

Tax Health Check

Now You Know! – Series 02, we look at the **Tax Health Check**.

As we look at demystifying what a tax health check is, its importance and outcome we first look at following critical questions below with regards to an entity/ individual.

- Are you paying the right taxes i.e. the taxes and the correct amounts?
- Are you compliant with the tax legislation of Kenya?
- Are you taking advantage as a business of the existing tax breaks and allowances?
- If you have operations or offices outside Kenya do those countries have Double Tax Agreements (DTA) with Kenya and are you taking advantage of the tax benefits therein?
- When was the last time you had a business review to ascertain whether you have a healthy business with regards to tax?
- While venturing into new business lines/projects/ transactions did you consult a tax specialist to advice?

Now You
know -
Series- 02

If your answer to the above questions is **YES** then you are on the right track, however if you are answer is **NO** there is need for review.

Most businesses both large, medium and small have not been taking tax exposure risk in tandem with other business risks they experience, leaving the business exposed to tax exposures should the Revenue Authority come knocking and request to review your books.

Just like a human its always advisable to undertake a medical check at least every year, in which the doctor outlines the risks you might have or the diseases you have and goes ahead to recommend preventative or curative measures you need to take. As such and with regards to a business, the tax risks are identified and remedial measures recommended for the management to take into consideration.

Legislation

The Tax Procedures Act (TPA) which came into force in 2016 requires that a business maintain its records for a period of 5 Years.

The Income Tax Act (ITA) provides that the Commissioner has powers to review a company's records for a period up to ten (10) years where they suspect fraud.

Based on the aforementioned, imagine the cost to a business with regards to the principal tax, penalties and interest that a business would suffer should the revenue authority identify instances of non-compliance.

Therefore, we cannot reiterate the cost in terms of non-compliance to a business or cash outflows with regards to overpayment of taxes.

Every business should strive to be compliant whilst paying the correct tax amount. This can be achieved by undertaking tax health checks.

What are the benefits of tax health check?

- To ensure your current operations comply with the Kenyan tax laws and regulations;
- To outline the implications of non-compliance practices for the period under review and provide corrective actions;
- To provide high-level remedial measures available to rectify non-compliance issues; and
- To identify areas whereby the overall tax efficiency of the current operations may be improved.

A health check review would normally focus on the following types of taxes;

Corporation income tax	Customs Duty	Statutory Deduction; ✓ National Hospital Insurance Fund (NHIF), ✓ National Social Security Fund (NSSF)
Value Added Tax (VAT)	Excise Duty	Rental Income
Withholding Tax (WHT)	Pay-As-You- Earn (PAYE)	Capital Gains Tax (CGT)

The review will be tailor made to meet your needs. For more details, contact us;

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