

ADDENDUM NO. 1

**FOR
EXPRESSION OF INTEREST FOR PROVISION OF TAX CONSULTANCY SERVICES
FOR REVIEW OF OUTSTANDING TAX ARREARS**

Tender No. NWC/ONT/007/2017-2018

Corrections on the various sections are as highlighted below:

The section:

1.5.10 The review should make coherent recommendations to reduce the tax bill from Kes. 800 million to around Kes.200 million and therefore saving the parastatal around 600 millions Shillings. The incentives in this scope therefore aims at making sure the parastatal is fully compliant with various tax legislations.

Corrected to read:

1.5.10 Review the accuracy and correctness of the tax assessment of Kes.834million by KRA.

The section:

1.1 SCOPE OF WORK

The scope of work will involve:

- Review and revision of tax assessment by KRA from Kes.833,938,639 to a favourable amount the Corporation can settle. This will require expertise of the tax law and the legal provisions that affect the said assessments.
- Documents to be provided by NWCPC in defence of the Assessment adjustments. This will therefore require maximum cooperation on the side of the organization
- Application to the tribunal for remission of Penalties and Interest, this will be done adhering to the various timelines set under the law.
- Apply and secure tax exemptions for NWCPC. Being a parastatal gazetted under the law there are certain privileges and exemptions that should be given on the investment incomes.

Corrected to read:

1.1.1 SCOPE OF WORK

The scope of work will involve:

- Review the accuracy and correctness of the tax assessment of Kes.833,938,639 by KRA. This will require expertise of the tax law and the legal provisions that affect the said assessments.
- Documents to be provided by NWCPC in defence of the Assessment adjustments. This will therefore require maximum cooperation on the side of the organization
- Application to the tribunal for remission of Penalties and Interest: this will be done adhering to the various timelines set under the Law.
- Apply and secure tax exemptions for NWCPC. Being a parastatal gazetted under the law there are certain privileges and exemptions that should be given on the investment incomes.

The section:

1.16 TIME FRAME FOR THE CONSULTANCY

The assignment must be completed within the **shortest time possible** after signing the contract.

Corrected to read:

1.16 TIME FRAME FOR THE CONSULTANCY

The assignment must be completed within the **60 days** after signing the contract.

The section:

1.18 SUMMARY OF TOR AND SPECIFIC ACTIONS

	TERMS OF REFERENCE	SPECIFIC ACTIONS
1	Handle communication with KRA officials on matters concerning the tax assessment raised and have the tax matters raised comprehensively and technically resolved.	<ul style="list-style-type: none">• Review and reply all KRA communications on the preliminary findings• Technically evaluate all the preliminary findings with the aim of supporting the assessed areas to reduce the tax assessment

	TERMS OF REFERENCE	SPECIFIC ACTIONS
		<ul style="list-style-type: none"> • Organize meetings with the KRA officers to amicably resolve the tax matters • Represent the taxpayer at all tax forums relating to the preliminary tax findings
2	Review past tax compliance omissions and resolve the same.	<ul style="list-style-type: none"> • Review the Audited Financial statements and the source Accounting records for tax exposures • Prepare comprehensive tax exposure reports for the management • Check the Firms Pin status for tax liabilities since date of registration • Prepare a comprehensive report of the tax exposures for the period 1994-2016 • Suggest mediation avenues of amicably resolving the resultant tax exposures
3	Assess the level of tax compliance with all applicable taxes- Corporation Tax, VAT, Withholding Tax, Withholding VAT, Advance Tax	<ul style="list-style-type: none"> • Undertake an organization wide review of tax compliance- business tax, tax incentives, allowable /disallowable expenses • Check the taxpayers adherence to VAT Act 2013 • Check the taxpayers adherence to the withholding tax regulations • Check the taxpayers adherence to the advance tax regulations of the income tax act
4	Offer guidance to the organization on how to treat wear and tear deduction vis a vis Depreciation of assets in deriving taxable income	<ul style="list-style-type: none"> • Review the fixed assets of the organization to develop a comprehensive Fixed assets register • Prepare a Fixed assets schedule with the proper asset classification as per the IFRS • Undertake Wear and tear Allowance calculation as well as capital allowances • Prepare comprehensive tax computation for the period 1996-

