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TAXES

FILE YOUR 2021 TAX RETURNS NOW!!

Are You Compliant with The VAT TIMS Requirements?

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Newsletter

MBAYA AND ASSOCIATES

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Introduction

We are pleased to release the sixth edition of our tax newsletter. The main focus of this issue is on the filing of the 2021 December Annual Tax Returns and VAT Electronic Tax Register (ETR) regulations. We also highlight an introduction to personal finance and we hope this insight will encourage you as a, taxpayers to comply before the tax due dates as you aim to better manage your finances. On the right column of the newsletter, you will find contact details for the senior 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.

In this issue



File your 2021 Annual Tax

Return Now!! » 1

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» From the TaxDesk »

File Your 2021 Annual Returns Now!!

Pursuant to the Kenyan Tax law, all the taxpayers registered with the Kenya Revenue Authority are supposed to file their annual tax return. For individuals and corporate taxpayers with a December accounting date, the time is almost up. The deadline is on 30th June 2022. Failure to honour this deadline will expose taxpayers to tax penalties ranging from;

- Kshs. 2,000 for a NIL, non-income earning individual
- Kshs. 2,000 or 5% of the tax whichever is higher for any other individual tax payer.
- Kshs. 20,000 or 5% the tax whichever is higher for any corporate tax payer.

At M&A, we are working round the clock to ensure compliance of all our clients. We are willing to help you file your tax return.

Are You Compliant with The VAT TIMS Requirements?

Kenya Revenue Authority (KRA) wishes to remind the public of the roll out of the Electronic Tax Invoice pursuant to the provisions of the Value Added Tax (Electronic Tax Invoice) Regulations, 2020.

The Value Added Tax (Electronic Tax Invoice) Regulations, 2020 were signed by the Cabinet Secretary for the National Treasury and Planning on 10th September 2020 and gazetted on 25th September 2020 vide Legal Notice No. 189 of 2020. The regulations are aimed at facilitating administration of VAT through Electronic Tax Invoice Management.

All VAT registered taxpayers shall thereafter be required to comply with the requirements of the regulations on implementation of the Electronic Tax Invoice within a period of twelve (12) months from 1st August 2021 ending 31st July 2022.

Would You Wish to Request for an Extension to Fully Comply?

Where a person is unable to comply within the timelines, they shall apply to the Commissioner for extension of time to comply, which shall not exceed six months from the deadline day of 31st July 2022, as provided for in the Regulations.

For the application to be successful, a taxpayer needs to:

- Lodge an application for the extension at least 30 days to the deadline of 31st July 2022. This means the application should be done latest by 30th June 2022
- Give reasons as to why it is critically important for the extension to be awarded and also give proof of the same in the application.

When approved, the extension shall be for a maximum six months upon when the taxpayer shall be expected to have complied with the regulations. It is therefore expected that the taxpayers who will successfully lodge their applications for extension of time and have them approved will have to comply with the regulations at least by 31st January 2023.

Guidelines For VAT Registered Taxpayers

All VAT registered persons are required to comply with the requirements of the Value Added Tax (Electronic Tax Invoice) Regulations, 2020 on implementation of the electronic tax invoice within a period of twelve (12) months from the date of the roll out.

The following Guidelines provide the broad basis for VAT registered taxpayers to comply with the electronic tax invoice requirements:

1. In compliance with the requirements of the Electronic Tax invoice, all VAT registered taxpayers should use a compliant tax register with the following functionalities:
 - Check of the invoice details (tax rate, taxable value, total tax and total gross amount) before issuance of the tax invoice to the customer.
 - Transmission of the validated tax invoices to KRA over the internet on a real time or near real time basis.
2. The list of the approved Electronic Tax Register suppliers and their manufacturers from whom VAT registered taxpayers can obtain the required registers. The list has been published at the KRA website and updated as of May 2022. The fully authorized suppliers are as follows. For communication purposes, their emails are as indicated:

Company	KRA PIN	Contact
Pergamon Limited	P051201909L	info@pergamongroup.com
Onesource Solutions Limited	P051356922E	sales@onecourcesolutionske.com

