

IMPLEMENTATION OF THE ELECTRONIC TAX INVOICE

TAXPAYER EDUCATION

Presented by
Kenya Revenue Authority
May 2022

INTRODUCTION & BACKGROUND

KRA is aligning itself with advances in technology in order to better streamline VAT administration.

This includes the introduction of the **electronic tax invoice**

Achieved through the implementation of the **Tax Invoice Management System (TIMS)**

The overall objective is to increase VAT compliance, minimize on VAT fraud and increase tax revenue

TAX INVOICE MANAGEMENT SYSTEM

TIMS is an enhancement of the ETR regime that was rolled out in 2005.

It aims at plugging loopholes resulting from weaknesses in this regime through: -

- ✓ Integration **with trader systems**, i.e. ETRs, ERPs & Point of Sale (POS) systems.
- ✓ **Standardization and authentication** of tax invoices at the time of generation by the trader and **transmission** to KRA on a real time or near real time basis.
- ✓ Seamless **integration with iTax**.
- ✓ A module for **storage of tax invoice data**.
- ✓ **Verification of the validity** of a tax invoice by officers, traders and the general public through the Invoice QR Code or Tax Invoice Checker on the iTax portal



BENEFITS TO VAT TAXPAYERS



Foster fair business environment



Simplified VAT Return filing (Pre-Filled)



Automated activation of tax register



Faster processing of VAT refunds



Non intrusive verification of tax processes

BENEFITS TO THE GENERAL PUBLIC



Building of trust between
the customer & business
entity



Participate in enhancing Tax
Compliance



Foster patriotism – “Kulipa
Ushuru ni Kujitegemea”

BENEFITS TO GOVERNMENT & KRA

- ✓ Enhanced Revenue Collection
- ✓ Authentic VAT refunds paid
- ✓ Improve ease of doing business climate
- ✓ Good governance in the field of taxation
- ✓ Improved ability to forecast revenue collection
- ✓ Economic analysis & prediction based on accurate data



GOVERNMENT



KRA

- ✓ Enhanced efficiency in service delivery
- ✓ Reduction of VAT Fiscal Fraud
- ✓ Timely Transfer of VAT Fiscal Data
- ✓ Enhancement of Tax Compliance
- ✓ Reduced compliance management cost
- ✓ Enhanced revenue collection

LEGAL PROVISIONS

1. VAT Act 2013 – Section 43 (4)

The Commissioner may require any person to use an Electronic Tax Register (ETR) as may be prescribed, for the purpose of accessing information regarding any matter or transaction that may affect the tax liability of the person

2. Tax Procedures Act 2015 – Section 75

The Commissioner may authorize the submitting of tax documents (including tax returns & tax invoices) through the use of Information Technology

