



### **VAT REFUNDS**

The two most common types of Value Added Tax (VAT) refunds are made pursuant to the provisions of Section 17(5) of the VAT Act 2013 which allow payment of excess input tax to a registered person where :-

1. Refund arising from making zero rated supplies – whereby the registered VAT taxpayers deal with taxable supplies listed under the second schedule of the VAT Act. However, the claim should be on the inputs that are solely used in the making of the zero rated supplies. Also the taxpayer has to make the claim within 12 months from the date of the supplies.
2. Refund arising from tax withheld by appointed tax withholding agents and the registered person lodges the claim for the refund of the excess tax within twenty-four months from the date the tax becomes due and payable. For example, where a contractor supplies goods or services to an appointed withholding VAT agent, the agent withholds the tax at 2%. Due to the claim of input tax from the output tax while filing, the already withheld tax puts the contractor at a refund position.

Other instances where the claim on input tax can be made include;

3. Tax paid in error – For instance, where a withholding VAT agent withholds tax for the wrong taxpayer, the taxpayer then can apply for the refund for the tax paid in error. The claim however should be made within 12 months from the date of payment.
4. Bad Debts – This claim is made when a supplier is not paid by the buyer for goods they have supplied. However, the claim should be made after 3 years, on the basis that the buyer has been declared insolvent by the court. The seller has to prove that all avenues have been sort in claiming the debt including seeking redress from the court have been unsuccessful. This claim on bad debts has to be made within 5 years. However, if the commissioner grants the seller the refund, and the seller is able to recover some amounts from the buyer from the bad debt refund granted, the supplier has to refund the VAT to the commissioner within 30 days from the compensation. If not, the refund VAT accrues a penalty at 2% per month of the refund value and a 1% interest.

### **How to apply for the VAT Refund**

1. Logon to [itax.kra.go.ke](http://itax.kra.go.ke) by entering your KRA PIN and Password
2. On the iTax menu, Select VAT under the refunds menu
3. Confirm taxpayer details and click next
4. Fill in taxpayer's bank account details and click next
5. Select your refund type, the claim reason, the description of the reason of the claim and the amount then submit.