

**Status of Issues Arising from Stakeholders on TIMS**

S/No	Issue Raised	Response
1.	<b>Deadline Extension</b> Various stakeholders have requested for the extension of the deadline to enable full compliance of their members.	The CG during a meeting held on <b>1<sup>st</sup> August, 2022</b> extended the deadline for the requirements by taxpayers to comply with regulations of TIMS to <b>30<sup>th</sup> September, 2022</b> . Meetings chaired by the Commissioner General will be held bi-monthly to review progress.
2.	<b>High Cost of ETR devices</b> High costs of the devices especially type B and C which adds to the business operational costs that the industry was not prepared for.	The prices are dependent on the forces of demand and supply and are set by the approved ETR Suppliers . The Suppliers were urged to be fair in their prices. The taxpayers will be able to claim input tax for the ETR on their VAT return and be able to claim capital allowance in their Income Tax return.
3.	<b>Device availability</b> There is a shortage with the machines/gadgets, and the approved suppliers are not able to meet the market demand at the moment and are overwhelmed. There is need for the suppliers to increase capacity.	Currently there are 16 approved ETR suppliers, who are supported by more than 300 value added retailers across the country. The shortage was occasioned by the last minute order of the devices by taxpayers rushing to beat the 31 <sup>st</sup> July deadline. The ETR suppliers are working towards clearing the backlog of orders.  VAT taxpayers are advised to only contact the ETR Suppliers listed on the KRA website as they have demonstrated their capacity to support the implementation of the electronic tax invoice.
4.	<b>Legitimacy of the ETR devices</b> Assurance that ETR machines used are legitimate	KRA published a reference technical document on the website, i.e. the Revised ETR Specifications by which the ETR Suppliers were required to develop devices that meet these specifications. KRA has conducted rigorous testing of the ETR devices presented with each Supplier to ensure they meet the required functionality to support TIMS implementation.  VAT taxpayers are advised to only contact the ETR Suppliers listed on the KRA website as they have demonstrated their capacity to support the implementation of the electronic tax invoice.

S/No	Issue Raised	Response
		<p>In addition, the Control Unit Checker available on the iTax portal allows the VAT taxpayer to confirm the legitimacy of the ETR device.</p> <p><a href="https://kra.go.ke/images/publications/List-of-Approved-ETR-Suppliers--Manufacturers-as-at-JUNE-2022.pdf">https://kra.go.ke/images/publications/List-of-Approved-ETR-Suppliers--Manufacturers-as-at-JUNE-2022.pdf</a></p>
5.	<p><b>Treatment of Old Devices</b></p> <p>i. What models of the old ETR devices can be upgraded?</p> <p>ii. What should taxpayers do with the old ETR machines?</p>	<p>i. Devices that can be upgraded are black models Mercury 130W and Incotex 130F (supplied by Pergamon Ltd), and A Class FC4 ETR (supplied by Dejavu Technologies).</p> <p>ii. Where a taxpayer replaces the existing tax register, they are required to safeguard the data in the previously used ETR line with requirement to keep records for five years as stipulated in Section 23 of the Tax Procedures Act, 2015.</p>
6.	<p><b>Registration of ETR devices</b></p> <p>i. Can 1 ETR machine be used, if it can be configured and link to our server.</p> <p>ii. Is an ETR registered to a trader or can multiple traders use one ETR?</p>	<p>i. In consultation with the approved ETR suppliers, the taxpayer is at liberty to determine the number of ETR devices to adopt taking into consideration business continuity and nature of operations.</p> <p>ii. The ETR is mapped to an individual taxpayer PIN, which differs from one trader to another. Therefore if different entities have different PINs they will be required to each get their own ETR.</p>
7.	<p><b>Integration Process</b></p> <p>Upon purchase of the machines, the ETRs also take a lot of time to be configured.</p>	<p>The taxpayers needed to start the transition process early enough to allow for the necessary measures to be put in place.</p>
8.	<p><b>VAT vs Revenue Recognition</b></p> <p>The TIMS project expects the system to be configured on VAT rules. However, there is a</p>	<p>TIMS is aligned to the provisions of the VAT Act 2013. Section 12 defines when VAT is due and payable.</p>

