



DOMESTIC TAXES DEPARTMENT

BUSINESS TRANSFORMATION OFFICE

Clarifications on VAT Prepopulated Return

As one of the deliverables under Authority's strategic focus of data driven compliance, KRA has implemented an iTax functionality that enables VAT return declarations to be validated against data transmitted through the Tax Invoice Management System (TIMS/eTIMS).

Over and above improving tax compliance levels, the VAT prepopulated return is expected to enhance customers experience through simplified return filing and faster refund processing.

Below are important enhancements/clarifications affecting the VAT Prepopulated return, which was first rolled out in March 2024:

1. Exempt Sales appearing as part of the Zero Rated Supplies in sheet D1 - Some taxpayer's exempt sales were appearing as zero rated arising from both type of sales being transmitted with a zero rate by the TIMS devices. The issue has been resolved and the affected taxpayers are requested to download the VAT auto populated return again and proceed with filing.

2. Implementation of the Incremental Batch Process - The system has been enhanced to update the invoices transmitted late and avail them under the respective sales and purchases sheets on the subsequent day. This will assist those taxpayers who could not claim their input tax because their suppliers had not transmitted the invoices. Once the suppliers connect their devices to the internet, they will seamlessly transmit the invoices to KRA. For imports, as long as the status on the KRA Customs system (iCMS) is either settled or removed, the taxpayer can claim the import entry even if it is not part of the sheet F Imports CSV.

3. Clarification on the system rejecting select transmitted invoices under purchases - For some taxpayers, the Sheet F CSV of the auto populated return was missing certain purchases they made in the period. This could be caused by the seller capturing the sales under "sales to final consumers"; despite the CU invoice number being transmitted to KRA; or a TIMS device configuration and transmission issue where the invoice data was transmitted to KRA without the buyer PIN. As a result of either, the input tax could not be mapped to the specific buyer PIN hence the challenge in claiming the input tax. For the supplier, the sale appears as sales to final consumers under sheet B without PIN and Non-VAT CSV.



For such cases, an engagement needs to be held with the respective TIMS device supplier to resolve the configuration and transmission issue so that the PIN is not dropped during transmission. Upon resolution, the supplier should re-issue a corrected invoice to the buyer and transmit the new invoice details together with the buyer PIN to KRA and reverse the previous invoice. When raising the credit note for such cases, they should not capture the PIN of the buyer as the invoice was transmitted as a sale to final consumer.

4. Clarification on Zero-rated Supplies - Some taxpayers who have zero rated supplies both for local and exports are having a challenge in capturing the sales under Sheets D1 and D2 respectively. Upon upload, the system validates the amounts transmitted as zero rated supplies against the total of sheet D1. Affected taxpayers are required to declare all the zero rated supplies under sheet D1.

5. Mandatory declaration of Credit Notes under sheet F - The system requires all taxpayers to declare the credit notes under purchases as per the credit notes prefilled in sheet F.

Note: It is not mandatory to claim other normal purchases as prefilled by the return. As guided by Section 17 of the VAT Act on restrictions relating to apportionment of input tax, disallowing prohibited input tax and postponing the claiming to subsequent period(s) is allowed as long as it is within 6 months.

END