



**BUSINESS STRATEGY, TECHNOLOGY & ENTERPRISE
MODERNIZATION DEPARTMENT**

iTax Enhancements and Resolution of Defects

December 2025 & January 2026

iTax Enhancements

1) Pre-population of Income Tax Returns

- **Pre-Population of Individual Income Tax Returns (ITR & ITNR) with Employment Income Tax Credits** - A system enhancement was undertaken to pre-populate both the web-based and excel returns for ITR and ITNR with information from the respective employer PAYE returns e.g. gross employment income, taxable income, tax charged on taxable salary, amount of PAYE deducted, allowable deductions - SHIF, Pension, PRMF, Mortgage, AHL, Personal and Insurance Reliefs. This will be applicable from the 2025 returns being filed from 1st January 2026. This is to enhance the user experience during the filing process. Additional enhancements are underway to provide for the filing of ITR for employment income only through ecitizen.kra.go.ke and KRA M-Service channel.
- **Pre-Population of Individual and Non-Individual (ITR, ITNR, IT2P, IT2C) returns with Payments, Withholding and Advance Tax Credits** – The excel returns for these tax obligations have been enhanced to include pre-population of instalment tax payments, withholding income tax including withholding rent credits, advance tax credits, self-assessment/balance of tax payments where applicable for respective tax periods. In addition, the IT2P return will be pre-populated with list of the partners under basic information sheet and amounts of WHT including WHTRENT and advance tax credits in the respective sheets. This has been done to enhance the user experience during the filing process. Taxpayers will be required to use the link for ‘**download auto-populated return**’ as shown below, to download the prepopulated excel return.

All fields marked with * are mandatory

Income Tax - Resident Individual Form	
Type of Return*	Amended <input type="button" value="v"/>
Return Period From*	<input type="text"/> <input type="button" value="i"/>
Return Period To	<input type="text"/>
	Download Autopopulated ITR Return
Upload Form*	<input type="button" value="Choose File"/> No file chosen



All fields marked with * are mandatory

Income Tax - Company Form	
Type of Return*	Amended <input type="button" value="v"/>
Return Period From*	<input type="text"/>
Return Period To	<input type="text"/>
Download Autopopulated IT Company Return	
Upload Form*	<input type="button" value="Choose File"/> No file chosen

Allowed File Type: .zip

2) Validation of Income and Expenses in Income Tax Returns

As provided in the Finance Act 2023 with subsequent amendments to the Income Tax Act and Tax Procedures Act, including the regulations, the following validations have been implemented for 2025 income tax returns. These provisions were effective from 1st January 2024. The system implementation as per Public Notice issued on 7th November 2025 is effective from 1st January 2026 for 2025 income tax returns going forward.

- **Gross Income/Turnover Validation against TIMS/ETIMS Invoices and Gross Amounts as per WHT Credits:** Upon uploading the income tax returns for 2025 (ITR, ITNR, IT2P and IT2C) on iTax, the declared gross turnover will be validated against the higher of TIMS/ETIMS sales invoice or Gross Amounts as per WHT Credits for the period. The TIMS/ETIMS sales will be net sales having adjusted for credit notes for the periods. For WHT Certificate credits, only the transactions whose WHT is not final will be considered. The system will allow upward adjustment of gross turnover and income where applicable. For WHT Credits, the system uses the payment date which is the tax point to post WHT credits to the Withholdee ledger e.g. if a withholder generates a PRN on 31st January 2025 but captures the payment date (earlier of cash or accrual) as 1st January 2023, the system will post this WHTIT credit to the 2023 ledger and not 2025.
- **Validation of Allowable Expenses Against TIMS/ETIMS Invoices:**

As provided by section 16(1) c of the Income Tax Act, upon uploading the income tax returns for 2025 (ITR, ITNR, IT2P and IT2C) on iTax, the claimed expenses and purchases in the return will be validated against the respective PIN number on the TIMS/ETIMS transmitted purchase invoices. This will exclude the exemptions provided under section 23A of the TPA and paragraph 10 of the electronic tax invoice regulations relating to emoluments, imports, investment allowances including internal accounting adjustments, airline passenger ticketing, interest,



fees charged by financial institutions, expenses subject to withholding tax that is a final tax, services provided by a non-resident person without a permanent establishment in Kenya.

