

VAT NEWS

Kenya : Guidelines for the application of VAT (Electronic Tax Invoice) Regulations 2020

The *Kenya Revenue Authority* (KRA) implemented Electronic Tax Invoice requirements which requires all VAT-registered individuals to comply with the *VAT Regulations 2020* on the integration of the electronic tax invoice. within a 12-month period beginning 1 August 2021.

Each of the VAT-registered company must update its Electronic Tax Register(s) in accordance with the standards specified in the Regulations within the timeframe specified.

User's obligations include ensuring the register is:

1. available at the point at the time of sale,
2. enabling inspection of the register by an authorized official, and
3. ensuring the register is maintained on a regular basis to ensure proper operation.

A tax invoice created from a register must include :

- the buyer's PIN and the registered user's PIN
- the invoice's issue date and serial number
- total gross amount, tax rate applied, and total tax
- supply item codes (exempt, zero-rated, and other rate supplies)
- a concise description of products and services, their amount, and measurement
- the unique identification for the register and the invoice
- a QR (quick response) code; and
- any additional requirements imposed by the Commissioner

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When the current Electronic Tax Registers are upgraded, taxpayers are advised to maintain and safeguard the data in the previously utilized ETR in accordance with the need to keep records for five (5) years as specified in Section 23 of the Tax Procedures Act 2015.

If a person is unable to comply within the deadlines, they must request from the Commissioner a six-month extension of time to comply, as provided in the Regulations. The application for extension must be submitted on or before July 1, 2022.

A merchant must notify a malfunctioning register to a service person (authorized Tax Register providers and their makers) and to the Commissioner in writing within 24 hours. During the time when the ETR is not operational, the trader will record sales using any other method prescribed by the Commissioner.

Penalties

Failure to comply with the Regulations is an infraction punishable by a fine not exceeding KSh 1 million or imprisonment for a period not exceeding three years, or both, as stipulated in Section 63 of the VAT Act 2013.

Users of a register who can't use the register for any reason, they must:

- a. inform the Commissioner in writing of the user's inability to access the register within twenty-four hours
- b. record sales using methods that the Commissioner may specify; and
- c. enter sales recorded via other ways into the system as soon as they become available.

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The deployment of an electronic invoicing system provides an excellent opportunity for the KRA to resolve VAT collection gaps. If properly implemented, it will reduce the existing reconciliation issues that taxpayers face, aid in the elimination of input VAT fraud, and enable the KRA to process VAT refund claims more quickly.

The indirect tax team and tax advisory team at Global VAT Compliance (GVC) can assist your business with: VAT determination, VAT registration, fiscal representation, VAT return preparation, VAT filing, VAT remittance (VAT payments) and VAT audits support.

We are happy to speak to you should you want to discuss our capabilities and where we can deliver our services.

For more information or inquiries, please do not hesitate to contact us

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