



The Evolution of ETIMS

Trends, Challenges, and Future Directions

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1. Introduction to e-tims

E-tims is an electronic tax invoicing system developed and implemented by the Kenya Revenue Authority. The software solution was developed for purposes of tax invoicing and overall tax compliance by the tax authority.

2. Type of e-tims software

a. e-tims simplified solution

It is designed for individual taxpayers in business (sole proprietors) with minimal transactions. This is a web-based solution accessible on the e-Citizen portal via e-citizen.kra.go.ke and through the short code *222#.

b. e-tims Windows solution

This is suitable for taxpayers selling goods and having multiple locations and pay points/tills. The software also contains a stock management module. The software will run on a computer/laptop with Windows 10 and above and can only be used by taxpayers selling goods.

c. e-tims online portal

This is suitable for taxpayers in the service sector (and do not sell goods) with not more than 10 invoices per month. It can be accessed on a browser through the cloud.

d. system to system integration

This solution is designed for taxpayers with an automated billing/invoicing system who need to integrate their billing/ invoicing system with Kenya Revenue Authority. KRA has provided a list of approved integrators who may assist you (at a fee) to integrate your system to e-TIMS. Further, KRA has provided a sandbox for taxpayers to test the online sales control unit (OSCU) or virtual sales control unit (VSCU) prior to live operation of the integration.

3. Benefits of e-tims software to taxpayers

i. E-tims facilitate simplified return filing for taxpayers.

Kenya Revenue Authority (KRA) has leveraged e-tims to simplify VAT return filing for taxpayers. VAT returns are prefilled with taxpayer data such as sales, purchases, withheld VAT and credits brought forward from previous periods. This automation significantly reduces the time and effort required for taxpayers to complete and submit their VAT returns accurately.

In addition to VAT returns, KRA has successfully implemented pre-populated options for Income Tax individual returns, specifically for employment income. This feature further simplifies the tax filing process for individual taxpayers, allowing them to leverage pre-filled information to complete and submit their returns with ease.

ii. Visibility of business transactions

The e-tims software enables the tax authority to trace the flow of transactions across the entire supply chain, from the issuance of invoices to the final delivery of goods or services, ensuring transparency and accountability.

The software generates comprehensive reports on business transactions, providing the tax authority with insights into taxpayer compliance levels, revenue trends, and areas of tax leakage.

iii. **Adoption of technology**

Taxpayers can submit invoices electronically, eliminating the need for manual paperwork and expediting the verification and approval process.

The shift towards digitalization not only improves efficiency but also aligns with global trends toward electronic tax administration.

iv. **Minimize tax disputes**

E-tims allow KRA to verify invoice data in real-time, ensuring accuracy and compliance with tax regulations. This reduces the likelihood of discrepancies or errors that could lead to tax disputes between taxpayers and the tax authority.

With invoices being submitted directly to KRA through e-tims, there is less reliance on the VAT Automated Audit (VAA). The real-time visibility and automated compliance checks provided by E-TIMS help to identify and address potential issues before they escalate into disputes or audits.

4. On-boarding procedure

- ✓ The director(s), partner(s) and owner of the business should fill in and sign the e-tims acknowledgment and commitment form
- ✓ Taxpayers sign up on the e-tims portal and make an application for the preferred e-tims software.
- ✓ Authorized KRA officers process the applications and conduct some due diligence through a Know Your Taxpayer (KYT) interview to determine the nature of business and frequency of invoicing.
- ✓ The KRA officer will then schedule a date and time to install, configure, and train the taxpayer on how to use the e-tims software for purposes of invoicing.

This means that businesses receiving invoices from suppliers that are not generated via the TIMS or e-tims platform will have to disallow such expenses in their income tax returns thereby increasing their taxable income.

Businesses need to review their list of suppliers to ensure that they are all e-tims compliant and communicate with existing suppliers on the requirement of provision of e-tims invoices. Additionally, businesses need to check for e-tims compliance when onboarding new suppliers.

8. E-tims emerging issues

| No | Issues | Recommendations |
|----|---|---|
| 1 | Taxpayer unable to sign up on e-tims system due to missing details on the system. Newly registered companies, vat registered taxpayers and those recently removed from VAT special table. | Reach out to your TSO and data migration will be done by KRA ICT team for the details to appear on e-tims system. |
| 2 | Taxpayer unable to access the phone number registered on i-tax hence cannot get the one time password | Reach out to your TSO and request for update of your profile with the new phone number. |
| 3 | Taxpayer unable to get one time password even with the correct mobile number | Taxpayer to active promotional texts on their mobile numbers |
| 4 | Taxpayer using software solutions installed on either laptops or desktops are unable to download and save invoice generated as their device are connected to a printer | Taxpayer need to set their device printer to PDF as default to enable them save and download invoices. |

N/B. One time password is not sent to landline numbers

9. Non-compliance with e-tims

Where a taxpayer fails to issue an Electronic Tax Invoice via e-tims and fails to comply with the tax law, the Commissioner shall issue a notice in writing requesting the reasons for non-compliance.

A taxpayer who fails to satisfy the Commissioner within fourteen days of the notice as mentioned above shall be liable to a penalty of one hundred thousand shillings.

10. Disclaimer

This training write-up is for general guidance on e-tims and does not constitute professional advice. Accordingly, GGC, its partner, employees, and associates accept no liability for the consequences of any taxpayer acting, or refraining from acting, in reliance on the information contained herein or for any decision based on it