The expenses claimed under profit and loss account will also be validated against the expenses in the tax computation sheet to ensure that only valid expenses are claimed in the IT returns. For imported goods, the system will validate with the customs business system i.e. ICMS. For the exemptions, taxpayers will be required to claim them under the specific fields provided in the profit and loss account and investment allowances sheets where applicable. All other expenses claimed under a different field or sheet not relating to the exemptions will be validated against TIMS/ETIMS sales. The system will allow claiming less expenses to take into account expenses not wholly incurred to generate the taxable income.

NB:

- Purchases relating to VAT Special Table Suppliers will also be disallowed
- **Emerging Issues on the Income Tax Return Validation** – This validation was effective from 1st January 2026 for the income tax returns with return periods ending in 2025. Since November 2025, feedback has been received from internal and external stakeholders (e.g. ICPAK, KNCCI) to streamline and support the transition in the 1st year of rollout. The following concerns have consistently featured in the various stakeholder engagements;
 - ❖ **Accounting Adjustments, Provisions including accrual accounting concepts, deferred income, prepayments, WIP etc.** – These may necessitate certain adjustments to the validated income and expenses as per existing system validations, depending on the overall net effect in a tax period. A new sheet will be provided with the relevant validations and tracking of these adjustments to the future periods where the revenue needs to be recognized, or the expenses need to be claimed, as guided by relevant IFRS and IAS provisions.
 - ❖ **Manual/Non TIMs or ETIMs Purchases and Expenses** – To accommodate genuine business expenses fully incurred to generate taxable income during the 1st year of rollout, a new sheet is being considered to allow claiming of these expenses and purchases.
 - ❖ **Claiming of VAT-Inclusive expenses** by Non VAT registered Taxpayers, as it is part of the cost to the business.
 - ❖ **Exclusion of MRI and TOT turnover**, where applicable to the Income being validated in the annual income tax returns



for ITR and IT2P returns by resident persons – This will avoid double declaration of expenses.

- ❖ **Treatment of Erroneous/Outlier TIMS/ETIMs Invoices** –Due to the risk of Revenue, these will be handled on a case by case basis after analysis by respective account managers. Affected taxpayers should engage their TSOS so that such cases are analyzed and forwarded for correction, where applicable.

Further clarification will be provided in the upcoming change management activities.

3) Finance Act, 2025 Changes

- **Loss Carry Forward Limitation** - The Finance Act 2025 introduced a five-year limit on the carry-forward of trading losses. The system has been enhanced to limit the carry-forward of losses to five (5) years to align with this legislative change for all return periods ending after 1st July 2025.
- **NIFCA Certified and NIFCA Start Up Company** – The system has been enhanced to allow application for preferential rate for the above companies registered by NIFCA. The application is under the Registration menu >>exemptions, reliefs and preferential rates, >>registration for preferential tax rate. A task will be created to KRA for approval. Once the task is approved, the taxpayer can file the income tax with return by selecting 'Yes' to the question 'have you been granted any preferential rates' and choosing the applicable option.

8	Do you have any foreign income?	Yes
9	Have you been granted any preferential rates? *	Yes
0	Type of Preferential Tax Rates *	NIFCA certified Company ▾
1	Preferential Tax Rate Approval Certificate Number *	
2	Preferential Effective Date	

- **Time Limitation of VAT Refunds Application:** Effective 1st July 2025, the time limit for lodging VAT refund claims on excess input tax was changed from 24 months to 12 months from the date the tax becomes due and payable. Taxpayers with excess input for July 2024 and onwards will qualify to apply for a refund under the new 12-month provision effective from that date.



- **Timeline for Bad Debts Refund Application:** The timeline for lodging refund of tax on bad debts has been reduced from three years to two years from the date of the supply in line with Finance Act 2025.

