



**iTax Enhancements and Resolution of Defects for January 2025  
Volume 2**

**1. Tax Laws Amendment Act 2024 Changes**

**(a) Excise Duty**

**(i) Imposition of excise duty on imported excisable goods -  
Additions to import certificate registration**

The system has been enhanced to allow taxpayers to apply for import certificates for the following new category of goods introduced by the Tax Laws Amendments Act, of 2024. Taxpayers will be required to apply for an import certificate, pay the requisite fee and have the approval concluded at the TSO as per the existing procedure. The goods include:

- Coal
- Printed paper and paperboard of tariff heading 4811.41.90 or 4811.49.00
- Imported Fully Assembled Electric transformers and parts
- Imported printing ink of tariff 3215.11.00 and 3215.19.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin
- Imported Ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures of tariff heading 6910
- Imported Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked of tariff 7007
- Imported ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics of tariff 6907
- Imported Saturated polyester tariff 3907.99.00
- Imported polymers of vinyl acetate/vinyl esters of tariff 3905.21.00
- Imported emulsion-styrene acrylic of tariff 3903.90.00
- Imported self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls of tariff number 3919.90.90,



3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90'. (**Note:** this is a revised description for 'imported plates of plastic of tariff heading 3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90').

## (ii) Additions to Excise License Registration - Goods

The following new category of goods have been added to the list of products taxpayers can apply an Excise License for;

- **Licensed Small Independent Brewers** – The Tax Laws Amendment Act, 2024 provided that beer, cider, perry, mead, opaque beer and mixtures of fermented beverages with non-alcoholic beverages and spirituous beverages manufactured by licensed small independent brewers shall be subject to the rate of “Ksh 10 per centilitre of pure alcohol. The iTax Excise license application functionality has been enhanced to allow this category of taxpayers to apply for excise licenses. Approval of the same will be done as per the guidelines by P&TA.

## (iii) Excisable Services - Change in Label

- Advertisement fees on TV, print media, billboards, radio stations, **internet and social media** (For alcoholic beverages, betting, gaming, lotteries and prize competition) (**Note:** This is a revision to include ‘**internet and social media**’) as provided in the tax laws amendment act 2024

## (iv) Removal from the list of excisable products - Goods

The following list of items has been removed from the list of imported excisable products

- Imported paper or paper board, labels of all kinds whether or not printed of tariff heading 4821.10.00 and 4821.90.00
- Imported pasta of tariff 1902 whether cooked or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni, couscous, whether or not prepared.



**(v) Excise Duty Rate Changes**

The following Excise Duty Rate changes have been effected on the excise return to comply with the Tax Laws Amendment Act, 2024. Taxpayers are required to download the current version of the auto-populated excise return, capture the tax period, and other relevant information for the rates to be visible with effect from the January 2025 Return.

		<b>Previous Tax Rate</b>	<b>New Tax Rate (w.e.f January 2025)</b>
<b>Excisable Goods</b>			
<b>1</b>	Beer (all classes)	Kshs 142.44 per litre	(i) Kshs. 22.50 per centilitre of pure alcohol  (ii) Kshs. 10.00 per centilitre of pure alcohol for small independent brewers
<b>2</b>	Wines (all classes)	Kshs 243.43 per litre	Kshs. 22.50 per centilitre of pure alcohol
<b>3</b>	Spirits and Spirituous Beverages (all classes)	Kshs. 356.42 per litre	Kshs.10 per centilitre of pure alcohol
<b>4</b>	Tobacco and Tobacco Products - Tariff 2402.20.10.90 (Cigarettes without filters-plain cigarettes)	Kshs. 2,926.41 per mille	Kshs. 4,100 per mille
<b>5</b>	Tobacco and Tobacco - Products - Tariff 2402.20.10.10 (Cigarette	Kshs. 4,067.03 per mille	Kshs. 4,100 per mille



		<b>Previous Tax Rate</b>	<b>New Tax Rate (w.e.f January 2025)</b>
	with filters - hinge lid and soft cap)		
<b>6</b>	Tobacco and Tobacco - Products Tariff - 2403.99.90 (Products containing nicotine or nicotine substitutes intended for inhalation without combustion or oral application)	Kshs. 1,594.50 per kg	Kshs. 2,000 per kg
<b>7</b>	Tobacco and Tobacco - Products Tariff - 2403.99.90 ( Liquid nicotine for electronic cigarettes)	Kshs. 70 per millilitre	Kshs. 100 per millilitre
<b>8</b>	Plastics – Tariffs 3923.30.00, 3923.90.90	-	10% of excisable value
<b>Excisable Services</b>			
<b>1</b>	Betting, gaming, lottery and prize competition	12.5%	15%

**(vi) Change in computation of excise duty on alcoholic products**

The Excise return has been updated to provide for computation of excise duty payable based on alcoholic strength (i.e. per centilitre of pure alcohol). This will take effect from January 2025 tax return moving forward. The affected category of goods and the corresponding excise duty tax rates as below:

	Category of goods	Excise Duty Rate
1	Wines including fortified wines, and other alcoholic beverages obtained by fermentation of fruits	Kshs. 22.50 per centilitre of pure alcohol
2	Spirits of undenatured ethyl alcohol; spirits liqueurs and other spirituous beverages	Kshs. 10 per centilitre of pure alcohol
3	Beer, Cider, Perry, Mead, Opaque beer and mixtures of fermented beverages with non-alcoholic beverages	Kshs. 22.50 per centilitre of pure alcohol
4	Beer, cider, perry, mead, opaque beer and mixtures of fermented beverages with non-alcoholic <b>by licensed small independent brewers</b>	Kshs. 10 per centilitre of pure alcohol

The above rates have been effected in the Excise return template and will be applicable when the taxpayer downloads the updated excise return version 8.0.10, captures the tax period, selects the class of goods, tariff category and all other mandatory fields in the return. **Column R** in sheet **B1\_Excise\_Payable\_Goods**, in the excise return, will allow taxpayers to capture the % **alcohol content** for each brand declared. The return will automatically convert the declared volume (litres) into centilitres and compute the excise duty payable based on the % alcohol strength declared in Column R.

For instance, if a taxpayer delivered 1000 litres of wine for Brand X in the month whose alcohol content is 12%, the excise duty payable in the return will be as follows; 1000 litres \* 100 ( to convert litres to centilitre's) \* 22.5 \* 12% = 270,000.





## **b) Income Tax**

### **(i) Repeal of Digital Service Tax (DST) and Introduction of the Significant Economic Presence Tax (SEPT)**

The system has been enhanced to replace DST with SEPT, effective from 27<sup>th</sup> December 2024. New taxpayers who register for this regime will be assigned SEPT obligation. This is to comply with the Tax Laws Amendment Act, 2024.

- Existing taxpayers who had DST obligation have also been assigned the SEPT obligation and an 'end date' assigned to DST obligation.
- Existing taxpayers will be able to make payments for both DST (for periods before 27/12/2024) and SEPT (for periods after 27/12/2024).
- The existing simplified registration form has been updated to allow new eligible Taxpayers to Register for SEPT. These changes have been effected on both the taxpayer portal and back-office.
- When registering for payment, the system will allow taxpayers to capture gross turnover. The deemed taxable profit (10% of declared turnover) will be automatically calculated). Tax payable will also be automatically computed (i.e. 30% of the deemed taxable profit).
- Penalties and interest will be imposed automatically based on the due date (20<sup>th</sup> day of the subsequent month).
- System will allow visibility of both DST and SEPT ledgers for the affected taxpayers.

**Note:** There are identified issues that are still under resolution for SEPT (*i.e. for new registrants the acknowledgment receipt still shows DST, and on approval, the SEPT obligation is not visible under the taxpayer profile*).

- ### **(ii) Changes for CGT 2- NIFCA Certified Firm** - The investment threshold or \*Cost of Initial Investment \* for entities paying CGT under NIFCA certification has been changed from Kshs 5 billion to Kshs 3 billion. Other prerequisites as provided for in the





Finance Act 2022 and Section 34 of the Income Tax Act still applies. Taxpayers eligible for this are still required to apply for the preferential tax rate and pursue the necessary approvals.

- (iii) **Updated ITR and ITNR with allowable deductions and reliefs as per Affordable Housing Act 2024 and Tax Laws Amendment Act 2024** – The above changes are yet to be updated to the ITR and ITNR returns as the issue is still in progress. Affected taxpayers are advised to await the updates to avoid amending the returns later with the relevant allowable deductions/reliefs which will require a downward approval by the TSO.

**(c) Tax Procedures Act 2015 Changes**

- (i) **Offset of Overpaid Taxes on Installment Taxes:** The offset of overpaid taxes functionality (OAVs) has been enhanced to include utilization for payment of installment taxes.

**2. Clarifications on the VAT Prepopulated Return common issues being raised by taxpayers.**

Following the rollout of the prepopulated VAT return for November and December 2024, the following issues have been reported by select taxpayers.

- (i) **Duplicated TIMs invoices** – This arose when the taxpayer's ERP system prompted the TIMS device to transmit a CU invoice more than once to KRA. From the invoice checker, the invoice has the correct amount but on the sales and purchases CSVs, the amount is higher as it is consolidated as per the number of transmissions. The issue has been resolved and affected taxpayers who had not filed the November and/or December 2024 returns can proceed to file and declare correct sales. For the taxpayers who have already filed the return, they can amend the returns and reduce the sales downwards





or claim the correct credit note amounts and pursue relevant approvals at the TSO.

Those taxpayers who transmitted different CU invoices mapped to the same trader invoice are required to issue credit notes to reverse the erroneous sales as their issue is not part of the scope of the above solution.

