

Accountability and Transparency in eTIMS

A Practical Guide to Kenya's
Electronic Tax Invoice Management
System and iTax Filing

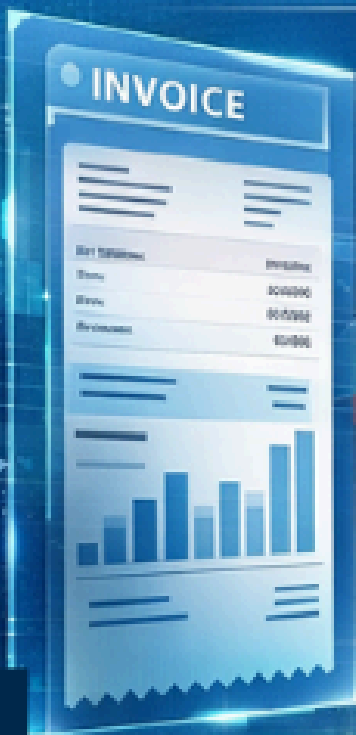


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Chapter 1: Understanding eTIMS and Why It Matters

Page 1: What is eTIMS?

eTIMS stands for Electronic Tax Invoice Management System. It is a digital invoicing platform introduced by the Kenya Revenue Authority to replace manual receipts, handwritten invoices, and older ETR machines. The goal is simple: make every business transaction visible to KRA in real time.

Before eTIMS, KRA faced a major problem called “missing trader fraud.” Businesses would claim input VAT using fake or inflated invoices that had no real goods or services behind them. This led to billions in lost revenue.

TIMS launched in August 2021 for VAT-registered businesses. In September 2023, KRA expanded it to all businesses through eTIMS, a software-based solution that works on computers, phones, and tablets.

Key features of eTIMS:

- Every invoice gets a unique system number and QR code.
- Invoices are transmitted to KRA instantly.
- Both seller and buyer PINs are linked, creating a two-sided record.
- It works for goods, services, rentals, exports, and government sales.

From 1st January 2024, only eTIMS-compliant invoices are recognized for corporation income tax deductions. If your supplier doesn't issue an eTIMS invoice, you can't claim that expense.

Think of eTIMS as KRA's way of saying: "If it's not digital, it didn't happen for tax purposes."

Page 2: Accountability Under the Finance Act 2023

Accountability means you can be held responsible for your tax position. eTIMS enforces this through law.

***Legal backing*:** The Finance Act 2023 amended the Tax Procedures Act. Section 16 now states that any expenditure or loss for which invoices are not generated through eTIMS shall not be deductible against revenue, except for exempt transactions.

***How it works in practice*:**

1. You buy goods worth KES 100,000 from Supplier A.
2. Supplier A issues an eTIMS invoice. The invoice goes to KRA and to your iTax account.
3. When you file your income tax return, you claim KES 100,000 as an expense.
4. KRA's system checks if Supplier A declared KES 100,000 as income. If not, both parties get flagged.

This two-sided matching removes the ability to claim "ghost expenses." You are accountable only for transactions you can prove happened.

***Result for taxpayers*:**

- No more padding expenses to reduce tax.
- No more buying fake invoices.
- Your books must match what's in KRA's system.

For honest businesses, this is good news. It levels the playing field. Businesses that avoid tax can no longer undercut compliant ones.

Page 3: Transparency and Real-Time Tax Monitoring

Transparency means openness. Under eTIMS, both you and KRA can see the same data.

***Real-time visibility*:** As soon as you issue an invoice, KRA sees it. As soon as your supplier issues you an invoice, it appears in your iTax eTIMS Purchase Report. This reduces fraud and speeds up audits.

***Audit trail*: Every eTIMS invoice contains:**

- Seller PIN and name
- Buyer PIN and name
- Item code and description
- Quantity, unit price, VAT, total
- QR code for verification
- Timestamp and system identifier

This creates a traceable paper trail. If KRA audits you in 2028, they can pull up every invoice from 2026 without asking for physical files.

***Pre-populated returns*:** From 2026, KRA started cross-checking returns against eTIMS, withholding tax, customs, and PAYE data. If your return doesn't match, you get an alert. You can correct it before penalties apply.

Transparency reduces corruption. It also reduces the cost of compliance. You spend less time collecting physical receipts and more time running your business.

Page 4: Practical Impact for Every Taxpayer

Here's what eTIMS changes for you starting in 2026:

1. *No eTIMS registration = No Tax Compliance Certificate*: KRA won't issue a TCC if

you're not onboarded. No TCC means you can't bid for tenders, transfer property, or apply for loans.

