



Tax Amnesty:

Over Kshs. 200 billion in Tax Penalties Waived

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Newsletter

MBAYA AND ASSOCIATES

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Introduction

We are pleased to release the third edition of our tax newsletter. We appreciate the lively feedback and fruitful engagement we have had in the previous editions of our newsletters. This issue will summarize the key aspects in the changing tax landscape in Kenya.

On the right column of the newsletter, you will find contact details for key members of our team who can help answer any questions you may have about the issues highlighted in this newsletter or any other matter.

We are interested in your feedback on the items covered and what topics you would like covered in the future.

Please provide any feedback at tax@mbaya.co.ke

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Simplified eTIMS Solutions for Informal Sector and Small Businesses

Through a public notice dated 4th March 2024, Kenya Revenue Authority (KRA) reminds the public that all persons carrying on business including those in the Informal Sector and Small Businesses are required to electronically generate and transmit their invoices to KRA via the electronic Tax Invoice Management System (eTIMS).

KRA remains committed to continue supporting and facilitating all taxpayers to comply with the requirements of the law by adopting a facilitative and collaborative approach to tax compliance. To this end, KRA has availed eTIMS simplified solutions dubbed "eTIMS Lite" for non-VAT registered taxpayers. These solutions are accessible through the eCitizen platforms via *222# for the USSD invoicing solution and **ecitizen.kra.go.ke** for the web-based invoicing solution.

In addition to the roll out of the simplified eTIMS solutions, KRA has also made concerted efforts towards publicity, awareness and tax literacy through continuous stakeholder engagements and taxpayer education targeted at players in the informal sector who include farmers, jua kali traders and artisans amongst others. KRA has partnered with the informal sector representative groups and associations to facilitate direct support to taxpayers in these sectors to on board eTIMS.

KRA wishes to invite taxpayers and representative bodies who may experience challenges adopting the existing solutions to reach out to further explore solutions tailored to cater for their specific needs. One such consideration is the reverse invoicing solution where a seller can/may give consent or authority to the buyer to issue invoices on their behalf.

Service of Objection Notices

Through a public notice dated 29th February 2024, Kenya Revenue Authority (KRA) informs taxpayers that all notices of objection lodged under section 51(2) of the Tax Procedures Act and the attendant documents ("*a taxpayer who disputes a tax decision may lodge a notice of objection to the decision, in writing, with the Commissioner within thirty days of being notified of the decision*"), shall be served to the Commissioner in charge of the Legal Services & Board Coordination by uploading them on iTax.

Documents that cannot be uploaded on iTax for any reason, shall be served to the Commissioner Legal Services & Board Coordination through the email LSBCIROStaff@kra.go.ke or hand delivered to the Independent Review of Objections (IRO) offices in the following locations:

1. Nairobi Region: 7th Floor Ushuru Pension Towers, Elgon Road, Upper Hill, Nairobi
2. Southern Region: 3rd Floor, Room 301, Customs House, Mombasa
3. Northern Region: 4th Floor Kitengela Mall, Nairobi Namanga Road, Kitengela
4. Central Region: 3rd Floor, Thika House, Kwame Nkrumah Road, Thika
5. Western Region: 1st Floor, Lake Basin Mall, Off Kisumu Kakamega Highway, Kisumu
6. North Rift Region: 7th Floor room..., Kiptagich House, Uganda Road, Eldoret
7. South Rift Region: 5th Floor, Generations House, Kenyatta Avenue, Nakuru

KRA encourages taxpayers to adhere to these guidelines for Servicing of Objections. For any queries or clarifications, please get in touch with us through taxteam@mbaya.co.ke or you can contact the KRA Contact Centre on telephone No: 020 4 999 999 or 0711 099 999 or Email: callcentre@kra.go.ke

Tax Amnesty | Over Kshs. 200 billion in Tax Penalties Waived

The Finance Act, 2023 introduced the Tax Amnesty Program that allows Taxpayers to apply for waiver of penalties and interest accrued for periods up to 31st December 2022, upon full payment of their respective principal taxes by 30th June 2024. The program runs from 1st September 2023 to 30th June 2024.

Through the notice issued on 27th February 2024, the Kenya Revenue Authority (KRA) reported that by end of February, over 227,071 taxpayers had benefited from waiver of penalties and interest amounting to over Kshs. 209 billion under the ongoing **Tax Amnesty Program** having paid a total of Kshs. 14.5 billion in principal taxes.

We take this opportunity to remind all our clients who may be having outstanding principal tax liabilities to take advantage of the amnesty program and pay the principal taxes so as to have the respective penalties and interests waived.

We also encourage Taxpayers with ongoing tax disputes to expedite resolution of their cases within the Amnesty period by considering out of court settlements through the Alternative Dispute Resolution (ADR) framework. This will enable them take advantage of the ongoing Tax Amnesty, noting that the provisions on waiver of penalties and interest and on abandonment of taxes, were repealed by the Finance Act, 2023.

