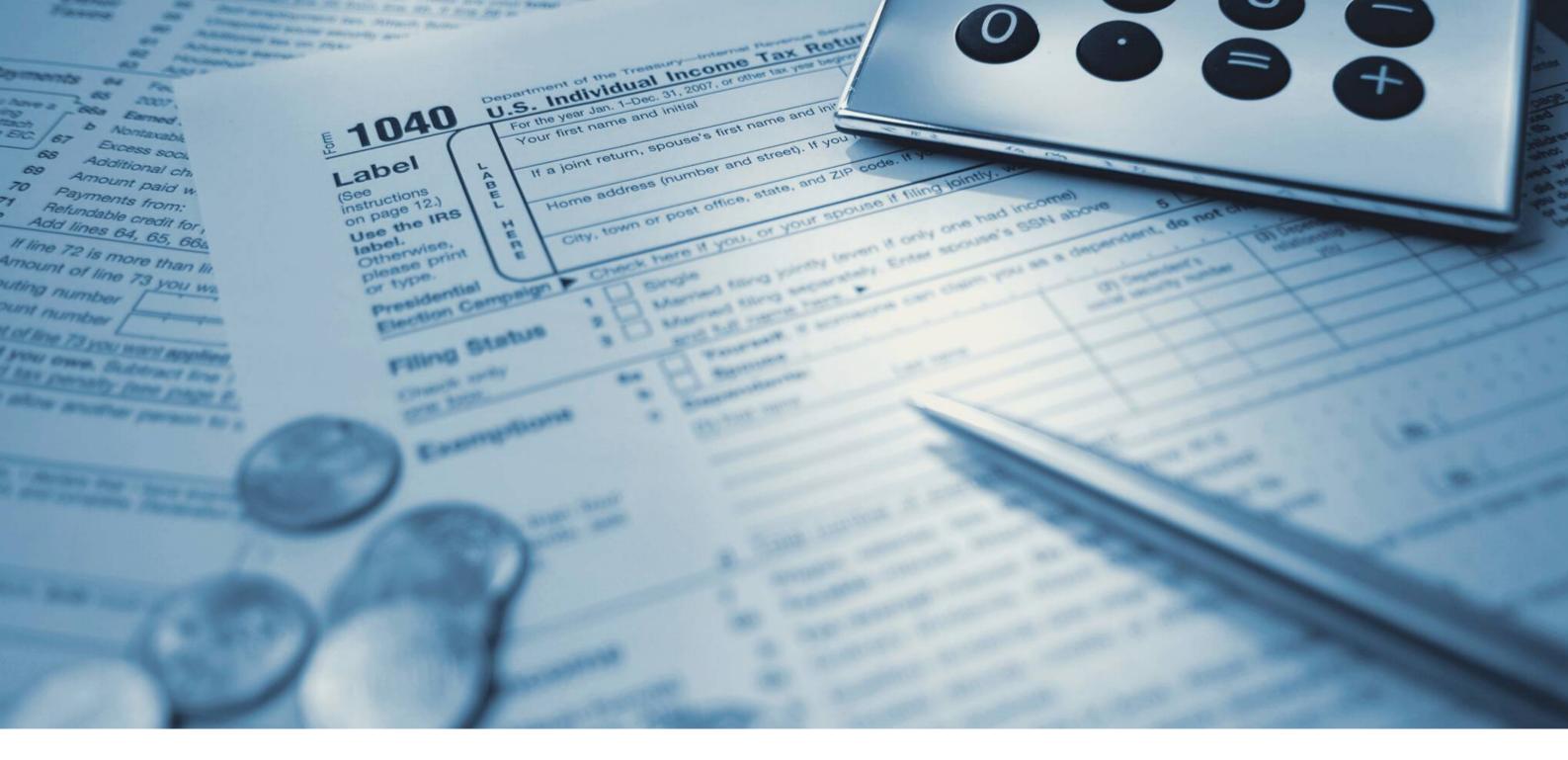
The tax return has been amended to include information required for the tax authority to assess transfer pricing risks, understand how resources are allocated and ascertain the extent of income attributable to Kenya for tax purposes.