S/No	Issue Raised	Response
	<p>mismatch between VAT rules and Revenue recognition rules. VAT is to be recognised on earlier of deposit payment, invoice raising and delivery. Whilst revenue recognition is on the latter of payment, invoice and delivery. Most ERPs are configured for Revenue recognition rules and will not be willing to change systems for KRA – we are already having challenges with our ERP supplier to make changes.</p> <p>The problem is compounded by intricacies in some business models whose operations are not catered for by the ETR machines eg. lipa pole pole.</p> <p>There is the challenge on how to deal with VAT in cases of deposits.</p>	<p>VAT Taxpayers are also expected to comply with the provisions of the VAT Act, 2013. In the event shifts in business models inform the need for amendment in Law, due process is advised to accommodate the same.</p>
9.	<p><b>Foreign Currency</b></p> <p>Request to have the machines display both foreign and local currency especially when issuing foreign invoices.</p> <p>It is not practical to bill international customers in the local currency.</p>	<p><i>The Tax Procedures Act 2015 Section 23 states that <b>the unit of currency</b> in books of account, records, paper registers, tax returns or tax invoices shall <b>be in Kenya shillings</b>.</i></p> <p>The foreign currency amounts may appear on the invoice, however the requirement is for the Kenya shilling equivalent to also feature on the invoice, as it is the KSh values that will be transmitted to KRA (not the foreign currency amounts).</p> <p>The recommended exchange rate to use is the CBK mean rate.</p>
10.	<p><b>HS Codes</b></p> <p>i. Provide clarity on the HS code to be used when you are a buyer and seller at the same time.</p> <p>ii. How do you validate zero rated &amp; exempt goods without HS Codes.</p>	<p>i. There is no Item Code applicable for self supply.</p> <p>ii. The item codes apply to supplies listed in the first and second schedule of the VAT Act. All other supplies will be charged at the default 16% VAT.</p>

S/No	Issue Raised	Response
11.	<p><b>Credit Notes</b></p> <p>i. How will credit notes be catered for?</p> <p>ii. Credit Notes (CNs) to be cross-referenced to base invoice; what of CNs without base invoices like for customer target achievement incentives, customer royalty schemes, etc.?</p> <p>iii. What about credit notes referring to several invoices like in the cases of additional discount retained and given at the end of the month?</p> <p>iv. Generation credit notes of an invoice more than 6 months old?</p> <p>v. Treatment of credit and debit notes</p> <p>vi. For debit and credit notes, does a refund have to be linked to the original invoice and if this is the case can that be relaxed for the aviation industry?</p> <p>vii. How will credit notes relating to</p>	<p>i. VAT taxpayers will be able to issue credit notes and debit notes through the system. The taxpayer will need to reference the original invoice number on which the supply was made before issuing the credit or debit note.</p> <p>ii. Sec 16 of the VAT Act states that a credit or debit note shall be serially numbered and shall be issued with sufficient details to identify the tax invoice on which the supply was made and the tax that was originally charged. From our understanding loyalty points are assigned monetary value to enable purchase of supplies and accounting of tax thereof.</p> <p>iii. For customer target achievement incentives/ progressive discounts / trade discount, the time limits in place to cater for credit notes must be factored in (6 months), since the CN is used to account for such discounts.</p> <p>iv. In line with the VAT Act 2013 Section 16 (1), a credit note can only be issued within 6 months from the date of issue of the original invoice.</p> <p>v. Refer to responses above</p> <p>vi. Refer to responses above</p> <p>vii. There is provision for credit notes to be generated outside of the system for invoices</p>