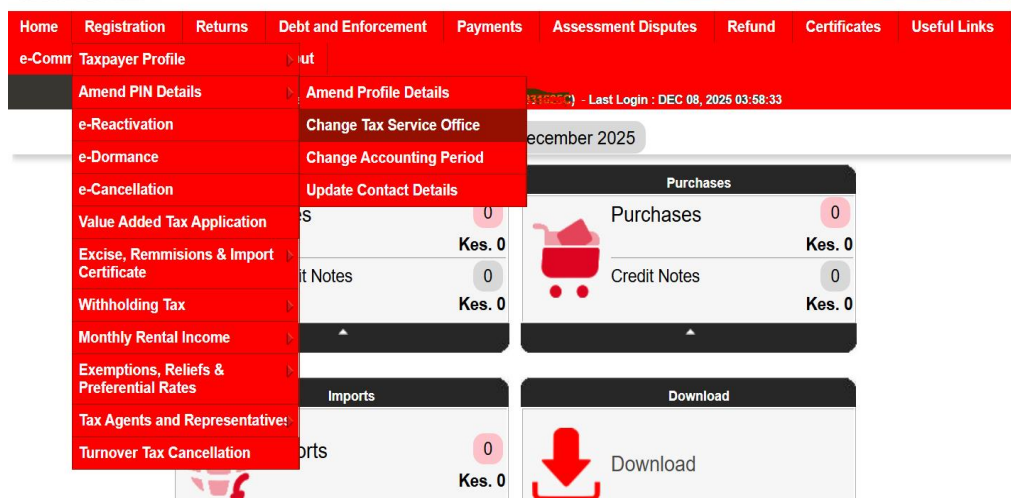
4) Resolved Bugs/System Issues

a) Taxpayer Registration Module

- **Application for Change of Tax Service Office/Station:** The system has been enhanced to create a stand-alone menu for taxpayers to request change of Tax Service Office (TSO)/Station as shown below. This process has been delinked from other registration amendments (e.g. change of email) to enhance user experience.



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- **PINs with No Obligation (PWO) Amendments:** Taxpayers could not amend PIN details to include relevant tax obligations to PWOs acquired through KRA M-service due to missing details such as alternative contact address, county, district, etc. This issue has been resolved.
- **Change of Station when doing PIN amendments:** When amending PIN details to change the email or telephone contact, the system would not allow due to misalignment between the principal physical address and the current TSO, as shown in the image below. This issue has been resolved, and KRA officers are able to facilitate deserving cases where taxpayers cannot access their existing emails.

Principal Physical Address			
L.R. Number	N/A	Building*	N/A
Street/Road*	HARAMBEE AVENUE	City/Town*	Nairobi
County*	Nairobi	District*	Central District
Tax Area/Locality*	CBD	Descriptive Address	EASTLEIGH

(Maximum Characters: 200)
You have 155 characters left.

- **VAT Application for Digital Economy Taxpayers:** The iTax System has been enhanced to exempt taxpayers who are registered under the digital economy regime (DETO) from eTIMS/TIMS registration requirement when making an application for VAT obligation or Tax Compliance Certificate.
- **PWD Certificates on eCitizen:** PWD exemption applications are now processed on eCitizen, and it allows taxpayers to initiate renewal applications **90 days** before expiry of the current certificate. The system has been sending reminder emails to the PWDs through their registered iTax emails, reminding them that their IT Exemption Certificate will expire and they need to start the renewal process. The message to be shared with taxpayers is as follows;

Dear Taxpayer,
Please note that your Income Tax Exemption Certificate Validity
Period will expire in 90 days.
Kindly log in to eCitizen to initiate the renewal process in time before
the current Income Tax Exemption Certificate expires.

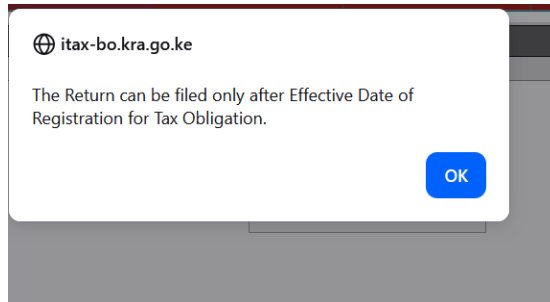
Regards

b) Tax Returns Filing/Processing Module

- **Reinstatement of NIL Return Filing:** The Nil Filing Return Option has been reinstated after the necessary system validations have been embedded for the 2025 returns to be filed after 31st March 2026. Filing for 2024 income tax returns and prior periods, and other monthly obligations like PAYE, Excise, MRI, TOT, etc., can proceed as before. Apologies for any inconvenience caused.
- **Banks Details for Web based ITR Return Filing:** When filing ITR for employment income only for a taxpayer in a refund position system should not require taxpayer to capture bank details. This is to align the form with the excel template where the bank details section is disabled. The taxpayer will capture the bank details upon applying for a refund.