Company	KRA PIN	Contact
Computech Limited	P000599855R	etr@computechlimited.com
The Copy Cat Limited	P000597676Q	taxdevices@copycatgroup.com
Total Solutions Limited	P051140749R	info@totalsolutions.co.ke
Advatech Office Supplies Limited	P051138983Z	customercare@advatech.co.ke
Knots Computers Ltd	P051135393E	knots@kenyaweb.com
Minitech Technologies Limited	P051578249U	info@minitechtechnologies.co.ke
Compulynx Limited	P051109735B	sales@compulynx.com
Novacom Systems Limited	P051117661B	info@Novacom.co.ke
Wisepower technologies Limited	P051365834G	admin@wisetechnologies.net
Matrix Telematics Limited	P051391409R	info@matrixtelematic.com
Lynx Distribution Limited	P051218284L	etr@lynxdistribution.com
Ezeemoney Limited	P051414424T	info@ezeemoney.co.ke

3. The key features of a valid Electronic Tax Invoice include:

- Buyer PIN - refers to the PIN of the purchaser. The capture of the buyer's PIN is optional when generating an invoice and is only applicable where the purchaser intends to claim input tax for the VAT paid.

NOTE: It is the responsibility of the buyer to provide their PIN details to be captured in the invoice where they intend to claim input tax.

- Control Unit serial number - a unique number issued by KRA to identify each tax register.
- Control Unit invoice number - a unique number generated by the tax register upon issuance of each tax invoice.
- Quick Response (QR) Code - to confirm the validity of the tax invoice

Benefits of the TIMS enabled ETR machines;

- There is real time validation of invoices at the trader tills prior to issuance to the customer and transmission
- Helps in improved accuracy in automated VAT data management - address invoice discrepancies
- Minimizing VAT fraud through verification of invoice data to KRA
- Ensures standardization of tax invoices and receipts

Benefits of complying to the Taxpayers;

- This helps in fostering a fair business environment
- There is pre-filled VAT return and hence a simplified return filing

3. There is an auto activation of the Electronic Tax Register
4. Enables faster processing of VAT refunds
5. There is a non-intrusive verification of tax matters

Compliant tax registers will have the capability of generating the credit and debit notes referencing the original tax invoice.



Personal Finance

Introduction

Personal finance is the process of planning and managing personal financial activities such as *income, spending, saving, investing, and protection*. It is a way of planning on how to let your money work for you by managing your own personal finances.

Management of your personal finances is important as it helps one get freedom of choice and also cultivates a sense of responsibility as well as promises a comfortable future.

Don't Wait to Get Started. YOU CAN DO IT! IT'S EASIER THAN YOU THINK

To start achieving your personal financial freedom, you need to:

- **Sit down and take an honest look at your entire financial situation** - You can never take your next steps without knowing where you're starting from. A journey to financial comfort is no different. You'll need to figure out on paper your current situation.
- **Determine your financial goals** - What do you want to achieve and by when? Make your own list and think about which goals are the most important to you.

- **Make a budget** - You need to establish and put aside money to spend and money to save. Are you spending more than you earn? Track your income and expenses every month. If you are spending all your income, and never have money to save or invest, you'll need to look for ways to cut back on your expenses. Remember to PAY YOURSELF OR YOUR FAMILY FIRST!
- **Start a Savings plan** - Small Savings Add Up to Big Money. How much does a cup of coffee cost you? Now that you know your current financial situation and your monthly expenses, take a look back at your goals that you created first and make a plan to save from the money that you have after cutting back your expenses.
- **Making your Money Grow** - Put your saved money to an investment. While money doesn't grow on trees, it can grow when you save and invest wisely. Knowing how to secure your financial well-being is one of the most important things you'll ever need in life. You don't have to be a genius to do it. You just need to know a few basics, form a plan, and be ready to stick to it. No matter how much or little money you have, the important thing is to educate yourself about your opportunities.
- **Have a grip on your taxes** - To maximize your fund returns, or any investment returns, know the effect that taxes can have on what actually ends up in your pocket. Talk to an investment professional if you think it's important.
- **Plan to Protect yourself** - Ask questions. Your investment professional should understand your investment goals, whether you're saving to buy a home, paying for your children's education, or enjoying a comfortable retirement. He should also understand your tolerance for risk and advise you on the best plan to have a gainful protection against risks.

People have different preferences when it comes to tracking and managing their personal finances. In overall there will be the most frequently asked questions as below:

- How do I keep track of my personal finances?
- How does the economy affect your personal finances?
- How can improving my credit score help with personal finances?

Don't worry about this. It all starts with a PLAN. As we said at the beginning, the most important thing is to get started. Remember to ask questions as you make your investment decisions.

KEEP IN TOUCH WITH US in our subsequent publications and learn more on each of the above points on personal financing. If you need personal financial management help, get in touch with us and we can begin your journey to financial freedom.

Tax Due Dates

Withholding Tax | 20th 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

Minimum Tax

Applicable where minimum tax is higher than instalment tax payable

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