

The advent of eTIMS : addressing the pain points

18 February 2024

Doctors issue ultimatum for suspension of eTIMS rollout

KRA finds new trick to nab suppliers after eTIMS flop



Tax cheats: How KRA seeks to catch small traders

KRA tightens noose on small businesses as it misses eTims target

What is Electronic tax invoicing

- ✓ Commonly referred to as e-invoicing
- ✓ Refers to a system in which invoices are electronically validated, signed and details transmitted to a tax portal on real-time basis
- ✓ Kenya's version of e-invoicing mandates the use of electronic invoices for businesses operating in Kenya



Why e-invoicing



Promotes compliance



Curbs evasion and ensures timely detection of fraudulent traders



Ensures easy record-keeping



Ensures easy access to tax records and information

Tracing the history








Early 1960s - development of electronic data interchange systems to allow businesses to exchange data.

2000s - beginning of governments recognizing the potential of e-invoicing in the reduction of fraud and improvement in tax compliance.

Chile - first country to introduce voluntary e-invoicing in 2001. Later adoption across Latin America.

Currently, many countries are underway with developing frameworks to give effect to their implementation.

Implementation by other jurisdictions – successes, failures and lessons for Kenya

Country	System name	Commencement date	Target taxpayers	Status of implementation	Lesson for Kenya
Uganda 	Electronic Fiscal Receipting and Invoicing Solution (EFRIS)	1 January 2021	VAT registered	Made mandatory for all VAT registered taxpayers in 2021. Implementation underway	Strategic implementation
Rwanda 	Electronic Invoicing System (EIS)	1 January 2021	VAT registered	Incentive introduced: 10% reward of the VAT amount on every electronic invoice requested	Incentives to enhance compliance
Zambia 	Smart Invoice	Piloting phase - 15 December 2023	VAT registered	Phase 2 targeting other tax types aside VAT and ToT rolled out recently	Consider a phased implementation/ piloting
Ghana 	e-VAT	Phase 1: 1 October 2022 Phase 2: December 2023 Phase 3: to be rolled out in 2024	VAT-registered	Last phase targeting small VAT registered taxpayers to be implemented	Consider a phased implementation
Chile 	Electronic Tax Document/Documento Tributario Electrónico (DTE)	Stage 1: November 2014 Stage 2: August 2016 Stage 3: February 2017 Stage 4: February 2018	All companies	Last phase targeting rural microenterprises was rolled out in 2018	Proper and workable systems are developed over time

- ✓ The use of e-invoices requires a proper legal framework
- ✓ The laws adopted ought to be future-proof
- ✓ They should address issues such as:
 - data exchange
 - e-invoice standard
 - integrity of data content
 - authenticity of the origin of the data
 - data privacy
 - digital security issues

e-invoicing in Kenya

An aerial photograph of a tropical beach. In the foreground, a traditional wooden dhow boat with a large, light-colored sail is on the water. The beach is wide and sandy, with several people walking along the shore. In the background, there is a dense line of palm trees and some buildings. The sky is clear and blue.

✓ ETR regime - 2005

✓ TIMS - 2022

✓ eTIMS - 2023 through the Finance Act

The legal framework enabling eTIMS

1. Section 23A of the Tax Procedures Act

- ✓ Grants the Commissioner mandate to establish an electronic system through which tax invoices may be issued.
- ✓ Requires that all businesses issue electronic invoices through the said system and maintain a record of stocks.
- ✓ Commissioner may issue an exemption by a notice in the Gazette.



2. Section 59A of the Tax Procedures Act

- ✓ The Commissioner may establish a data management and reporting system for the submission of electronic documents including detailed transactional data relating to those documents.

3. Section 86 of the Tax Procedures Act

- ✓ Sets out the penalty for non-compliance with the requirement to issue an e-invoice.



Electronic Tax Invoicing Regulations, 2024

Exempts the following transactions from the requirement of an electronic tax invoice:

- ✓ emoluments
- ✓ imports
- ✓ investment allowances including interest
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;



Key timelines



1 Sep 2023

it became mandatory for business-people to electronically generate and transmit invoices to KRA via eTIMS



27 Dec 2023

the timeline for onboarding onto the eTIMS Platform was extended for non-VAT registered taxpayers to 31 March 2024



1 Jan 2024

as per the Finance Act 2023, expenditures not supported by eTIMS-compliant invoices began to not be deductible for tax purposes

Is Kenya's eTIMS mandatory for all businesses?

- ✓ Its not limited to VAT-registered persons alone since all claims for deductions must be supported by an electronic tax invoice.
- ✓ Therefore, all persons engaged in businesses are required to issue electronic tax invoices, whether registered for VAT or not (non-VAT taxpayers).



A central graphic featuring the text "Q&A" in a large, white, sans-serif font with a slight drop shadow. The text is surrounded by a cluster of blue squares in various shades (light blue, medium blue, dark blue) and sizes. Many of these squares contain a white question mark. The background is white with decorative geometric shapes: a light blue triangle in the top-left corner, a yellow triangle in the top-right corner, and a light blue triangle in the bottom-center.