	TERMS OF REFERENCE	SPECIFIC ACTIONS
		2006
5	Advise the Organization of VAT practice and the fiduciary status as a tax collection agent and the resultant responsibilities and	<ul style="list-style-type: none"> • Thorough review of the suppliers invoices for the period September 2014 to date for the supplies subject to VAT. Demarcation of taxable supplies and purchases for the period under review • Review of all the withholding VAT schedules remitted to KRA for omissions and inconsistencies
6	Advise on withholding tax accounting on contractual services, management and consultancy fees	<ul style="list-style-type: none"> • Review all contractor and professional contracts for withholding tax exposures • Review the financial statements for management and consultancy charges and subject the same to tax • Understanding of double tax treaties, various tax rates,
7	Advise the organization on the payroll treatment of non-cash benefits, travel allowances, pensions and their tax implications	<ul style="list-style-type: none"> • Review the payroll for correct PAYE calculations • Check the petty cash payments, imprests and travel allowances for tax compliance • Review the non-cash benefits given to staff and directors for PAYE exposures • Review pre and post travel allowance clearances for PAYE compliance • Taxation of retirement benefits and available tax benefits for pension scheme membership
8	Undertake tax computation based on audited Accounts and prompt filling of annual tax returns for the organization.	<ul style="list-style-type: none"> • Comprehensive review of the Audited Financial statements for tax computation • Computation of Income tax liabilities of the company income based on the 6 tax income heads of: business income, interest income, rental income, investment income. • Derivation of the company's

	TERMS OF REFERENCE	SPECIFIC ACTIONS
		taxable income for the period 1995-2016 <ul style="list-style-type: none"> • Comprehensive
9	Conduct in-depth tax audits and health checks to ensure that the organization remits the correct tax to avoid tax exposures and future tax audit penalties and interest. Review what measures the organization could take to assure itself of value for money in carrying out the tax audit	<ul style="list-style-type: none"> • Conduct in depth analysis of all the cash transactions of the firm for tax compliance • Prepare an internal tax review procedure and regulations check list for best practice • Prepare a comprehensive tax exposure report for the firm and assist the firm in settling the resultant taxes as per the tax regime
10	Undertake a comprehensive tax sensitization on all NWCPC staff on the existing tax regime- Income tax, VAT, withholding tax, withholding VAT	Train the Board members and staff on the following tax topics: <ul style="list-style-type: none"> • Overview of taxation in Kenya- Income Tax Act and the Tax procedures Act 2016 • Income tax tax/ corporation tax • Pay as you earn(PAYE) including the available tax incentives • Value added tax –VAT Act 2013 and the recent changes on the VAT • Capital gains tax and the implications on corporate and individual dealings • Withholding VAT and the responsibilities of the individual and the corporates • Instalment Tax provisions • Managing KRA Audits-triggers of KRA audits and what to do before, during and after KRA audits • Effective tax management and compliance • Tax Planning ideas • Emerging tax issues-Itax, Alternative dispute resolution (ADR), Tax Information sharing, increased powers of the

	TERMS OF REFERENCE	SPECIFIC ACTIONS
		commissioner to appoint withholding tax agents, withholding tax on rent
11	Undertake a 1 year post audit tax health check to ensure that the Organization does not relapse in the tax exposure.	<ul style="list-style-type: none"> • Monthly review of VAT returns to ensure compliance with the VAT act • Monthly review of the Payroll for compliance with the Income tax act • Quarterly review and filing of instalment tax returns as per the income tax • Fortnight review of the withholding VAT schedules in compliance with the VAT withholding agency regulations

Corrected to read:

1.2 SUMMARY OF TOR AND SPECIFIC ACTIONS

	TERMS OF REFERENCE	SPECIFIC ACTIONS
1	Handle communication with KRA officials on matters concerning the tax assessment raised and have the tax matters raised comprehensively and technically resolved.	<ul style="list-style-type: none"> • Review and reply all KRA communications on the preliminary findings • Technically evaluate all the preliminary findings with the aim of supporting the assessed areas to reduce the tax assessment • Organize meetings with the KRA officers to amicably resolve the tax matters • Represent the taxpayer at all tax forums relating to the preliminary tax findings
2	Review past tax compliance omissions and resolve the same.	<ul style="list-style-type: none"> • Review the Audited Financial statements and the source Accounting records for tax exposures • Prepare comprehensive tax exposure reports for the management • Check the Firms Pin status for tax

