IMPLEMENTATION OF THE ELECTRONIC TAX INVOICE

TAXPAYER EDUCATION

Presented by
Kenya Revenue Authority
November 2021
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)
TIMS is an enhancement of the current 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 issued by VAT traders 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.
TIMS OBJECTIVE

To increase VAT compliance, minimize on VAT fraud and increase tax revenue.

This will be achieved through:

- Real time validation of invoices at the trader tills prior to issuance to the customer and transmission to KRA
- Improving accuracy in automated VAT data management (to address invoice discrepancies)
- Minimizing VAT fraud through verification of invoice data
- Standardization of tax invoices and receipts
- Simplified return filing – pre filled VAT return
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

**GOVERNMENT**

- 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

**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)

2. Tax Procedures Act 2015 – Section 75

3. The VAT (Electronic Tax Invoice) Regulations, 2020
• The ETI Regulations were gazetted on 25\textsuperscript{th} September 2020, Legal Notice 189.

• The Regulations provided for a period of 12 months to comply.

• Public Notice published on 13\textsuperscript{th} July 2021 provided for extension of timelines to comply.

• Effective 1\textsuperscript{st} August 2021, VAT registered taxpayers are required to use tax registers that meet the requirements outlined in the Regulations.
TIMS IN A NUTSHELL

1. TRADER SYSTEMS W/O TRANSMISSION, VALIDATION, OR SIGNING CAPABILITY

2. INTEGRATED HARDWARE DEVICE WITH TRANSMISSION, VALIDATION & SIGNING CAPABILITY (ETR, ECR, ERP & ESD)

3. MULTIPLE DEVICES CONNECTED TO SINGLE CONTROL UNIT

TRADER PREMISES

CONTROL UNIT WITH TRANSMISSION, VALIDATION, & SIGNING CAPABILITY

KRA

iTax

SIGNED & VALIDATED TAX INVOICE DETAILS

TIMS APPLICATION

PUBLIC
<table>
<thead>
<tr>
<th>No</th>
<th>Type of ETR</th>
<th>Description</th>
<th>Best Suited for</th>
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</table>
| 1  | Type A      | Refers to an integrated ETR with inbuilt functionality to generate, validate, and transmit tax invoices/receipts to KRA. | • Small business entities whose invoicing is still done manually.  
• Sales on the move, e.g. van sales since the ETR is portable. |
| 2  | Type B      | Two options available for purposes of validation and transmission of invoice data to KRA:  
i. One to many – where a centralized tax register connects to several cashier tills/point of sale terminals.  
ii. One to One – where each cashier till/point of sale terminal connects to an independent fiscal printer. | Retail outlets and shops |
| 3  | Type C      | Refers to an independent tax register (control unit) that connects to a software invoicing system (ERP) in order to validate and transmit tax invoices/receipts to KRA. | Businesses that have automated their invoicing and are currently using an Electronic Signature Device (ESD). |
| 4  | Type D      | Refers to a tax register with the ability to connect to any of the different invoicing systems, i.e. ETR, POS or ERP. | All types of business entities |
### Public Distributors Ltd

**Business details:**
- **Name:** Public Distributors Ltd
- **Address:**
- **Contact:**
  - **Phone:**
  - **Fax:**

**Fiscal Receipt Details:**
- **Transaction ID:** 01-000000-00AF
- **Transaction Number:** 51466
- **Date:** 17-12-2020
- **Payment By:** CASH

**Payment Details:**
- **Sub Total:** 348.00
- **VAT 16%:** 48.00
- **Sub Total:** 48.00
- **Amount Due:** 348.00
- **Total Paid:** 500.00
- **Change:** 152.00

**Device Details:**
- **Device ID:** 01-000000-00AF
- **Receipt No:** 000000000057
- **VAT Group:**
  - **A:** 300.00
  - **B:** 0.00
  - **E:** 0.00
  - **F:** 0.00

**Control Unit Details:**
- **Serial No.:** KRAM 06-07
- **Invoice No.:** 3

**Notes:**
- 1. Pelikan Stamp Pad without ink: 100.00
- 2. Centum Film Index notes: 200.00

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**QR Code:** [Scan QR Code]

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**A:** Buyer PIN

**B:** Control Unit Serial No.

**C:** Control Unit Invoice No.

**D:** QR Code
Control Unit Checker – to confirm the validity of a Tax Register; **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
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
1. In order to acquire a compliant tax register, the VAT taxpayer will check the KRA website for the approved list and contact an approved ETR supplier.

2. In order to enable the activation process, an ETR Supplier will capture the details of the tax register and VAT taxpayer.

3. The VAT taxpayer will receive an email from iTax to confirm the details of the tax register assigned to them.

4. Tax register is activated by KRA and is ready for use by the VAT taxpayer.

Confirmation Email sent to VAT taxpayer

Acknowledgement received by KRA

VAT taxpayer transmits tax invoices to KRA

END
KEY TO NOTE

• The List of **Approved** ETR Suppliers and Manufacturers **to support TIMS Implementation** is published on the KRA Website.

• While the law provides for a transition period for 12 months, VAT registered taxpayers who wish to be on-boarded as early adopters are encouraged to do so.

• Newly registered VAT Taxpayers and those who are replacing their ETRs will directly be on-boarded on TIMS.

• Kindly reach out to us on **timsupport@kra.go.ke** for further clarity, guidance and support.
KEY TO NOTE Cont.....

- 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).

- VAT registered taxpayers are reminded to continue filing their VAT returns as stipulated in Section 44 of the Value Added Tax Act, 2013.
CONTACT US

TIMS Operations Unit

timsupport@kra.go.ke
Thank You!

Q&A SESSION