Update on Simplified VAT Return Filing

Further to the public notice dated 12th February 2024, we wish to inform all our esteemed clients that the VAT returns for February 2024 and going forward will be now be pre-filled with tax information available to KRA through Tims/eTims system.

In this regard, we remind all our clients that it is their obligation to **issue** electronic tax invoices and **transmit** the invoice details to KRA. As well, all your input invoices should be generated from the TIMS/eTIMS system with your PIN indicated on the invoice as the customer of the goods or the service.

Further, we remind our clients that the VAT registered taxpayers are required to confirm the accuracy of the declaration before submission of the return since the pre-filled VAT return is a self-assessment return as prescribed in Section 28(4) of the Tax Procedures Act, CAP 469B.

Measure Twice, Cut Once | An Investing Approach

Have you ever considered the meticulous balance involved in investing your time, effort, and resources into specific ventures? We often find ourselves navigating between caution and spontaneity, weighing the allure of potential gains against the risks inherent in any endeavor. But fret not, for in this intricate web of decision-making, auditing emerges as the guiding light.

Auditing, with its meticulous scrutiny and unwavering assurance, serves as the cornerstone of informed investment strategies. As Benjamin Franklin astutely noted, "An investment in knowledge pays the best interest." Indeed, the correlation between risk and reward is a fundamental principle of investment. Yet, while some investors delve into thorough research to inform their choices, others place their trust in the expertise of financial professionals.

Warren Buffet's sage advice rings true: "Wide diversification is only required when investors do not understand what they are doing." Beyond market investments, cultivating personal knowledge and understanding of various financial instruments, strategies, and market dynamics is equally essential. Why that? At the heart of auditing lies assurance and transparency pillars that instil confidence in the accuracy and reliability of financial information. In an era marked by ever-evolving economic landscapes, inflation emerges as a pivotal factor shaping investment decisions. Recent data reveals a notable uptick in inflation rates of 6.6 percent from 6.9 percent mainly due to weaker shilling, signalling potential implications for investors' real returns and purchasing power.

Navigating the intricate terrain of inflation requires a multifaceted approach, one that encompasses monetary policy measures and proactive risk management strategies. Auditing, particularly in Consumer Price Index (CPI) measurement, plays a pivotal role in upholding the integrity and reliability of financial indexes, bolstering their utility for stakeholders, and facilitating informed decision-making. Crucially, auditing serves as a fundamental mitigator against the spectre of financial fraud, especially amid fluctuating inflationary trends.

By rigorously assessing the impact of inflation on financial reporting accuracy, auditing fosters an environment of transparency and integrity a foundation that attracts diverse investments and nurtures enduring trust.

Moreover, enduring inflationary trends, strategic investors are advised to recalibrate their investment portfolios to mitigate the impact of inflation on returns. Historical data underscores the resilience of balanced, diversified portfolios in weathering inflationary pressures underscoring the importance of disciplined investment strategies.

As you navigate the landscape of investment, several key questions emerge as beacons illuminating the path to informed decision-making. Firstly, one must introspect: What is the underlying purpose driving this investment endeavor? Understanding the motives and objectives behind each investment serves as the cornerstone of a well-crafted strategy. Next, categorization becomes paramount is the investment anchored in tangible assets like property, plant or equipment, or does its value lie in intangible realms such as intellectual property or contractual agreements? This distinction informs not only the nature of the asset but also its potential risks and rewards.

Furthermore, diligence is essential; conducting thorough research, analyzing market trends, and assessing risk factors are vital steps in mitigating unforeseen pitfalls. Lastly, one must heed the age-old adage: "Past performance is not indicative of future results." Despite historical patterns and rates, the future remains shrouded in uncertainty, demanding a prudent

approach that balances risk and reward. Armed with these guiding questions, investors navigate the labyrinth of investment decisions with clarity, purpose, and a steadfast resolve.

A proven example is diversification across stocks, bonds, and short-term investments remains a steadfast safeguard against the erosive effects of inflation. While inflation may temper returns marginally, a steadfast commitment to diversification and asset allocation remains the linchpin of long-term investment success ushering investors towards financial resilience and enduring prosperity.

At M&A, we are on the lookout and at your service in case of such a need. Shout to us and we will be able to come to your rescue with the most up to date resolutions to your financial problems.

As indicated earlier, we are interested in your feedback on the items covered and what topics you would like covered in the future. Please provide any feedback at tax@mbaya.co.ke

Tax Due Dates

Withholding Tax | 5th Day of the following month

Pay as You Earn | 9th Day of the following month

VAT | 20th Day of the following month

Balance of Tax on Self-Assessment | 4th Month after year end

Monthly Rental Income | 20th Day of the following month

Instalment Tax

1st Instalment | 20th day of the 4th month after year end

2nd Instalment | 20th day of the 6th month after year end

3rd Instalment | 20th day of the 9th month after year end

4th Instalment | 20th day of the 12th month after year end

Kindly note that all the returns must be filed on I tax while the payments e-slips must be generated from the I-Tax platform.

Digital Service Tax (DST)

20th day of the following month



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