	TERMS OF REFERENCE	SPECIFIC ACTIONS
		liabilities since date of registration <ul style="list-style-type: none"> • Prepare a comprehensive report of the tax exposures for the period 2010 to date • Suggest mediation avenues of amicably resolving the resultant tax exposures
3	Assess the level of tax compliance with all applicable taxes- Corporation Tax, VAT, Withholding Tax, Withholding VAT, Advance Tax	<ul style="list-style-type: none"> • Undertake an organization wide review of tax compliance- business tax, tax incentives, allowable /disallowable expenses • Check the taxpayers adherence to VAT Act 2013 • Check the taxpayers adherence to the withholding tax regulations • Check the taxpayers adherence to the advance tax regulations of the income tax act
4	Offer guidance to the organization on how to treat wear and tear deduction vis a vis Depreciation of assets in deriving taxable income	<ul style="list-style-type: none"> • Review the fixed assets of the organization to develop a comprehensive Fixed assets register • Prepare a Fixed assets schedule with the proper asset classification as per the IFRS • Undertake Wear and tear Allowance calculation as well as capital allowances • Prepare comprehensive tax computation for the period 2010 to date
5	Advise the Organization of VAT practice and the fiduciary status as a tax collection agent and the resultant responsibilities and	<ul style="list-style-type: none"> • Thorough review of the suppliers invoices for the period January 2010 to date for the supplies subject to VAT. Demarcation of taxable supplies and purchases for the period under review • Review of all the withholding VAT schedules remitted to KRA for omissions and inconsistencies
6	Advise on withholding tax accounting on contractual services, management and	<ul style="list-style-type: none"> • Review all contractor and professional contracts for withholding tax exposures

	TERMS OF REFERENCE	SPECIFIC ACTIONS
	consultancy fees	<ul style="list-style-type: none"> • Review the financial statements for management and consultancy charges and subject the same to tax • Understanding of double tax treaties, various tax rates,
7	Advise the organization on the payroll treatment of non-cash benefits, travel allowances, pensions and their tax implications	<ul style="list-style-type: none"> • Review the payroll for correct PAYE calculations • Check the petty cash payments, imprests and travel allowances for tax compliance • Review the non-cash benefits given to staff and directors for PAYE exposures • Review pre and post travel allowance clearances for PAYE compliance • Taxation of retirement benefits and available tax benefits for pension scheme membership
8	Undertake tax computation based on audited Accounts and prompt filling of annual tax returns for the organization.	<ul style="list-style-type: none"> • Comprehensive review of the Audited Financial statements for tax computation • Computation of Income tax liabilities of the company income based on the 6 tax income heads of: business income, interest income, rental income, investment income. • Derivation of the company's taxable income for the period 2010 to date
9	Conduct in-depth tax audits and health checks to ensure that the organization remits the correct tax to avoid tax exposures and future tax audit penalties and interest. Review what measures the organization could take to assure itself of value for money in carrying out the tax audit	<ul style="list-style-type: none"> • Conduct in depth analysis of all the cash transactions of the firm for tax compliance • Prepare an internal tax review procedure and regulations check list for best practice • Prepare a comprehensive tax exposure report for the firm and assist the firm in settling the resultant taxes as per the tax

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10	Undertake a comprehensive tax sensitization on all NWCPC staff on the existing tax regime- Income tax, VAT, withholding tax, withholding VAT	<p>regime</p> <p>Train the Board members and staff on the following tax topics:</p> <ul style="list-style-type: none"> • Overview of taxation in Kenya- Income Tax Act and the Tax procedures Act 2016 • Income tax tax/ corporation tax • Pay as you earn(PAYE) including the available tax incentives • Value added tax –VAT Act 2013 and the recent changes on the VAT • Capital gains tax and the implications on corporate and individual dealings • Withholding VAT and the responsibilities of the individual and the corporates • Instalment Tax provisions • Managing KRA Audits-triggers of KRA audits and what to do before, during and after KRA audits • Effective tax management and compliance • Tax Planning ideas • Emerging tax issues-Itax, Alternative dispute resolution (ADR), Tax Information sharing, increased powers of the commissioner to appoint withholding tax agents, withholding tax on rent
11	Undertake a 6 month post audit tax health check to ensure that the Organization does not relapse in the tax exposure.	<ul style="list-style-type: none"> • Monthly review of VAT returns to ensure compliance with the VAT act • Monthly review of the Payroll for compliance with the Income tax act • Quarterly review and filing of instalment tax returns as per the income tax • Fortnight review of the

	TERMS OF REFERENCE	SPECIFIC ACTIONS
		withholding VAT schedules in compliance with the VAT withholding agency regulations