S/No	Issue Raised	Response
	<p>invoices prior to 1st of August be treated as there is no control unit number.</p> <p>viii. How will one issue Manual Bulk Credit notes for settlement discounts as they relate to many invoices?</p>	<p>generated prior to 1<sup>st</sup> August and 1<sup>st</sup> October 2022 with the recent developments. This is limited to 6months prior in line with the VAT Act.</p> <p>viii. Sec 16 of the VAT Act states that a credit or debit note shall be serially numbered and shall be issued with sufficient details to identify the tax invoice on which the supply was made and the tax that was originally charged.</p>
12.	<p><b>Variation in decimal places</b></p> <p>i. Some ERP systems are designed to accept up to 4-decimal places but the Type C ESD device availed can only accept 2-decimal places. This is resulting to a difference in the invoice amount.</p> <p>ii. There is also a problem that TIMS is truncating unit prices rather than rounding off and that is causing amounts of ERP system invoice amounts not matching with TIMS figures when the QR code is scanned.</p>	<p>i. <b>TIMS allows two decimal places.</b> Taxpayers are advised to <b>truncate</b> to two decimal places as opposed to rounding off.</p> <p style="text-align: center;"><i>Explanation from Cecypo.tech:</i>  <i>You sell 4 pcs @ 950.00 (incl) = 3,800.00</i>  <i>ETR Device, with truncated decimals, takes:</i>  <i>950 / 1.16 = 818.9655 (Device will use 818.96)</i>  <i>818.96 x 4 pcs = 3,275.84 + VAT = 3,799.97</i>  <i>Difference of 0.03 invalidates the sale after midnight.</i></p> <p>ii. <b>Consideration is being made for</b> validation for the decimal points to have tolerance (allowance) to avoid invalidation of invoices due to the difference in decimal points.</p>
13	<p><b>Special Characters</b></p> <p>The trader invoice number does not accept other printable characters like ( _ , - , / ) and that is causing system integration with ERPs</p>	<p>TIMS is an integration of the iTax system which has limitations on capture of special characters as a security feature.</p>
14	<p><b>Invoices issued in Foreign Currency</b></p>	<p>Refer to Response in No 9</p>

S/No	Issue Raised	Response
	How will Invoices issued in foreign currency be catered for in the system?	
15	<b>Withholding VAT</b> How will Withholding VAT be treated?	Withholding VAT will still be operational as per Section 25A of the VAT Act 2013. Traders will continue to issue invoices as usual and utilise their WVAT credits in their respective VAT returns every month.
16	<b>Levels of validation on TIMS</b> How many levels of validation are there in TIMS and what is the recourse for failures in second level validation during transmission of the transactions?	There are two levels of validation: the first at ETR level and the second level batch validation at KRA. If a failure happens at the second level of validation, the taxpayer will get an email notification for any invoice discrepancies and they can correct the invoices accordingly.
17	<b>VAT Remission</b>  KRA to advice on how VAT remission (exemptions) for approved inputs (Packaging and raw materials) for pharmaceutical manufacturers will be applied on TIMS by the both sellers and buyers.	The current process is still applicable pending completion of the automation process for the same.
18	<b>Various VAT Rates</b> How do you account for the various VAT rates?	There is a KRA defined Item code for the 3 categories of supplies i.e. zero rated, exempt and other rated supplies that should be configured in the taxpayer's trader system and identified by the TIMS system for validation purposes and proper tax treatment. The ETR Suppliers and ERP vendor will facilitate this process. The Item Code master list is published on the KRA website: <a href="https://www.kra.go.ke/images/publications/Items-in-1st-and-2nd-Schedule-of-the-VAT-Act.pdf">https://www.kra.go.ke/images/publications/Items-in-1st-and-2nd-Schedule-of-the-VAT-Act.pdf</a>
19	<b>QuickBooks Generated Invoices</b> Can we use type A for QuickBooks generated invoices?	The TIMS implementation requires integration with the billing system in order for the process of invoice validation, generating of the QR code and Control Unit invoice number to happen before transmission of the invoice data to KRA. Type B,C & D ETRs are suitable for

