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VAT (ELECTRONIC TAX INVOICE) REGULATIONS, 2020



1. What is the legal basis for introduction of the electronic tax invoice?

The VAT Act of 2013 and the VAT (Electronic Tax Invoice) Regulations, 2020 provide the legal basis.

2. When is the effective date for adoption of the electronic tax invoice?

The effective date is 1st August 2021.

3. Who is required to comply with the electronic tax invoice requirements?

The requirements are applicable to all VAT registered taxpayers.

4. What are the timelines for complying with the requirement to have an electronic tax invoice (ETI)?

All VAT registered taxpayers shall be required to comply with the requirements of the Regulations on implementation of the Electronic Tax

Invoice within a period of twelve (12) months from the date of the Roll out.

5. What if a person is unable to comply within the 12-month period, can they apply for an extension of time?

Yes. Where a person is unable to comply within the timelines provided, they can apply to the Commissioner for extension of time, which shall not exceed six months.

The application for extension shall be made in writing and should be made at least thirty (30) days before the expiry of the **twelve-month** period from **1st August 2021**.

6. What is TIMS?

The Tax Invoice Management System (TIMS) is an upgrade of the current Electronic Tax Register (ETR) regime that was rolled out in 2005.

It will facilitate electronic tax invoice management through standardization,

validation, and transmission of invoices to KRA on a **real time or near real time basis**.

7. What is the criteria for on-boarding?

A taxpayer must:

- i. Be VAT Registered as per the provisions of the VAT Act 2013
- ii. Have an invoicing system with the capability to transmit invoices to KRA systems
- iii. Have internet connectivity

8. How can a VAT Registered taxpayer come on-board TIMS?

KRA will publish the approved list of **ETR Suppliers** and their Manufacturers on the KRA website in order to facilitate the taxpayers to comply.

9. What are the key features the public should look for in a tax invoice?

The following are the key features in a valid invoice:

- i. PIN and Name of trader;
- ii. Time and Date of the Invoice;
- iii. Invoice Serial Number;
- iv. Buyer PIN (Optional)
- v. Total Gross Amount;
- vi. Total Tax Amount;
- vii. Tax Rate;
- viii. Total Net Amount;
- ix. Unique Register Identifier;
- x. Digital Signature (QR Code);

Taking into consideration the transition period, the new features e.g. the QR Code, will only be visible once a VAT registered trader has complied with the requirements of the electronic tax invoice.

KRA will publish the approved list of **ETR Suppliers** and their Manufacturers on the KRA website in order to facilitate the taxpayers to comply.

10. What happens when the VAT rate changes?

ETR Suppliers will support the traders to automatically update the tax register to reflect the change.

11. What happens in case of loss of Internet connection?

The VAT taxpayer should continue using the tax register as usual. Once the internet connectivity is restored, the invoices generated and stored in the tax register's memory will be automatically transmitted to KRA.

12. What happens in the event of a malfunction of the tax register?

A trader will be required to report the malfunction of the register to a service person, and report to the Commissioner in writing within 24 hours.

In the period that the ETR is not working the trader will record sales using any other means as specified by the Commissioner.

13. I run a small retail business with turnover of less than KES 1,000,000/-. Am I required to comply with the electronic tax

invoice requirements despite not meeting the VAT obligation threshold?

Only VAT registered taxpayers are required by law to use a tax register.

If you have opted for voluntary VAT registration, then you are required to comply with the requirement to have an electronic tax invoice.

14. My billing system is fully automated – must I still get an ETR to issue tax invoices?

Fully automated businesses will be required to use compliant Electronic Signature Devices (ESD).

15. What are the offences and penalties for non-compliance with the VAT (ETI) Regulations 2020?

Failure to comply with the Regulations is an offence which will attract penalties as specified in Section 63 of the VAT Act, 2013, that is, they shall be liable to a fine not exceeding Kshs. 1 million, or to imprisonment for a term not exceeding three years, or to both.

Source: KRA Website <https://kra.go.ke/en/helping-tax-payers/faqs/electronic-tax-invoice>



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