2. *No eTIMS invoice = Disallowed expense*: Any expense without a valid eTIMS invoice is

added back to profit and taxed. For a company in the 30% tax bracket, a KES 1M disallowed expense costs KES 300,000 in extra tax.

3. *Applies to almost everyone*: Sale of goods, services, B2B, B2C, rentals, exports, government contracts.

4. *Exemptions are limited*: Salaries, imports, airline tickets, bank charges, and services by

non-residents don't require eTIMS invoices.

***Key takeaway*:** eTIMS shifts Kenya's tax system from trust-based to data-driven. Your tax liability now depends on both your compliance and your supplier's compliance. If your supplier is not on eTIMS, you pay the price.

Chapter 2: Getting Started with eTIMS

Page 5: Who Must Register

Since 1st September 2023, eTIMS is mandatory for all taxpayers engaged in business. This includes:

- Sole proprietors and jua kali artisans
- Partnerships and LLPs
- Limited companies
- NGOs with business income
- Landlords with rental income from business premises

The only people exempt are employees earning pure employment income with no business activity. Even then, if you have a side hustle, you must register.

KRA offers different solutions based on business size:

- ***eTIMS Lite***: For non-VAT taxpayers with low transaction volumes.
- ***eTIMS Client***: For businesses dealing in goods or both goods and services.
- ***VSCU/OSCU***: For businesses with ERP systems and high transaction volumes.

Page 6: Onboarding for Non-VAT Small Businesses – eTIMS Lite

If you're a small trader, salon owner, or boda boda spare parts dealer not registered for VAT, use eTIMS Lite.

***Steps*:**

1. Go to eCitizen, dial _222#, or download “eTIMS Non VAT” app from Play Store or Apple Store.
2. Enter your KRA PIN.
3. Verify with the OTP sent to your iTax registered mobile number.
4. Create a password and log in.
5. Start issuing invoices immediately. No documents required.

eTIMS Lite is free and works offline. Invoices sync to KRA when you have internet.

Page 7: Onboarding for VAT and Large Businesses – Full eTIMS

If you're VAT-registered or deal in goods, use the full eTIMS Client or Online Portal.

***Step-by-step onboarding*:**

1. Visit <http://etims.kra.go.ke> and click *Sign Up*.
2. Enter your KRA PIN. An OTP is sent to your iTax mobile number.
3. Enter the OTP and create a password.
4. Log in and click *Service Request*.
5. Select your preferred eTIMS solution: Client, Online Portal, VSCU, OSCU.
6. Upload:
 - Copy of National ID of director/partner/owner
 - Duly filled eTIMS Acknowledgement & Commitment Form, available on KRA website
7. Submit the application.
8. A KRA officer verifies and approves. You'll get a notification.
9. Install and configure the software using guides on KRA website or YouTube.

Processing usually takes 1-3 working days. You can visit the nearest KRA office for help if stuck.

Page 7b handling real life Non -Etims

What the New KRA Return Pre-Fill System Means for You

Over the years, income tax filing in Kenya has been largely self-assessed. This meant that, you would provide the data, and we would guide the process of declaring your income, expenses, and tax liability.

KRA has now enhanced its data capture mechanisms at source through the use of eTIMS/TIMS that is able to transmit invoice details to KRA. This has brought about visibility

of transactions and thus, availed data that has made it possible to automate the filing processes for both VAT and Income Tax that results in cutting down on manual entry errors. The transmission of information is real time or near real time and therefore, verification of invoice details has been made possible through functionalities such as the QR Code on the physical invoices.

In addition, PAYE, withholding tax, and other third-party reporting are now captured automatically and posted to your iTax PIN profile in real time

Validations of the above information (income and expenses) is done every time submission

of the return is done thus ensure that, every business purchase is accompanied by a compliant eTIMS/TIMS invoice that bears your KRA PIN as the buyer.

When it comes to filing your annual Income Tax Return or your monthly VAT return, you will notice that the return excel is pre-filled and is accompanied by CSVs for both sales and purchases (for VAT only). You are now required to review, validate, and confirm the accuracy of the information auto populated by KRA, before submission which confirms the self-assessment system, though in a much simplified way.

Income Tax for the Year 2025, has been relaxed to allow capture of non etims/TIMS invoices bearing in mind that, some business like the County Governments still issue invoices for Business permits outside etims system. Items that were not captured through eTIMS or

other KRA data feeds will not appear in your pre-filled return. To ensure accuracy and fairness, KRA allows you to declare these omitted items through the Income Tax Return Adjustments facility.

You will find this under the Returns section on your iTax portal dashboard. There are 2 key forms:

1. Manual & Non-eTIMS/TIMS Invoices Adjustment

a) Use this to declare purchases and expenses that are not etims supported. For each entry, provide an excel in the format below:

Supplier Pin	Supplier Name	Invoice Number	Invoice Date	Description of supply	Amount

b) Supporting documents required: Attach scanned copies of the invoices and M-Pesa messages or payment evidence for each transaction indicated in the above excel.