3. The VAT (Electronic Tax Invoice) Regulations, 2020

VAT (ELECTRONIC TAX INVOICE) REGULATIONS, 2020

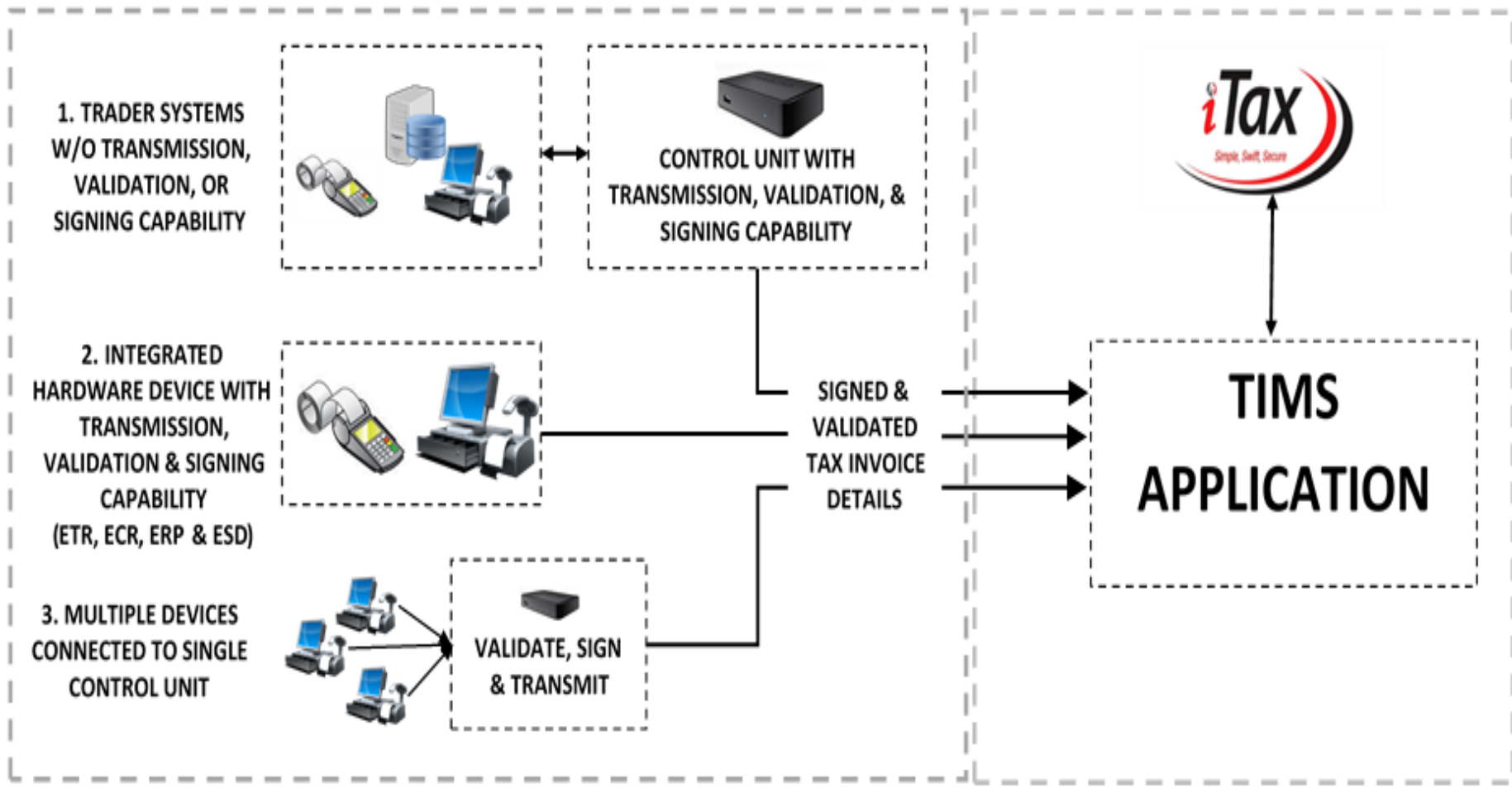


- The ETI Regulations were gazetted on 25th September 2020, Legal Notice 189.
- The Regulations provide for a period of 12 months to comply
- **Public Notice published on 13th July 2021 provided for extension of timelines to comply**
- **Effective 1st August 2021, VAT registered taxpayers are required to use electronic tax registers (ETRs) that meet the requirements outlined in the Regulations.**

TIMS IN A NUTSHELL

TRADER PREMISES

KRA



TIMS COMPLIANT ETR

What is a TIMS compliant ETR? An ETR that is capable of:



All newly registered VAT taxpayers and those who intend to replace their ETRs are reminded to adopt ETRs that are TIMS compliant.

TYPES OF ELECTRONIC TAX REGISTERS

What are the different types of ETRs?

A.



Suitable for small business entities whose record keeping is manual and those who do sales on the move, e.g. van sales since the ETR is portable.

B.



Suitable for retail outlets and shops using point of sale terminals.

C.



Suitable for businesses that have automated their operations and are using software billing systems/ERPs.

D.



Suitable for all types of business entities.



www.kra.go.ke



Kenya Revenue Authority



@KRACare



KENYA REVENUE AUTHORITY

PUBLIC

Tulipe Ushuru, Tujitegeme!