S/No	Issue Raised	Response
		<p>Quick books and other software billing systems.</p> <p>The Type A ETR is suitable for traders who do not have a software billing system in place, i.e. manual invoicing or those who have field sales (van sales).</p>
20	<p><b>Invoice Number</b> What invoice number should be used between the taxpayers' ERP system and the control unit?</p>	<p>Once the VAT return is pre-populated, the unique Control Unit Invoice Number will be used.</p>
21	<p><b>Reprint of Invoices</b> In the event of an invoice reprint will the System capture that or it will double VAT same invoice.</p>	<p>The System allows for re-print of invoices, i.e. duplicate invoices. Since it is a copy of the original invoice, VAT will not be charged twice.</p>
22	<p><b>Export Invoices</b> We have started using the device, we processed the export invoice (zero rated). The QR validation captured the amount plus Vat. When there was no Vat.</p>	<p>Export of goods and services are categorized as Zero rated. Therefore the relevant Item Code should be configured in the trader's billing system to allow for VAT to be charged at 0% when generating the invoice. The ETR validates the correct tax rate to be charged</p>
23	<p><b>Invoices to KRA</b> How will one account for VAT on importation of goods paid direct to KRA since there are no invoices?</p>	<p>Import VAT is accounted for through the Customs system, i.e. ICMS. The integration between iTax and ICMS will allow for the data on import VAT to be availed in the pre-filled VAT return.</p>
24	<p><b>Invoices from KPA &amp; KPLC</b> Will it be possible to claim input vat against KPA &amp; KPLC invoices since they don't indicate the consignee's KRA pin?</p>	<p>Discussions are ongoing with KPA to ensure that for B2B transactions, the consignee's PIN is captured on the invoice.</p>



S/No	Issue Raised	Response
25	<b>Invoice Storage</b> Can the invoice data be stored on the cloud?	Considering the implementation is device based, the law requires the data to be stored in the physical ETR device.  However, KRA is in the process of fully conceptualizing the software to allow system-to-system integration which supports the cloud-based option for storing the data.
26	<b>Rebates &amp; Discounts</b> How do you account for rebates notes and turnover discounts?	Refer to responses in No 11
27	<b>Branding Fees/Gondola Fees/Store Fees</b> How do you reference branding fees, gondola fees or store fees etc.,	Refer to responses in No 11
28	<b>Reimbursement and Disbursement on TIMS</b> How do you capture the reimbursements and disbursements on TIMS?	Disbursements and Reimbursements are not vatable. The details of the disbursements may appear on the invoice but will be considered as non-fiscal data therefore not transmitted to KRA.
29	<b>Exempt Bodies</b> How will one issue invoices to customers who are VAT exempt now that tax invoice comes with VAT 16% e.g. Kenya Red cross society(KRCS)	There is a KRA defined Item code for the 3 categories of supplies i.e. zero rated, exempt and other rated supplies that should be configured in the taxpayer's trader system and identified by the TIMS system for validation purposes and proper tax treatment. For example for Kenya Red Cross the Item Code is <b>0008.32.00</b> . The ETR Suppliers and ERP vendor will facilitate this process.  The Item Code master list is published on the KRA website: <a href="https://www.kra.go.ke/images/publications/Items-in-1st-and-2nd-Schedule-of-the-VAT-Act.pdf">https://www.kra.go.ke/images/publications/Items-in-1st-and-2nd-Schedule-of-the-VAT-Act.pdf</a>
30	<b>Request for an Exemption</b> The airline industry requests for an	TIMS is applicable to all persons subject to registration for VAT under Sec.34 of the VAT Act 2013. Notably, taxpayers subject to zero rated supplies are provided by Law to claim refunds