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.

Reporting Financial Year End	Notification Form Deadline (last day of the reporting FYE)		Master File Deadline (6 months from FYE)	
December 2022	December 2022	June 2023	June 2023	December 2023
January 2023	January 2023	July 2023	July 2023	January 2024
February 2023	February 2023	August 2023	August 2023	February 2024
March 2023	March 2023	September 2023	September 2023	March 2024
April 2023	April 2023	October 2023	October 2023	April 2024
May 2023	May 2023	November 2023	November 2023	May 2024
June 2023	June 2023	December 2023	December 2023	June 2024
July 2023	July 2023	January 2024	January 2024	July 2024
August 2023	August 2023	February 2024	February 2024	August 2024
September 2023	September 2023	March 2024	March 2024	September 2024
October 2023	October 2023	April 2024	April 2024	October 2024
November 2023	November 2023	May 2024	May 2024	November 2024
December 2023	December 2023	June 2024	June 2024	December 2024

All notifications must be filed in prescribed form published in October 2022. The Commissioner is expected to issue a prescribed form for the CbC report.

In the meantime, we advise eligible MNE's resident or operating in Kenya to assess their operations and evaluate the information reporting requirements for compliance with the Country-by-Country Reporting Standard.

Failure to comply with the CbC reporting requirements will be an offense in Kenya and subject to a fine not exceeding KES 1 million (EUR 8200 approximately), a prison term not exceeding three years, or both, upon conviction.

For more information on the exemptions and thresholds for submission of the transfer pricing policy documents, contact Lydiah Mose at lydiah.mose@ke.gt.com or Samuel Mwaura at samuel.mwaura@ke.gt.com.

## Contact us on:



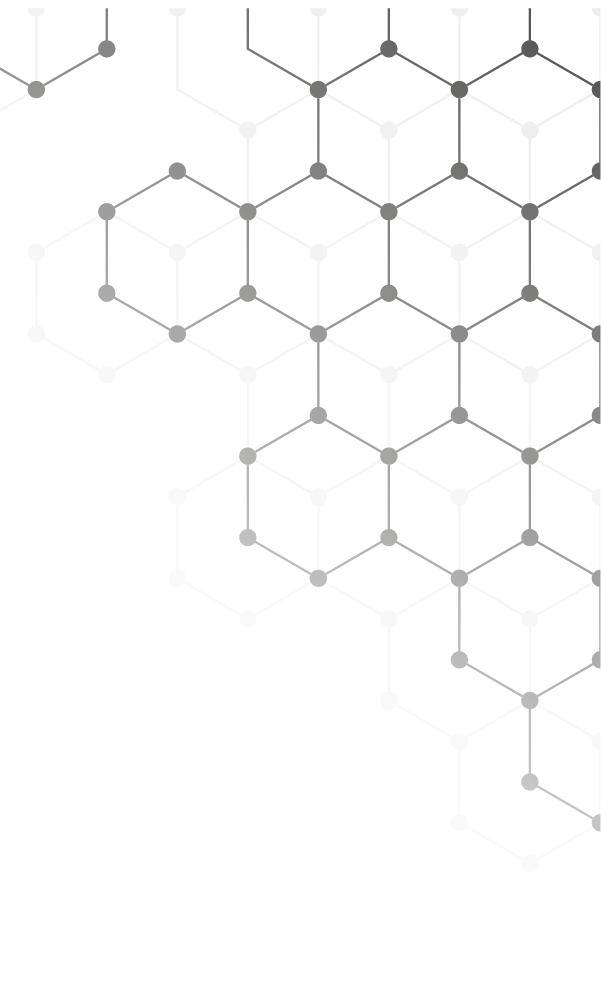
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