

Tax alert

Kenya Revenue Authority launches 'eTIMS Lite' platform for non-VAT registered taxpayers



Background

In 2022, the Kenya Revenue Authority (KRA) introduced the Tax Invoice Management System (TIMS) as an enhancement to the Electronic Tax Register (ETR) regime which has been in force since 2005.

The Finance Act 2023 introduced a further enhancement through a software solution called Electronic Tax Invoice Management System (eTIMS) which is intended to provide taxpayers with a simple, convenient, and flexible electronic invoicing option.

Consequently, with effect from 1 September 2023, all taxpayers including those who are not registered for VAT had to onboard and issue invoices through eTIMS.

The Finance Act, 2023 also provided that effective 1 January 2024, expenses not supported with valid TIMS or eTIMS generated invoices would not be eligible for income tax deduction. The exceptions to this requirement include expenses such as emoluments, imports, investment allowances, interest and air passenger ticketing.

Initially, via a public notice dated 7 November 2023, all businesses had to be TIMS/eTIMS compliant by 1 January 2024. However, on 27 December 2023, the KRA extended the window for compliance to 31 March 2024 to allow more businesses to onboard eTIMS.

There has been an outcry from sections of the public especially small-scale entrepreneurs and the informal sectors who are struggling to onboard eTIMS and face the risk of being locked out of the market because of bigger businesses insisting on eTIMS invoices to benefit from tax deductions.

Some of the challenges the businesses have cited include lack of access to smart phones and/or computers and poor internet connectivity.

Launch of eTIMS Lite

With the 31 March 2024 deadline fast approaching, the KRA has launched an eTIMS Lite platform. The platform is designed to enable non-VAT registered taxpayers to electronically generate and send their invoices to KRA through an easy-to-use interface.

Under this option, the businesses can raise eTIMS invoices via the eCitizen platform at ecitizen.kra.go.ke or using a USSD option by dialling *222#.

The various eTIMS solutions available to taxpayers now include an online portal, eTIMS Client, virtual sales control unit, online sales control unit and now the eTIMS Lite (Web) and eTIMS Lite (USSD).

Our opinion

We expect that the launch of eTIMS lite platform will address some of the challenges small scale taxpayers have been facing which have negatively affected the adoption and uptake of eTIMS in the past.

With the launch of this platform, the possible exemption of taxpayers with a revenue of less than KES 5 million per annum as had been proposed in the Tax Procedures (Electronic Tax Invoice) Regulations 2023 seems to be a distant dream for now.

Most importantly, the compliance deadline of 31 March 2024 has still not changed; and it is expected that once onboarded, taxpayers will have to capture on eTIMS, all invoices and receipts issued manually from 1 January 2024 up to the date of onboarding.

If you have specific questions on the implications of the launch of the eTIMS Lite to your business, please reach out to us through:

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