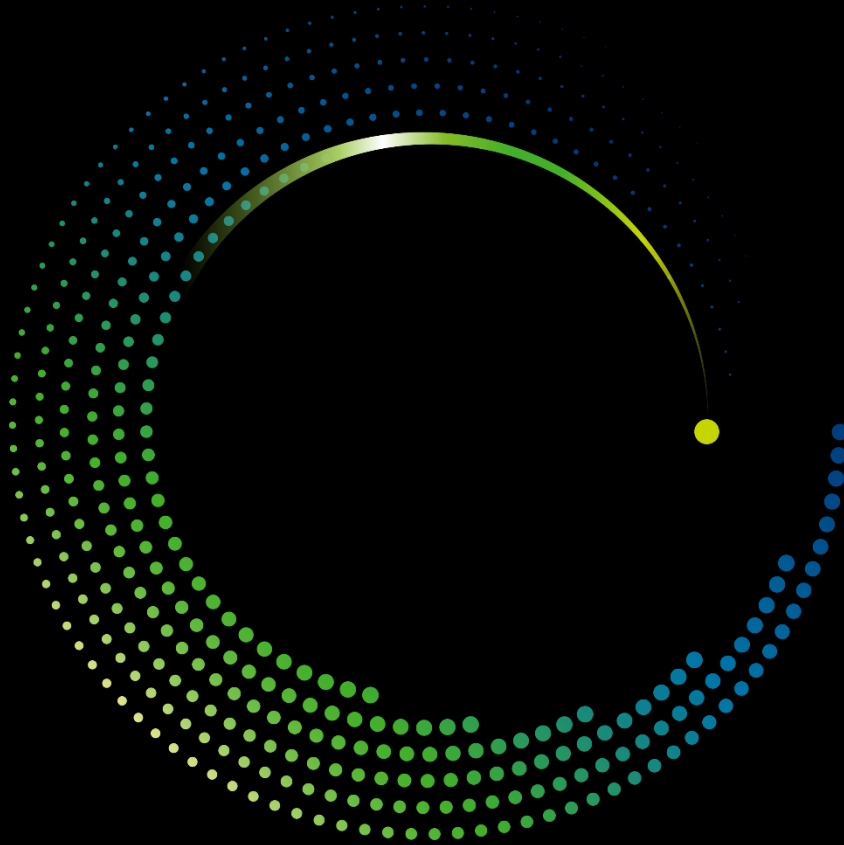


Tax & Legal Alert
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Kenya Tax Alert

KRA publishes list of approved vendors and guidelines for new ETR devices

Background

Effective 25 September 2020, the Cabinet Secretary for The National Treasury gazetted the VAT Electronic Tax Invoice Regulations, 2020. This was in a bid to migrate to a new Tax Invoice Management System (TIMS) that was more digitally enabled. At the time, the regulations required registered persons to comply within a period of twelve months with a possible extension for six months.

However, the implementation of the regulations seems to have been delayed until 13 July 2021 when the Kenya Revenue Authority (KRA) issued a public notice announcing its intention to implement the regulations within twelve months from 1 August 2021. Subsequent to this public notice, on 5 October 2021, the KRA recently published [the list of approved manufacturers and suppliers of the new ETR devices](#). This was followed by [guidelines to aid compliance](#).



This alert provides highlights on the key information from the guidelines issued on 5 October 2021.

On-boarding of taxpayers

Broadly, VAT registered persons will on-board as below:

- Contact an authorized vendor to acquire a compliant Electronic Tax Register (ETR).
- For authentication, the vendor will capture details of the tax register and the taxpayer and remit the same to the KRA.
- The KRA will then confirm details of a tax register assigned to a taxpayer via the taxpayer's email.
- The taxpayer's ETR will be activated and ready for use.

Device options available for registered persons

A registered person may opt for either of the following ETRs:

- An integrated tax register which has inbuilt capacity to validate, generate and transmit tax invoices to KRA.
- An independent tax register

connected to the person's Enterprise Resource Planning (ERP) system which can validate and transit invoices. This is an advanced form of the Electronic Signature Device (ESD).

- A centralized tax register, which can be connected to several points of sale.

Functionalities of the ETRs

Broadly, in keeping with the requirements of a tax invoice, a compliant register should have the following functionalities:

- Capacity to check invoice details including tax rate, taxable value and tax amount before issuance of tax invoice.
- Real time or near real time transmission of invoice details to KRA. A tax invoice raised through a compliant device should contain a control unit serial number (unique identifier of the device), a control unit invoice number (different from the ERP invoice number), and a Quick Response Code (used for validation of the invoice).

- A compliant register should also have capacity to generate credit notes and debit note that reference the original invoice.

Other salient information from the guidelines

- A registered person who does not meet the compliance timelines may seek an extension of up to six months to comply. Such extension should be sought at least 30 days before expiry of the set deadline (31 July 2022).
- A purchaser who intends to claim input tax should ensure to disclose his Personal Identification Number (PIN) to the supplier.
- Holders of the old registers will be required to maintain them for a period of five years as is required under Section 23 of the Tax Procedures Act 2015.
- The new TIMS does not replace the requirement to file VAT returns. Registered persons will therefore continue to file their VAT returns as required by law.

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