- **Challenges Filing MRI Returns:** Newly registered MRI taxpayers have been having challenges filing MRI Tax returns due to the error highlighted below. This issue has been resolved and affected taxpayers can now file the returns.



- **Filing the Simplified PAYE Returns for Multiple Uploads:** The System could not allow filing of PAYE returns both in taxpayer and back office profiles for those taxpayers with multiple PAYE uploads when using the simplified return form, as an error ID was being displayed, e.g., TSC, NPS, etc. This issue has been resolved. However, taxpayers need to ascertain that the correct format of the CSVs, as shared on the KRA Website under Publications, is being used in the filing of the respective PAYE returns.
- **Error when amending PAYE returns for periods before April 2025** – Taxpayers amending PAYE returns for periods before rollout of the simplified PAYE return have encountered an error message ***‘The template you uploaded is of incompatible type.’*** Taxpayers need to download latest template from KRA Portal and use the same.’ When using the old PAYE template version 26.0.10. The issue is under resolution. For April 2025 going forward, taxpayers can use the simplified PAYE returns in case they encounter an error.
- **Missing PAYE Credits for November and December 2025** – Employees for select employers are missing PAYE credits for the above periods. While we explore a generic solution, employers can be supported by debt officers in the respective TSOs to post the missing credits. This will also support the ongoing early filing campaigns being driven by KRA.

c) Payments, Debt and Ledger Management

- **Offset of Legacy Voucher for Legacy Debts:** During the offset of legacy vouchers for legacy debts system was having an *‘Please enter valid Payment Registration Number/ Overpayment Adjustment Voucher Number’*. This issue has been resolved.



- **Validation Check on Submitting Another Payment Plan Application:** The 'New Payment Plan Module' has been enhanced such that, the system will restrict taxpayers from initiating a new payment plan application for any liability generated after the creation of an existing plan, if the previous plan remains unpaid. Taxpayers will get a prompt when they try to re-apply *"You have an active payment plan. Please complete payment of the existing plan before initiating a new one"*.
- **Standard Levy Changes:** Following the publication of the Standards Levy Order, 2025 (Legal Notice No. 136, dated 8th August 2025), parameters for Standard Levy payment have been updated on iTax as follows;
 1. Update Maximum threshold from the current Kshs. 400,000 per annum to Kshs. **4,000,000** per annum
 2. Enforce minimum threshold for **Kshs. 1,000** per month
- **Resolution of 18th March 2021 Withholding Tax Ledger Issues:** The issue of pending debits for Withholding Taxes (IT, Rent and VAT) relating to payments that were registered on 18th March 2021 and subsequent issuance and utilization of Withholding Adjustment Vouchers (WAV) has been resolved.
- **Payment of Sugar Development Levy (SDL) Penalties:** Following the appointment of KRA by the Kenya Sugar Board as the collector of SDL, the system was not allowing the generation of a payment slip for penalties alone for a period during which sugar levy payment had been generated and already paid. This issue has been



resolved, and affected taxpayers can now generate payment slips for penalties for affected periods.

- **Issue on Set-off Advance Payment Functionality:** There was a reported issue where taxpayers using the advance payment set-off functionality noted that the system did not post advance payment ledger entries as a credit in the taxpayer's main ledger and as a debit in the advance payment ledger. This issue has now been resolved.
- **Resolution of Payment Registration Obligation Error for default and additional assessments payments** – Recently, the number of characters for the iTax assessment orders increased from 15 to 16, creating a challenge for some users to generate a PRNs for select obligations like CGT, Advance Tax, WHIT, WHRENT, WHVAT, etc. This also affected objection and appeal applications, which can now be lodged. Affected users are advised to clear their browser history before attempting again.
- **DTA for Denmark on Gains or Profits for a Ship Owner under 9(1) of the Income Tax Act**
This has been implemented on the excel template. The web option had already been effected. So far France and Denmark DTAs have been implemented at WHT rate of 1.25% (50% of the normal 2.5%) available both in web and excel WHT options.

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