2. Accounting & Accrual Adjustments

This is for the year-end adjustments that affect your income and expenses, such as prepaid expenses, accrued expenses, prepaid income, and accrued income.

This ensures that only income and expenses relating to the specific year of income are recognized.

a) For Income Adjustments, provide:

Type of Income	Amount	Description

b) For Expense Adjustments, provide:

Type of Expense	Amount	Description

c) Supporting documents required: Attach supplier PIN, supplier name, invoice and date, or M-Pesa messages and scanned invoices as evidence for the above.

Why this matters to

you ● Recognition of expenses that would otherwise go unrecorded and increasing tax liability

● Accurate income reporting since real-time invoice transmission reduces the risk of under-declaring income

Page 8: Common Onboarding Errors and How to Avoid Them

1. ***Wrong mobile number***: OTP goes to the number registered on iTax. Update it first under iTax > Registration > Amend PIN Details.
2. ***Missing Commitment Form***: Download it from KRA Publications > eTIMS. Sign it before uploading.
3. ***Wrong solution type***: Choose eTIMS Lite if you're not VAT registered. Choosing the wrong one causes delays.
4. ***Not installing software***: Approval alone isn't enough. You must install and test invoicing before transacting.

Chapter 3: Generating and Managing eTIMS Invoices

Page 9: Generating Invoices via the KRA Portal

For businesses using the Online Portal:

1. Log in to <http://etims.kra.go.ke> with your PIN and password.
2. Go to ***Transaction Management > Sales Receipts***.
3. Click ***New Receipt***.
4. Enter buyer PIN. The system auto-fills buyer details.
5. Select item code. Ensure it matches what you sell. Misclassification triggers audits.
6. Enter quantity, unit price, discount, VAT rate.
7. Click ***Save and Submit***.
8. The invoice is generated with a QR code and sent to KRA instantly.

You can download the invoice as PDF for the customer.

Page 10: Generating Invoices via eCitizen and USSD _222#

eCitizen Method:

1. Log in to eCitizen > KRA Services > eTIMS.
2. Select *Invoice Creation*.
3. Fill buyer and item details.
4. Submit. Invoice is generated and stored.

USSD Method:

1. Dial _222#.
2. Select KRA Services > eTIMS.
3. Follow prompts to create invoice.
4. Customer receives SMS with invoice link.

USSD is useful for businesses without smartphones or internet.

Page 11: Reading and Verifying an eTIMS Invoice

A valid eTIMS invoice must have:

- QR code at the bottom
- Invoice number starting with
ETM -KRA PIN of seller and buyer
- “Validated by KRA” watermark

To verify, scan the QR code or enter the invoice number on KRA’s verification portal. If it doesn’t show up, it’s invalid for tax purposes.

Page 12: Managing Sales, Purchases, and Reversals

***Sales*:** Every sale must have an invoice issued at the point of sale. Delayed invoicing is a violation.

***Purchases*:** Download your eTIMS Purchase Report monthly under iTax > eTIMS > Purchase Report. Reconcile it with your expense ledger. If an invoice is missing, contact the supplier immediately.

Reversals*:** If you issue a wrong invoice, use the ***Credit Note function in eTIMS. Do not delete invoices. KRA keeps a log of all changes.

Chapter 4: Linking eTIMS to Income Tax Filing on iTax

Page 13: Reconciling eTIMS Data Monthly

Don't wait until June to check your eTIMS data. Do it monthly.

***Process*:**

1. Log in to iTax.
2. Go to ***eTIMS > Purchase Report***.
3. Download Excel file.
4. Compare with your accounting software or manual ledger.
5. For missing invoices, ask supplier to reissue via eTIMS.
6. For wrong amounts, issue credit/debit notes.

This prevents surprises at year-end. KRA's automated systems cross-reference claims against registered suppliers, leaving no room for manual overrides.

Page 14: Step-by-Step Filing – Individual Employment Income Return

This is the most common return for salaried Kenyans.

***Before you start*:**

1. Get your P9 form from employer.
2. Check that your PAYE on iTax matches the P9. If not, ask employer to amend PAYE returns.
3. Deadline is 30th June each year.