SAMPLE TAX INVOICE

██████████ DISTRIBUTORS LTD
1██████-00100 NRB KENYA
072██████
P1██████████

- START OF FISCAL RECEIPT -

Tran ID: 01-0000-B0AF
Trans no: 51466
Date: 17-12-2020:120348
Transaction By: STAFF 1
Customer Card:
Customer PIN: P██████████IC
Payment By: CASH
Reference:
>
1. Pelikan Stamp Pad without ink
A KES100.00 x 1 100.00
2. Centrum Film Index notes
A KES200.00 x 1 200.00

-----PAYMENT DETAILS-----
SUB Incl. TAX : 348.00
VAT16% @16% : 48.00
ZERO RATED @0% : 0.00
VAT8% @8% : 0.00
EXEMPTED @0% : 0.00
Rounding Adjustment : 0.00
Amount Due 348.00
Cash 500.00
Total Paid: 500.00
Change 152.00

Device Id : 01-0000-B0AF
Receipt No : 0000000057

VATGrp	VARIABLE AMT	VAT AMT
A = 16%	300.00	48.00
B = 0%	0.00	0.00
E = 8%	0.00	0.00
F = 0%	0.00	0.00

- CONTROL UNIT INFO -
CU Serial No: KRAM██████████6
06
CU Invoice No: ██████████5
7



- END OF FISCAL RECEIPT -
REAL-TIME ETR SOLUTION
██████████

A: Buyer PIN

B: Control Unit Serial No.

C: Control Unit Invoice No.

D: QR Code

iTax CHECKERS

Welcome to iTax Online Service Area

[FAQs](#) | [Forms](#) | [Report Problem](#) | [Contact us](#) | [Online Help](#) | [iTax Videos](#)



Do you have a PIN?

Enter PIN/User ID *

Continue

Do you want to apply for a PIN?



New PIN Registration
To get a new PIN, Click Here

[Guidelines for PIN Registration](#)

Manufacturer Authorization



Manufacturer Authorization
To authorize manufacturer, Click Here

iTax Online eServices

PIN Checker

To verify PIN, Click Here

TCC/Exemption/Excise License Checker

To verify your Tax compliance/Exemption Certificate/Excise License, Click Here

WHT Checker

To verify a Withholding Certificate, Click Here

Status Checker

To consult status of your applications, Click Here

Agent Checker

To verify Withholding Agent, Click Here

Control Unit Checker

To verify Control Unit Serial Number, Click Here

Invoice Number Checker

To verify Control Unit Invoice Number, Click Here

Need Assistance?



Contact Us



Report Problem



FAQs



Online Help



Times Tower, Haile Selassie Avenue,
P.O.Box 48240 - 00100 GPO Nairobi Tel: 020-310300, 020-281000 Fax: 341342

Call Center details Tel: 020-4999999, 020-4998000 Cell: 0711-0999999 Email: callcentre@kra.go.ke
Site best viewed in 1024 X 768 resolution with IE 7.0 and above. Site is designed, developed and managed by TATA. ©2011

Powered By



Control Unit Checker – to confirm the validity of an ETR; **input the control unit serial number**. Details populated include - Manufacturer, Supplier & Retailer of the tax register, PIN and Name of Seller (VAT taxpayer), Date of Activation & Status (Compliant/Non Compliant)

Invoice Number Checker – to confirm the validity of an invoice/receipt; **input the control unit invoice number**. Details populated include - Name of seller (VAT Taxpayer), Invoice date, Total Invoice Amount, Total Taxable Amount, Total Tax (VAT) amount.

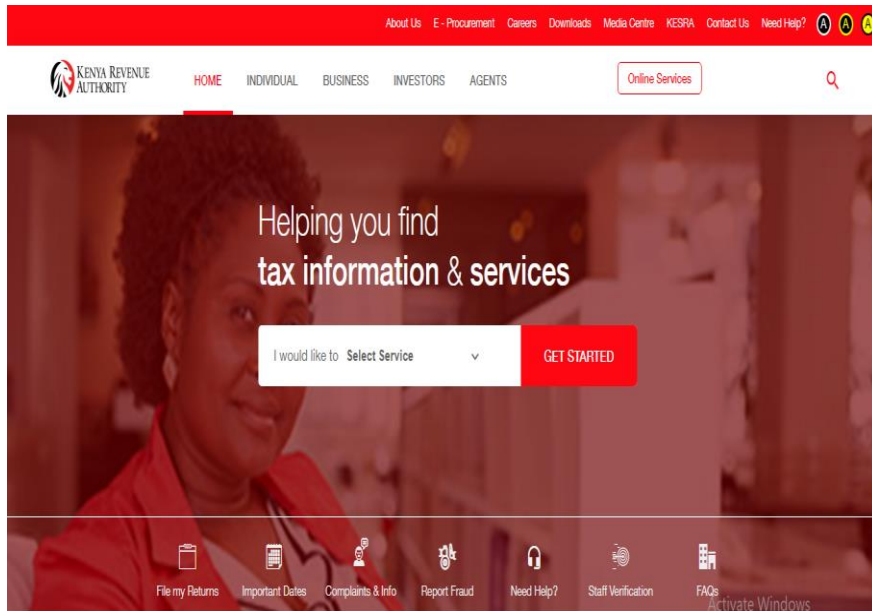
ADDITIONAL FEATURES OF A VALID TAX REGISTER

