

THE NEW AMMENDMENT TO THE VAT ACT, 2013

THAT TIGHTENED THE NOOSE ON
THE VAT INPUT CLAIMS IN KENYA



On 30th June 2020, President Uhuru Kenyatta approved the Finance Act, 2020. The changes will tremendously affect the business environment in Kenya especially since most taxpayers are still recovering from the adverse effects of the COVID-19 Pandemic. The Act introduces an additional requirement on VAT as below;



'a person claiming input tax will only be able to do so, if the input tax claimed has been declared as output tax by the seller for VAT purposes'

W.e.f. 30th June 2020.

With the new amendments, the tax payers are mandated as follows;

- **Matching Concept** - Ensure that they capture accurate details of their suppliers since the input-output matching concept of purchase and sale is now in force.
- **Transfer of Burden** - While this simplifies the work of KRA, it transfers unnecessary burden to the taxpayers by giving them the responsibility to confirm that the seller has declared output VAT before one can claim the same in the VAT return. This can prove to be difficult given that the buyer do not have the legal mandate to do so. Additionally, the new KRA requirement in disclosing one's PIN Number to the Supermarkets and other retail shops is equally administratively cumbersome.
- **6 months Rule** - The Input Tax from the purchases invoices must be claimed within the six month of issuance before becoming time barred.



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