



# BOWMANS

THE VALUE OF KNOWING

## THE VOLUNTARY TAX DISCLOSURE PROGRAMME – 2<sup>ND</sup> YEAR

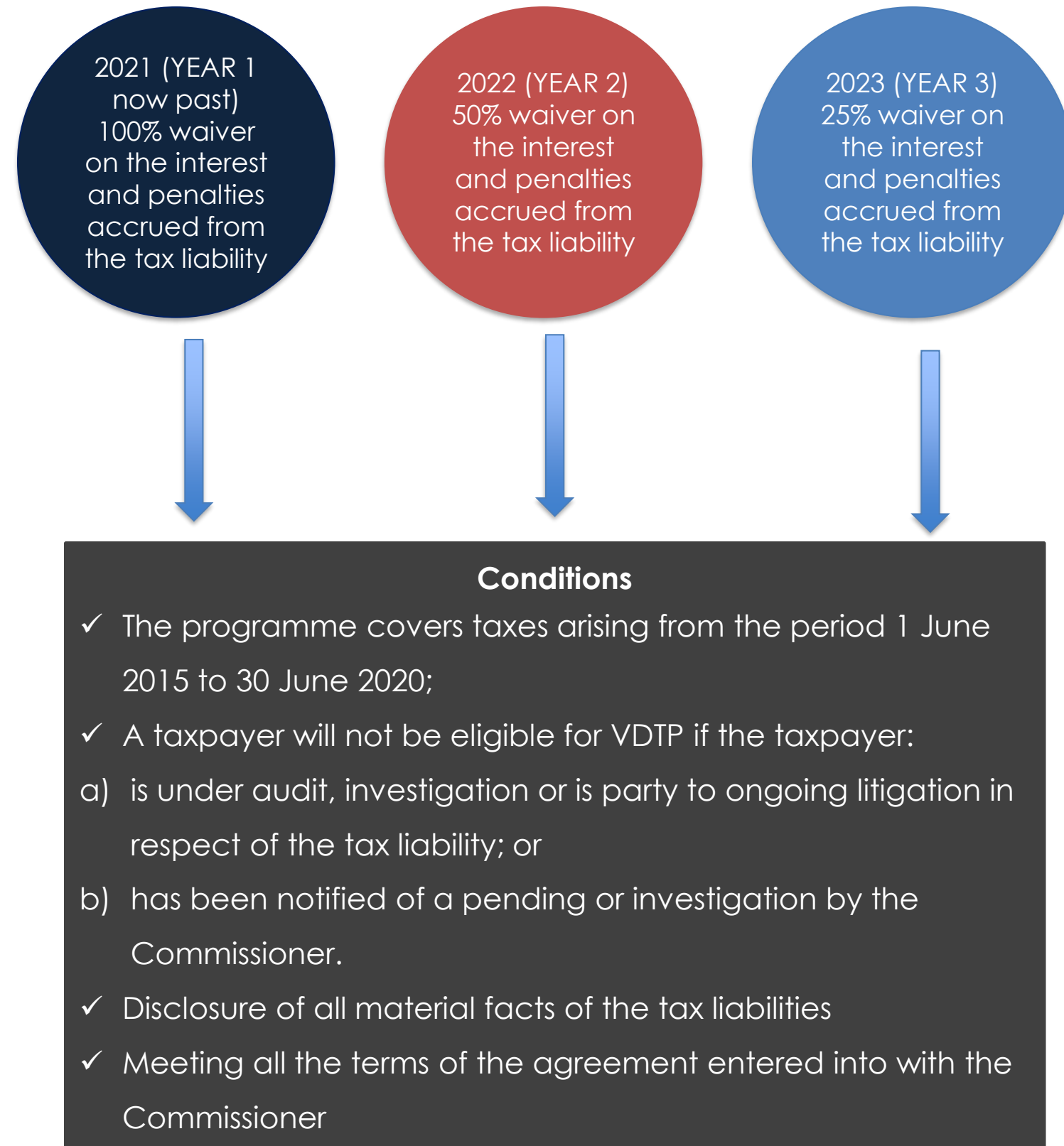


## Overview of the Voluntary Tax Disclosure Programme

The Voluntary Tax Disclosure Programme (VTDP) was introduced vide the Finance Act 2020 and has been running from 1 January 2021 to expire on 31 December 2023. VTDP allows taxpayers to disclose their tax liabilities and pay the principal taxes to the Commissioner for Domestic Taxes (the **Commissioner**) in exchange for relief on resultant penalties and interest.

The relief granted under the Programme is:

- i. In the first year (now past), 100% waiver of the interest and penalty;
  - ii. In the second year, 50% waiver of the interest and penalty; and
  - iii. In the third year, 25% of the interest and penalty.
- b. No prosecution in respect to the Tax Liability disclosed.



## BENEFITS OF THE PROGRAMME

- While the law allows for remission of interests and penalties by the Commissioner outside the ambit of the VTDP, the grounds for application for the remission are restrictive and are limited to:
  - ✓ Consideration of hardship or equity
  - ✓ Impossibility or undue difficulty or expense, of recovery of the tax
- The processing of the application outside the VTDP takes a long time, especially where the amounts involved exceed KES 1,500,000 and the approval of the Cabinet Secretary is required. In addition, in practice the quantum of the remission granted outside the programme would be lower than that provided under the programme.
- Where satisfied with the application, the Commissioner and the taxpayer will enter into a settlement agreement and the status of the taxes involved would be closed on that basis. Further the taxpayer cannot be prosecuted in relation to the properly disclosed tax liabilities.

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