❑ ***Buyer PIN*** - refers to the PIN of the purchaser. The capture of the buyer's PIN is **optional** when generating an invoice and is only applicable where the purchaser intends to claim input tax for the VAT paid.

❑ **NOTE:** It is the responsibility of the buyer to provide their PIN details to be captured in the invoice where they intend to claim input tax

❑ Capture of Credit and Debit notes

COMMENCEMENT OF ROLL OUT



The following have been published on the KRA Website (www.kra.go.ke):

1. The list of approved ETR Suppliers & Manufacturers; this list will be continuously updated over the course of implementation
2. Guidelines for VAT taxpayers on how comply
3. Electronic Tax Invoice FAQs



Initiatives to support the Roll Out Phase:

1. Continuous Stakeholder Engagement and Taxpayer Education
2. Upcoming Publicity Campaign

How to Comply:

1

Refer to the KRA website for the list of approved ETR Suppliers to get in touch with.

2

Once you acquire a compliant ETR, the device will be auto activated through iTax to enable invoice validation and transmission to KRA.

3

In order to activate the ETR, the VAT taxpayer is required to acknowledge the ETR assigned to them by responding to the confirmation email from iTax.



www.kra.go.ke



Kenya Revenue Authority



@KRACare



KENYA REVENUE AUTHORITY

PUBLIC

Tulipe Ushuru, Tujitegeme!

KEY TO NOTE

- The List of **Approved** ETR Suppliers and Manufacturers is published on the KRA Website.
- Where a taxpayer replaces the existing tax register, they are required to **safeguard the previously used tax register** in line with requirement to keep records for five years as stipulated in Section 23 of the Tax Procedures Act, 2015 (TPA).
- With the 31st July 2022 deadline fast approaching, VAT registered taxpayers are encouraged to **begin the process of transition now & not wait until the last minute.**
- VAT registered taxpayers are reminded to continue filing their VAT returns as stipulated in Section 44 of the Value Added Tax Act, 2013.

DEDUCTION OF INPUT VAT BY TRADE AGENTS

- In line with Sec 42 of the VAT Act, every **tax invoice** should be issued in the Name and PIN of the Supplier and Purchaser.
- In a **tripartite transaction** (involving the supplier, trade agent/clearing agent and the **principal** purchaser) where an agent transacts on behalf of a purchaser or consignee:
 - ✓ The supplier **should invoice the purchaser or consignee** for the supplies made to them and **not the clearing agent**.
 - ✓ The purchaser or consignee **is the party entitled to deduct input VAT** in relation to such a supply.

Refer to KRA Public Notice dated 11th February 2021 – posted on the KRA website

ITEM CODE CONFIGURATION

- In order to determine the correct tax rate applicable according to the category of supply, a unique KRA defined **Item Code** has been provided for supplies categorized as **Exempt, Zero Rate and Other Rate**.
- The ETR will verify the correct tax rate has been applied at the time of invoice generation during the validation process
- All other supplies that do not fall in the 3 categories mentioned above will be taxed at the default VAT rate of 16% and will not bear an Item Code
- Where applicable the relevant Item Codes should be configured in the trader's billing system

POST ROLL OUT EXPECTATIONS

No	Item	Expectation
1	Auto populated VAT return	To be activated upon completion of the Roll out phase
2	Credit Notes	Credit notes for invoices not transmitted to KRA (up until 31 st July 2022) will be raised outside TIMS in line with the 6 month provision
3	Input tax claims	Input tax claims for invoices not transmitted to KRA (up until 31 st July 2022) will be allowed in line with the 6 month provision
4	VAT Refunds	Invoices submitted for VAT refund claims from 1st August 2022 will only be allowed for TIMS compliant invoices

