



Taxpayers should be vigilant when handling overpaid tax



It is a common practise in different countries in Africa and globally that, tax is paid upfront based on estimates of taxable income. The estimated tax is paid in different instalments depending on the tax laws applicable in a particular jurisdiction.

Paying taxes on projected taxable income gives taxpayers the opportunity to assess their business performance and obtain expected taxable income for that period. I believe this is a good approach, since taxpayers are able to project taxes due for that period. This also helps the revenue authority estimate projected taxes that it will collect during the same period.

Practically, it is expected that when one is working with estimates, chances are that after getting actual taxable income amount at the end of the period; the projected taxes will be different. As a result, taxes already paid could be on the higher or lower side compared to actual taxes which should have been paid.

In the event an underpayment incident is identified after comparing tax due against tax paid, the law is clear on interest due if the underpaid tax gap is more than 20% of the total tax payable. Therefore, taxpayers are required to evaluate their business performance and in case of notable differences during the period under review, then there is room to review tax estimates on time. In the event of tax overpayment either as a result of incorrect projections/estimates or due to errors whilst making payments, leading a taxpayer to a repayable position, the law has clear guidelines on how taxpayers can reclaim the overpaid tax within stipulated timelines

The following are some of the common questions that taxpayers have on overpaid tax

Can overpaid tax be forfeited if a taxpayer fails to claim it after the expiry of time limit?

If a taxpayer fails to claim the overpaid tax within stipulated timelines, they should consider the amount as lost and cease recognising that receivable in their books of accounts.

What documentation is required to support a claim?

This depends on the nature of the refund. However, proper documentation supporting the claim, needs to be filed with the revenue authority. The taxpayer is expected to maintain all documents justifying the claim until the refund is made. This is because the revenue authority may wish to review the eligibility of the claim before making the refund.

Does the overpaid tax carried over in the subsequent period of return justify its eligibility for a refund by the revenue authority?

While in some countries this is possible, in Tanzania, overpaid tax carried over to the next return will not be necessarily be refunded by the revenue authority. In order to get a refund, the taxpayer needs to follow procedures stipulated in the tax laws.

It is recommended that taxpayers review their records and establish if there is a tax overpayment whose refund need to be claimed. Once identified, the refund application should be lodged with the revenue authority within the timelines provided in the tax laws.



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