Q&A

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eTzMS

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eTIMS is A software system that allows for electronic invoicing

It is free



Simplifies tax return filing



Flexible



Builds compliance



Easy stock control



Who should adopt eTIMS?



**All persons/entities
in business
(both VAT & non VAT registered)**



Which solutions are available on eTIMS?

1. eTIMS Simplified solution

2. eTIMS Client

3. eTIMS online portal

4. System to System integration

Who may use a system that does not record stock?



1.

A person
providing
services



2.

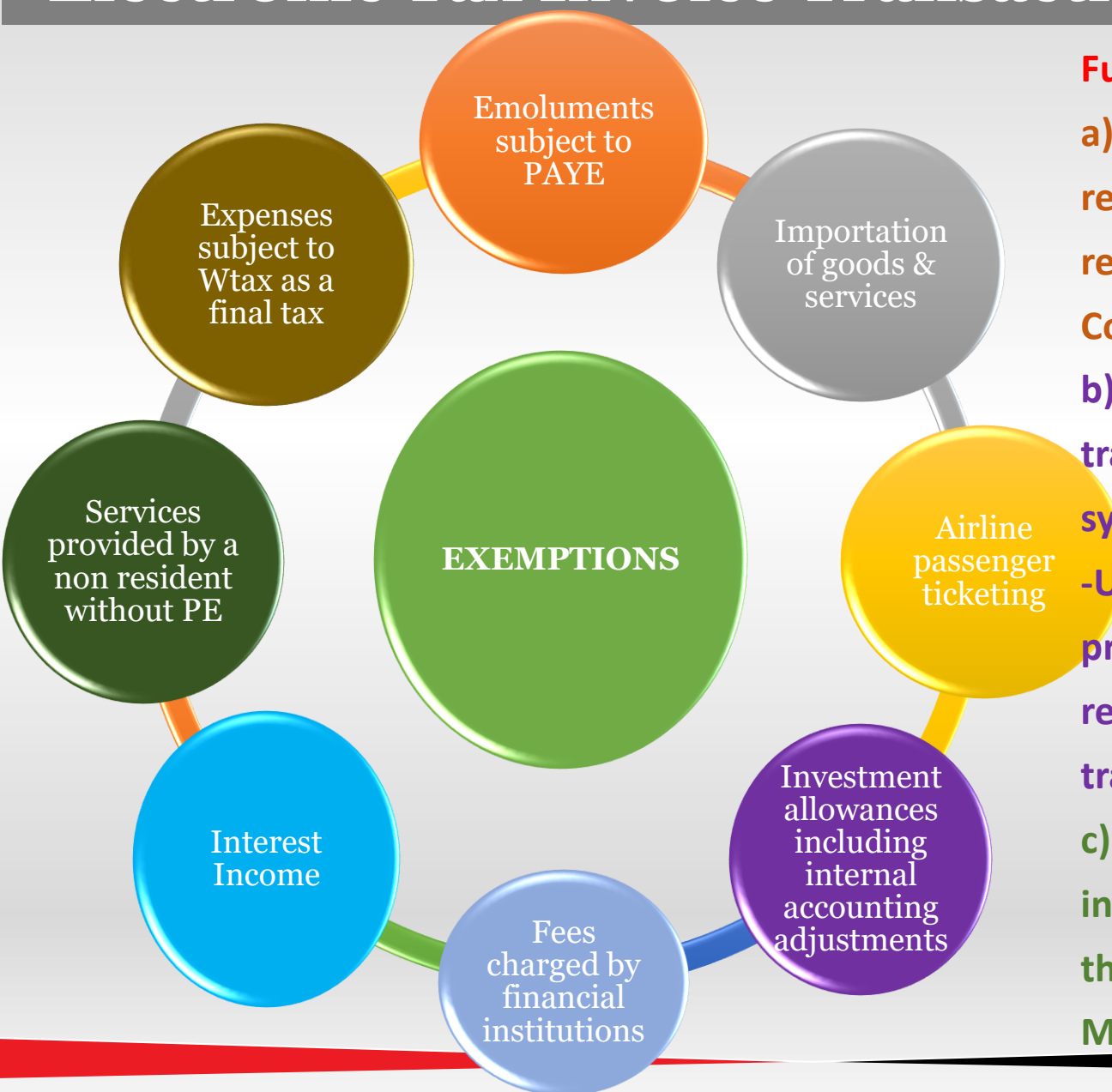
A person using
the simplified
solutions



3.

Any person
using a system
prescribed
by the
Commissioner

Electronic Tax Invoice Transaction Exemptions



Further Basis For Exemption:

a) If transactional Information is received through a platform recommended by the Commissioner

b) The information is transmitted to the Authority's system

-Upon application , a person provides an alternate method of recording, storing and transmitting transaction data

c) The person's transaction information may not be under the mandate of any other Ministry/Regulatory Body

Thank
you