- (ii) **Overstated and understated eTIMS invoices** – This issue arose mainly for taxpayers with head office and branches in eTIMs and also those whose summation of their line items as per invoice does not tally with the total amount as per the invoice header. Resolution of the issue is still in progress and we hope to resolve it by the due date in February 2025.
- (iii) **Dropping of PINs on transmission for android PDAs and tablets solutions** – the issue is under resolution.
- (iv) **Taxpayers having issues with KPLC** – Following consultations with KPLC, KPLC has issued a public notice for all their customers to update their relevant records with them for a more efficient invoicing process and better VAT return filing experience.
- (v) **Error ID when uploading the VAT return or system time-out on upload** – This is a performance issue affecting taxpayers declaring many entries under sheet B or D1 where applicable which is under resolution. For now, affected taxpayers are advised to declare fewer entries on a line item or declare all sales as a lump sum and proceed to file the return.
- (vi) **Sales invoices being declared on a line item being rejected with the system indicating they are not TIMS/ETIMS invoices** (i.e. *“Invoice number yy with invoice date dd is not in TIMS or eTims invoices”*). The main causes of the error are as follows;
  - a) Taxpayer declaring sales not transmitted with the buyer PIN as per invoice checker on a line item – The solution is to declare sales as a lump sum.



- b) Taxpayers declaring sales not transmitted yet to KRA – The solution is to transmit the sales to KRA and then declare the B2B sales on a line item where applicable. Alternatively, the taxpayer can still capture the sales as lumpsum.
- c) Taxpayers declaring the sales with an erroneous PIN of customer or invoice date or Invoice number as per what is captured in the CSV or invoice checker mostly for taxpayers using their ERP transactions. The solution is to capture correct details or declare the sale as a lumpsum

**(vii) Purchase Invoices being rejected because the invoice is not TIMS/ETIMS compliant** (i.e. *“Invoiced number xxx with invoice date xxx is not in TIMS/eTIMS invoices”*). This will affect general rated, zero rated and exempt purchases). The main reasons for this issue is as follows;

- a) The supplier has not transmitted the invoice to KRA – Solution is supplier to connect their device to the internet and transmit the invoices.
- b) The supplier did not capture the PIN of the buyer or the buyer did not provide the PIN –Engage the supplier to issue another invoice with buyer details.
- c) The supplier transmitted the invoices to KRA without the buyer PIN as per invoice checker despite the PIN being captured/printed on the physical invoice – This is a supplier related configuration issue mostly affecting TIMS invoices. Such invoices will appear under B2C sales CSVs on the supplier side. The supplier will be required to engage their TIMS device supplier to resolve the issue and then issue correct invoices and transmit with the buyer PIN to KRA for the buyer to claim input tax.
- d) The taxpayer is claiming input using an erroneous PIN of supplier or Invoice date or Invoice Number as per invoice checker or prefilled as per sheet F CSVs. Mostly affects suppliers claiming purchases as per the ERP data which may have errors.



- e) Claiming Zero rated purchases – Currently the CSVs for zero rated purchases have not been availed hence taxpayers should not declare them in the return until the issue is resolved.
- (viii) Mandatory claiming of credit notes under sheet F of the VAT return as per system message *“Your relevant invoice number xx with relevant invoice date xx as per TIMS or eTIMS, is not declared. Please declare it.”* – It is not mandatory to claim any purchase except if it is a credit note. The current error message refers to the relevant invoice number mapped to the credit note which could have already been declared in a previous return or the current return. The solution is for the taxpayer to declare the credit note as prefilled in their CSVs which has a negative taxable value and also declare the relevant invoice details as applicable.

### 3. Resolution of Bugs and Defects

- (i) **PAYE Return Filing Error for Affordable Housing Levy Deduction for January 2025** – The PAYE return has been updated with all relevant Tax Laws Amendment Act 2024 changes effective from December 2024. **Mandatory Claiming of Disallowed Credit Notes:** a solution has been provided for certain scenarios that pose challenges in relation to credit note declaration when filing the pre-filled VAT return.
- A taxpayer amended a previous return to disallow a credit note. With the rollout of the VAT auto populated return the same credit note is availed in the Sec F invoice data sets. The taxpayer gets a challenge in declaring the same credit note as the system gives the error message "Invoice number xxxxxx with invoice date dd/mm/yyyy is already claimed in the previous return".
  - The second scenario is where a taxpayer has a sales credit note and the relevant/original invoice was not declared on a line item in the original return either for the same period or prior periods within 6 months of the

invoice date hence taxpayer introduces it on a line item on a subsequent return(amended, data correction etc.). The taxpayer now wants to claim the credit note but system rejects it since it is validating the original return instead of the active return for the period

- (ii) Late objection for IT Withholding Default Assessments:** Some taxpayers had challenges attempting to lodge late objections for Withholding income tax default assessments because the system populates zero amount. This is even though the assessments had payable (positive) amounts. The issue has been resolved.

**END.**