

Kenya: Tax changes

Annual Tax Tables

The **Finance Act, No. 8 of 2020** introduces a new change with regards to the taxable employment income before bonus and overtime allowances.

Previously, employees whose taxable employment income before bonus and overtime allowances did not exceed the lowest tax band (below KES 12,298 per month) were not subject to PAYE on receipt of bonuses and overtime allowance over and above their basic pay.

The Act has removed the exemption from tax of bonuses, overtime and retirement benefits paid to employees whose taxable employment income before bonus and overtime allowances does not exceed the lowest tax band.

The new change is only **applicable from 30 June 2020** and not for the full tax year. Therefore, you must follow the below instructions before making changes to the current LIVE company.

Installation Instructions

Before you extract the contents of the zip file into your VIP Directory:

- Make sure that you are currently on Release 5.4a/b/c
- Make a full system backup
- Ensure your current processing date is in the month of **July 2020**

Please follow the steps below in your current Kenya Company:

1. Copy the Company structure to a **new number** and access the new company.

2. Transfer employees from the **current** company to the **new** company:

- Select **“No”** to transfer Employees WITH year-to-date totals
- Do you wish to transfer the Employee(s) with a clear payslip? Select **“No”**
- Enter Termination Date = 30/06/2020
- Enter Tax Year Start Date = 01/07/2020
- Select to **Retain existing Engagement Date and Service Periods**
- Continue

3. Clear the payslips for **July 2020** in the current company:

- There might be a Tax difference in July because the employees were terminated for the previous month i.e. 30 June 2020

- Decide how you want to handle the tax differences. Select one of the following options:
 - a) Pay tax refund to the employees in the current Company, or
 - b) Load it as additional tax to get a zero net salary effect, or
 - c) Load it as an advance to get a zero Net Salary effect and then load the same values in the new company as a negative advance (This implies that the refund will be done in the new Company going forward.)

4. Print a report with Tax values per employee

5. Print month-end reports and create payment files if Employees are refunded in the current Company as per option (a)

6. Make a backup and roll the company with terminated employees to a new pay period to avoid any further tax calculations

Follow the steps below in your new Company:

7. Ensure that all the payslip values are correct

8. Do the input for July 2020

9. If you decided to carry tax values over to the new company – capture on the advance deduction line, as per option (c)

You are now ready to install the tax file to proceed with the changes on Payroll.