REPERCUSSIONS OF NON COMPLIANCE

A person commits an offence if they:

- a) Fail to comply with the provisions of the VAT (Electronic Tax Invoice) Regulations, 2020
- b) Tamper, manipulate or interfere with the proper functioning of the ETR

The applicable penalty is as specified under Section 63 of the VAT Act 2013 – ***a fine not exceeding one million shillings or imprisonment for a term not exceeding 3 years, or both.***

EMERGING AREAS OF CLARIFICATION

Tax point

**Instalment payment
plan/Hire Purchase**

**Credit
Notes**

**Discount and
rebates**

**Capture of Non
Fiscal Data:**

- 1. Foreign Currency**
- 2. Disbursements**
- 3. Tourism Levy**

**Consolidating of B2C
sales**

1. Tax Point

Legal Provisions - VAT Act 2013

Sec 12. Time of supply of goods and services

The time of supply shall be **the earlier** of:-

- a) Date on which the **goods are delivered**/services performed
- b) Date a **certificate is issued** by an architect, surveyor or consultant
- c) Date of **issuance of an invoice**
- d) Date in which **payment for the supply is received** in whole or in part

2. Instalment Payment Plan/Hire Purchase

Legal Provisions - VAT Act 2013

Sec 12. Time of supply of goods and services

(3) If

- (a) goods are supplied under a rental agreement; or
- (b) goods or services supplied are made by metered supplies, or under an agreement that provide for periodic payment payments
 - i) The goods or services shall be **treated as successively supplied for successive parts of the period** of the lease or agreement or as determined by law
 - ii) The time of each successive supply shall be **earlier of the date on which payment of the successive is due or received**

3. Discounts and Rebates

Legal Provisions VAT Act 2013

Sec 13. Taxable value of supply

(3) **The consideration of supply**, including a supply of imported services, shall be the total of –

- a) the amount in money paid or payable, directly or indirectly, by any person for the supply

Reduced by any discounts or rebates allowed and accounted for at the time of the supply.

4. Credit Notes

Legal Provisions - VAT Act 2013

Sec 15. Deemed taxable supply

(1) Where **goods are returned** to the registered person or, for good and valid reason, the registered person **reduces the value of the supply after the issue of a tax invoice**, a credit note shall be issued for the amount of the reduction

(6) **A credit or debit note issued** under this section shall be **serially numbered** and shall **include details of the name, address and personal identification number of the person to whom it is issued and sufficient details to identify the tax invoice** on which the supply was made and the tax that was originally charged.

5. Consolidating of B2C Sales

Legal Provisions - VAT Act 2013

Sec 42. Tax Invoice

(1) **A registered person** who makes a taxable supply **shall** at the time of supply **furnish the purchaser with the tax invoice** containing the prescribed details for the supply

6. Capture of Non Fiscal Data

- The TIMS compliant ETRs will be configured to transmit **only the fiscal details** of the invoice to KRA.

Fiscal details include (& are not limited to):

PIN of seller, date & time of transaction, invoice number, description of supply, unit cost, quantity, gross amount, taxable amount, tax rate charged, tax amount, etc.

- The non fiscal data captured on the invoice **will not constitute the invoice details transmitted to KRA.**
- *Examples of non fiscal data: foreign currency amounts, tourism levy, disbursements, promotional messages, loyalty points, etc.*

6. Capture of Non Fiscal Data Cont....

Key to Note:

1. **The unit of currency** in books of account, records, paper registers, tax returns or tax invoices shall **be in Kenya shillings**. (*Tax Procedures Act 2015 Sec 23 -Record Keeping*)
2. The **recommended Kshs exchange rate** to be used for foreign currency invoice amounts is the CBK rate for the day.
3. Where **tourism levy** is captured on an invoice, only the fiscal data relating to computation of VAT will be transmitted to KRA. Hence the invoice amount transmitted to KRA will be **less** the value of tourism levy and service charge.
4. Disbursements refer to **payment of taxes done on behalf of the taxpayer by an agent** e.g. clearing agents, lawyers, tax agents, etc. The details for the disbursements will be considered as non fiscal data therefore not transmitted to KRA.

However, **the agent is required to invoice the client for services rendered** and declare the VAT thereof for the commission or fees charged.

CONTACT US

**TIMS Operations
Unit**

timsupport@kra.go.ke

*Thank
you*