S/No	Issue Raised	Response
	exemption since they pay VAT at a zero rate	on all inputs incurred in line with business. However, this provision only applies to VAT registered taxpayers.
31	<b>Legal Notices</b> Which units of measure are in focus on Legal Notice No. 189 section 9(1) (j) e.g., are cases and pieces considered as units of measure or are we limited here to weights and lengths?	Unit of measure is not limited and is at the discretion of the VAT taxpayer to define.
32	<b>Appeals in Law</b> How do we appeal for a change in the Law?	Write a letter to the Commissioner Domestic Taxes Department attention to the Policy and Tax Advisory Division, if the policy change is considered then it will be incorporated in the next Finance Bill.
33	<b>VAT payment cycle</b> How will the implementation of TIMs impact the payment cycle of VAT?	The implementation is aligned to the requirements in the VAT Act 2013, Section 19 and 44 regarding filing of the VAT return and payment of tax due on or before the 20th day of the following month.
34	<b>Clearing Agents</b> How will TIMS integrate to capture customs charges, duty and VAT paid by clearing agents who act on behalf of taxpayers?	The integration between iTax and ICMS will allow for customs duty and import VAT to be availed in the pre-filled VAT return.
35	<b>Setup of TIMS outside Kenya</b> The airline invoicing is done at the headquarters.  Can the system be set up outside the country?	It is highly discouraged as the Authority will need to conduct compliance checks and audits. In addition, the airlines may require support and maintenance from the Authority, logistical issues, may present a challenge.  If the systems are networked and integrated, it is advised the ETR device should be located in the country.
36	<b>Treatment of Vehicle sales distribution</b>  How will the vehicle sales distribution be treated?	The Type A ETR is capable of supporting van sales, as the ETR is portable with inbuilt functionality to generate, validate, and transmit tax invoices/receipts to KRA.

S/No	Issue Raised	Response
37	<b>Mobile App</b> Proposal for TIMS to be integrated into a mobile app as an alternative for traders who cannot afford the ETR machines.	The idea of developing a TIMS mobile app is in conceptualization stage. However, from a practical scenario, the mobile app invoicing option is suitable for those who do minimal invoices.
38	<b>Clearing Agents</b> How can clearing agents raise zero rated invoices for disbursements or payments made on behalf of our clients?	Disbursements are not vat-able. The details of the disbursements may appear on the invoice but will be considered as non-fiscal data therefore not transmitted to KRA.
39	<b>Refunds</b> How will logistic companies that sometimes make payment on behalf of customers then we bill the customers for a refund make a claim as this is not VAT-able, Exempt or Zero-rated?	Reimbursements are not vat-able. The details of the disbursements may appear on the invoice but will be considered as non-fiscal data therefore not transmitted to KRA.
40	<b>Machine Breakdown</b> What fall back measure do we have as suppliers/sellers when an ETR/ESD machine break down?	As per the VAT (ETI) Regulations 2020, (1) Where a user of a register cannot use the register for any reason, the user shall— (a) notify the Commissioner in writing within twenty-four hours of the user's inability to use the register; and (b) record sales using any other means as may be specified by the Commissioner. (2) Once the user of a register is able to use the register, the user shall enter into the register the sales recorded under paragraph (2) (b).  In addition, KRA is working on having in place an automated alternate means, i.e. invoice portal.
41	<b>Internet Connectivity</b>	i. The devices have offline capability.

S/No	Issue Raised	Response
	<p>i. What happens when internet connectivity is disrupted and you have a queue of customers to serve or invoices to print?</p>	<p>Internet connection is only required for purposes of transmitting the validated invoices to KRA. In case of internet downtime, there will be no disruption to the traders operations, and they will continue to raise invoices.</p> <p>The process of invoice validation and generation of the QR code by the ETR does not require internet connection. Once the internet connectivity is restored, the ETR will automatically connect to KRA and transmit all the invoices generated and stored in its memory when the internet was disrupted.</p>
42	<p><b>Input Incorrect Details</b></p> <p>Input of incorrect details e.g PIN number. (What if the PIN is keyed in wrongly in the ETR)</p>	<p>The TIMS compliant ETRs have the ability to generate credit and debit notes for purposes of correcting or amending invoices that have been transmitted to KRA.</p>
43	<p><b>VAT Formula</b></p> <p>Address the KRA formula programmed on the printers where unit price must include VAT otherwise calculating the normal way i.e. Unit prices multiplied by the quantity then applying VAT to subtotal generates a decimals variance that the printer does not allow.</p>	<p>In TIMS implementation, the unit price is <b>exclusive</b> of VAT. Taxable value is derived at as unit price * quantity. VAT is charged on taxable value.</p> <p>TIMS allows two decimal places. Taxpayers are advised to truncate the invoice amounts to two decimal places as opposed to rounding off in their billing systems.</p>
44	<p><b>Tax Base Expansion/ Incorporation of</b></p>	<p>The targeted taxpayers are VAT registered taxpayers as provided for in Sec 34 of the VAT</p>

