UPDATE ON THE IMPLEMENTATION OF THE ELECTRONIC TAX INVOICE
ETR machines were introduced in 2005 as a record keeping tool to capture the details of sales transactions by VAT registered taxpayers.

In order to better streamline VAT administration, KRA has introduced the electronic tax invoice.

This will be 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.
TIMS COMPLIANT ETR

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

1. Validation
   Validation of invoice data at the point of issuing the invoice.

2. Generation
   Generation of a unique QR code on the invoice.

3. Transmission
   Transmission of the validated electronic invoice to KRA on a real time or near real time basis.

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

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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.
Control Unit Checker – to confirm the validity of an ETR; **input the control unit serial number**. Details populated - 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 - Name of seller (VAT Taxpayer), Invoice date, Total Invoice Amount, Total Taxable Amount, Total Tax (VAT) amount.
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.
BENEFITS TO VAT TAXPAYERS

- Foster fair business environment
- Simplified VAT Return filing (Pre-Filled)
- Faster processing of VAT refunds
- Automated activation of tax register
- Solution to the VAA Process (Invoice inconsistencies)
- Ability to verify the validity of an invoice
NEW DEVELOPMENTS

• The 12 months transition period as provided for by the VAT (ETI) Regulations ended on 31st July 2022.

• This means the provisions of these Regulations take effect starting 1st August 2022.

• However administratively, taxpayers have been allowed more time to acquire and activate their ETR devices up to 30th Sept 2022. (This provision is provided for in Regulation 13)

• This time will also allow KRA to sort out any cited technical issues.
GUIDANCE TO VAT TAXPAYERS

• Taxpayers awaiting the supply, installation and integration of their new ETR devices can continue to use the old ETR devices to record their sales until they are fully on board TIMS

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

• Where a taxpayer replaces their ETR, they are required to safeguard the previously used ETR in line with requirement to keep records for five years as stipulated in Section 23 of the Tax Procedures Act (TPA)

• KRA is supporting the ETR Suppliers to facilitate the VAT taxpayers to be able to comply on or before the deadline of 30th September 2022

• KRA will continue to communicate any developments over the course of implementation
GET IN TOUCH WITH US
- TIMS Operations Unit -

Email: timsupport@kra.go.ke

Phone:
0709 01 2730  |  0709 01 2735  |  0709 01 2734
0709 01 2082  |  0709 01 2077  |  0709 01 2079

The TIMS Operations Unit is located at JKUAT Towers (8th floor) Kenyatta Avenue.
Thank you