

NAVIGATING PAYROLL CHANGES AS PER FINANCE ACT, 2023

With Kenya Revenue Authority (KRA) having issued clarification on the effective date of the Finance Act, 2023, employers who had processed their payrolls for July 2023 using the old tax provisions may be exposed to penalties and interest on the unpaid taxes for non-compliance as provided for in the Tax Procedures Act. A penalty of two percent per month is applicable on Affordable Housing Levy and five percent for PAYE taxes plus one percent monthly interest.

To mitigate the penalties and interest it is advisable to re-run the July 2023 payrolls and effect the changes. The effect of processing the payroll using the old rates means employees received higher pay and taxes under recovered. To correct this and avoid penalties and interest, the employer should bear the cost of the extra taxes and housing levy and recover the amounts from employees' August 2023 salary.

KRA has effected the new changes in the Unified Payroll return with effect from 1 July 2023.

Taxpayers are advised to download the latest P10 return template from their i-Tax portal.

To amend the return, one is required to download the updated PAYE (P10) template and capture the employees' details in column B 'employees' details.

The PAYE (P10) return has been enhanced to update sheet M (Affordable Housing Levy details).

Taxpayers are required to fill in the employees' details including their identity numbers, basic pay, and Gross salary.

The return will automatically compute 1.5% of the gross salary and match it up with the employer's share of contribution.

Where the PAYE liability is already paid, the Taxpayer is required to declare the PRN number, payment date and amounts in column K 'PAYE payment credits'.

Column N 'tax due' will display the PAYE and Housing Levy payable and the filing process is completed by validating and uploading the zipped file on i-Tax on or before the due date of filing July 2023 unified PAYE return.

PAYMENT REGISTRATION

The payment registration module under i-Tax has also been enhanced to allow taxpayers to generate a payment slip by selecting the 'Tax Head' as 'Agency Revenue' and the 'Tax Sub-Head' of 'Housing Levy'.

The payment slip will be generated separately from that of PAYE and other payroll levies such as NITA.

If you encounter any issues, kindly [contact us](#), we will be happy to assist you.

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