S/No	Issue Raised	Response
	<p><b>the Informal Tax</b></p> <p>How will you get the informal sector to comply and buy a machine if they are not affordable?</p>	Act. Those who fall below the threshold for VAT (informal sector), are registered under the Turn Over Tax regime.
45	<p><b>VAT Threshold: 5M threshold</b></p> <p>What are the modalities for businesses that earn below 5 million?</p>	Refer to Response to No 44
46	<p><b>Technical Guidelines</b></p> <p>Standard Technical Guideline required to facilitate the connectivity to TIMS Server.</p>	<p>The Revised ETR Specifications are published on the KRA website.  <a href="https://www.kra.go.ke/images/publications/Revised-Electronic-Tax-Register-Specifications-V2.0_14July2021.pdf">https://www.kra.go.ke/images/publications/Revised-Electronic-Tax-Register-Specifications-V2.0_14July2021.pdf</a></p>
47	<p><b>Go-Live Training</b></p> <p>Can we have a session with KRA &amp; taxpayers that are already live, because we haven't really addressed the issues being faced post-integration?</p>	<p>Taxpayers who are on board TIMS are encouraged to contact KRA via <a href="mailto:timsupport@kra.go.ke">timsupport@kra.go.ke</a> for further support.</p> <p>In case of further engagements arrangements can be made through the KRA Marketing &amp; Communication Department</p>
48	<p><b>Capacity Building</b></p> <p>i. Vendor education is lacking, or vendors being difficult to configure for efficiencies</p> <p>ii. The members requested for continuous engagements with the industry to aid a smooth transition especially on the implementation process which integrates the invoices</p>	<p>This is noted as feedback. However, KRA has held multiple sessions with Approved ETR Suppliers to ensure that they are able to support taxpayers in accordance with their signed Service Level Agreements with KRA.</p> <p>In addition, one may forward the details of any approved Supplier who exhibits lack of technical capacity to support taxpayers to KRA through <a href="mailto:timsupport@kra.go.ke">timsupport@kra.go.ke</a> for action by KRA.</p> <p>The TIMS Support Contact details are as follows:</p>

S/No	Issue Raised	Response
	with the various financial systems.	<p><b>1. <u>TIMS Operations Unit</u></b>  <b>Email:</b> <a href="mailto:timsupport@kra.go.ke">timsupport@kra.go.ke</a>  <b>Tel:</b> 0709 01 2730 0709 01 2735, 0709 01 2734  0709001 2082, 0709 01 2077, 0709 01 2079  <b>Venue:</b> TIMS Operations Unit is located at  JKUAT Towers (8<sup>th</sup> Floor) Kenyatta Av.</p> <p><b>2. <u>The Contact Centre</u></b>  <b>Email:</b> <a href="mailto:callcentre@kra.go.ke">callcentre@kra.go.ke</a>  <b>Tel:</b> +254 20 4999999 or +254 711 099 999  from Monday to Friday between 6:30am and 6:30pm  <b>Facebook:</b> Kenya Revenue Authority  <b>Twitter:</b> @kracare</p> <p><b>3. <u>The Stakeholder Engagement Unit</u></b>  <b>Email:</b> <a href="mailto:stakeholder.engagement@kra.go.ke">stakeholder.engagement@kra.go.ke</a>    <b>Tel:</b> 0709 01 3356, 0709 01 8863, 0709 01 8862</p>