



Mbaya and Associates ^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS

File Your 2022 Annual Return Now!!

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Newsletter

MBAYA AND ASSOCIATES

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Introduction

Receive our June 2023 greetings! We are pleased to release the mid-year edition of our tax newsletter as we appreciate the good relations that we have had over the time. We appreciate your lively feedbacks and engagements in our previous editions and we hope for the same to continue into the future.

This edition covers a reminder to file the returns, recent tax developments in e-TIMS enforcement and the financial literacy advisory. We will be sharing with you the Finance Act changes in our next issue of the newsletter. We are grateful for your interaction and are happy to be of service to you.

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

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» From the **TaxDesk** »

File Your 2022 Annual Return Now!!

Pursuant to the Kenyan Tax law, all the taxpayers registered with the Kenya Revenue Authority are supposed to file their annual tax returns. For individuals and corporate taxpayers with a December accounting date, the time is almost up. The deadline is on Friday 30th June 2023. Failure to honor this deadline will expose taxpayers to tax penalties ranging from:

- » Kes. 2,000 for a NIL, non-income earning individual;
- » Kes. 2,000 or 5% of the tax whichever is higher for any other individual tax payer;
- » Kes. 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 returns.

Enforcement of the Electronic Tax Invoice System (TIMS & E-TIMS)

With reference to the public notice dated 4th May 2023, where the Commissioner General notified the public that **effective 1st June 2023**, all VAT registered taxpayers are required to only accept electronic tax invoices, KRA went ahead to suspend all the VAT obligations for all the registered but non-compliant PINS.

Taxpayers have found themselves on the wrong side of the law and forced to comply with the new E-TIMS for the reinstatement of their VAT obligation. Some of them were not able to file the VAT returns and this has resulted to imposition of penalties due to the missed or late returns.

KRA takes this opportunity to thank all compliant VAT registered taxpayers who are already supporting the enforcement of the Regulations. We urge all our clients to regularize their VAT requirements and reach out to us in case of any advices, clarifications or help.

Financial Literacy for SME's

Small-and medium-sized enterprises (SMEs) remain the lifeblood of global economies. The World Trade Organization reports that 95 percent of companies across the globe are micro, small or medium enterprises and that they provide 60 percent of the world's total employment. The UN designated 27th June as MSME Day to raise awareness of their enormous contribution to the achievement of the UN Sustainable Development Goals.

Despite these remarkable statistics, we must acknowledge that the operating environment for many SMEs is increasingly tough. Work carried out by the Small Business Administration in the United States established that, prior to the Coronavirus pandemic, only a third of SMEs survive the 10-year mark. Not all who did not survive have necessarily failed, but this figure does highlight the challenges SMEs face. If we then think of all the increased volatility since the pandemic, including inflation, interest rate increases, energy security fears, and supply chain issues, it is clear the challenges remain demanding.

The Significance of Financial Literacy

While there are many causes of SME closures, there are important steps SMEs can take to build resilience, including improvements in financial literacy that could play a critical role in helping to navigate uncertainty. This is where Mbaya & Associates (M&A) can provide a lifeline. Business decisions can be challenging for SMEs if they fail to identify key metrics to measure performance by, and this is often an area that needs support. The following are some of the ways that M&A can help SMEs with financial literacy.

1. *Provide valuable business advice.* IFAC research shows that accountants from mid-sized firms are the most frequently utilized source of business advice for SMEs. Furthermore, accountancy or business advice received by SMEs from mid-sized firms like M&A is associated with better performance, including improved growth and profitability, better survival rates, and better decision making. M&A as trusted advisers are therefore the ideal partner to help build capabilities in SMEs, helping them to develop strong and successful businesses.

2. *Improve financial understanding and awareness.* M&A can help provide a critical advantage to SMEs through improving financial awareness and reporting. Many SMEs count on M&A to support preparation of accurate and meaningful financial accounts as well as the interpretation of these accounts. For many business owners, having someone 'demystify' the financial information and provide meaning to the numbers allows them to make informed decisions regarding their future operations. M&A can also help modernize finance departments by introducing such practices as finance-business partnering and the tailoring of reporting information to the needs of decision makers. Such support can be imperative in unpredictable times, when planning tools such as forecasting gain greater importance. M&A can also harness their skills and knowledge to provide training. Moreover, M&A can give SMEs the structure needed to improve their predictive abilities by sharing best practices and templates. The robust information such measures can provide can help underpin business plans and facilitate actions that will help the business grow, such as access to finance.
3. *Effectively manage liquidity and debt.* In the current financial climate, recoverability of debts has also been an important factor for many SMEs and has in many cases had a significant impact on profitability. M&A is well placed to advise on the creation of effective credit control procedures and to help SMEs identify ways to assess the credit worthiness of counterparties and develop robust credit management practices. Linked to this issue is the preservation of cash and the pursuit of liquidity. In many SMEs, efficiency of working capital is a key concern, and stock management is often a neglected area, especially where there is a slowing sales environment due to factors like inflation. M&A is well placed to advise on the importance of cash management and highlight the risks that could arise due to being overstocked. SMEs can engage with M&A to develop strategies to determine optimal inventory levels and create a system that is responsive to changes to the business environment.

An Ever-Growing Remit for SMPs

Given the strong contribution M&A makes to improving financial literacy, it is unsurprising that SMEs are looking for broader support from M&A beyond core compliance in areas such as accounting, tax, and audit. M&A has also assisted with broader value-added advisory and consulting support in areas including business development (strategy, marketing, etc.), human resources, and employment regulations, as well as on management accounting and corporate advisory services. Key management positions in some SMEs can also be filled by practitioners working for M&A; for example, the growth of virtual CFOs, utilizing the cloud to service a number of businesses and provide appropriate, relevant advice, around the clock. M&A has therefore become a driver of business strategy and long-term value creation in many SMEs, reinforcing how accountants are an integral part of economic resilience.

Where competition and price wars might be hampering performance in SMEs, M&A can help SME management think more strategically. M&A can support the development of short, medium, and long-term plans, tying these to both the organization's strategy and the strategic context of the environment the SME finds itself in. Effective planning in this way can help arrest declines in performance and can provide constructive challenge to approaches SME management was considering. To perform optimally, in addition to strategy and planning, businesses also need capable information systems to capture, collate and interpret data in a way which facilitates decision making. Where financial accounting and reporting systems are lacking, or where they don't consider factors such as profitability margins, expense ratios, cashflows, taxes and capital investments, only a partial picture of performance will ever be painted—making monitoring

and management challenging. M&A can help develop robust reporting procedures which allow insightful reporting to support decision making.

The challenge of dealing with the unusual and unexpected is amplified for those SMEs that enter into complex transactions such as business combinations, integrations or exits. In these cases, consultation with M&A can help SMEs unlock maximum value from such situations as well as helping them with matters such as tax planning where rules and regulations can be fast moving.

SMEs are absolutely critical to each nation's economic prosperity, but running an SME can be very challenging and the early failure rates are daunting. They must be able to rely on trusted professional guidance to make sure they are successful. The odds of survival are significantly increased if SMEs improve their financial literacy, and M&A can provide a lifeline to help them achieve this aim.

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

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