

### Offenses and Penalties

All registered taxpayers are required by Law to adhere to the above-mentioned obligations but as a measure to enforce and enhance compliance, the VAT Act spells out certain offences and respective penalties.

These include: -

1. Failure to register – fine not exceeding Kshs.20, 000 or imprisonment for a term not exceeding six months or both
2. Enforced registration – default penalty of Kshs. 100,000
3. Failure to submit a return on or before the due date or submitting a payment return without paying the tax due – default penalty of Kshs.10, 000 or five percent of the tax due whichever is the higher and additional interest of 2% per month compounded.
4. Failure to keep proper records – a default penalty of between Kshs.10, 000 to Kshs.200, 000
5. Fraudulent Accounting – a fine not exceeding Kshs.400, 000 or double the tax evaded whichever is greater or imprisonment for a term not exceeding three (3) years or both.
6. Failure to issue a Tax Invoice – an automatic penalty of not less than Kshs.10, 000 but not exceeding Kshs.100,000/=.
7. Hindrance or obstruction of authorised officers

8. Uttering false statements

9. Charging tax when not registered – tax shown on such invoice is due to the Commissioner within seven (7) days.

10. Failure to display a certificate of registration – a default penalty of Kshs.20, 000 and a fine not exceeding Kshs.200, 000 or imprisonment for a term not exceeding two (2) years or both.

11. Failure to comply with VAT regulations

12. Failure to pay tax and late payment

Note:

For offences, which no specific penalty is provided, a general penalty of a fine not is exceeding Kshs.500, 000 or imprisonment for a term not exceeding three (3) years or to both is applicable.