***Filing steps*:**

1. Log in to <http://itax.kra.go.ke>.
2. Click ***Returns > File Return***.
3. Select ***Income Tax – Resident Individual***. Choose period 1/1/2025 to 31/12/2025. Select ***e-Return (Online Form)***.
4. ***Sheet 1***: Confirm basic info.
5. ***Sheet 2***: Add employer details from P9. Enter gross pay, taxable pay, PAYE deducted.
6. ***Sheet 3***: Fill exempt income if any.
7. ***Sheet 4***: Check Personal Relief KES 28,800 per year.
8. ***Sheet 5***: Enter NHIF/SHIF and life insurance for relief, max KES 60,000.
9. ***Sheet 6***: System computes tax. If you owe, proceed to payment. If overpaid, claim refund.
10. Click ***Validate***, then ***Submit***. Save the acknowledgment receipt.

Page 15: How eTIMS Affects Deductions and Reliefs

For employment-only returns, eTIMS matters when claiming:

- *Medical insurance premiums*: Need eTIMS invoice from insurer.
- *Post-retirement medical fund*: Need eTIMS receipt.
- *Side business expenses*: If you have a business PIN, only eTIMS-supported expenses are allowed.

If you run a side hustle, keep eTIMS invoices for rent, stock, transport, and utilities. KRA will disallow cash receipts without QR codes.

Page 16: Paying Tax and Claiming Refunds

If you owe tax:

1. Go to *Payments > Payment Registration*.
2. Select *Income Tax – Self Assessment*.
3. Generate payment slip.
4. Pay via M-Pesa Paybill 222, bank, or KRA agent.
5. Payment reflects in 24-48 hours.

If you overpaid:

1. Go to *Refunds*.
2. Apply for refund or offset against next year.
3. Attach supporting documents.
4. KRA audits before refunding.

Chapter 5: Staying Compliant in 2026 and Beyond

Page 17: Item Code Mapping and Audit Risks

KRA uses standard item codes to classify goods and services. If you sell “Consultancy” but invoice it as “General Goods,” you’ll be flagged.

***Action*:** Map your products to KRA’s item code list before onboarding. Train your invoicing staff.

Page 18: Supplier Verification and Internal Controls

Before paying a supplier, verify they are eTIMS registered. Ask for a sample invoice. Check the QR code.

***Internal control*:** Limit who can issue invoices. Keep a log of all invoices issued. Train front desk staff that delivery notes without QR codes are invalid for tax.

Page 19: Record Keeping and Data Loss Protocols

Keep eTIMS invoices for 7 years, as required by the Tax Procedures Act.

If your system crashes:

1. Notify KRA immediately per the Commitment Form.
2. Don't format your computer before getting KRA guidance.
3. Backup data weekly.

Page 20: Preparing for Pre-Populated Returns

From 2026, KRA will pre-fill returns with eTIMS, PAYE, WHT, and customs data. Your job is to verify and add missing income.

***Action*:** Keep your books clean monthly. Don't wait for KRA to correct you. Mistakes lead to penalties and audits.

Chapter 6: Frequently Asked Questions and Case Studies

Page 21: FAQs from SMEs and Salaried Taxpayers

Page 21b Practice exercises

13 Multiple Choice Questions + Answers

1. What is the main purpose of eTIMS?

- A. To replace PAYE filing
- B. To make every business transaction visible to KRA in real time
- C. To reduce personal income tax rates
- D. To automate payroll

Answer: B

2. From 1st Jan 2024, what happens if an expense lacks an eTIMS invoice?

- A. It is allowed with a penalty
- B. It is deductible at 50%
- C. It is disallowed for income tax deduction
- D. Nothing changes

Answer: C

3. Which platform is used by non-VAT small businesses?

- A. eTIMS Client
- B. VSCU
- C. eTIMS Lite
- D. OSCU

Answer: C

4. What does a valid eTIMS invoice include?

- A. Only seller PIN
- B. QR code and eTIMS invoice number
- C. Manual signature
- D. Handwritten date

Answer: B

5. Where do you verify if an eTIMS invoice is genuine?

- A. Safaricom portal
- B. KRA verification portal using QR code or invoice number
- C. eCitizen only
- D. You cannot verify

Answer: B

6. What is the deadline for filing individual employment income returns in Kenya?

- A. 31st March
- B. 30th June
- C. 31st December
- D. 30th September

Answer: B

7. What happens if your supplier is not on eTIMS?

- A. You claim 50% of the expense
- B. You can still claim the expense with a receipt
- C. You bear the cost by having the expense disallowed
- D. KRA pays the tax for you

Answer: C

8. Which form do you use to declare non-eTIMS purchases in the pre-fill system?

- A. P9 form
- B. Manual & Non-eTIMS/TIMS Invoices Adjustment
- C. PAYE return
- D. VAT 3 form

Answer: B

9. How long must you keep eTIMS invoices?

- A. 3 years
- B. 5 years
- C. 7 years
- D. 10 years

Answer: C

10. What is one benefit of pre-populated returns?

A. You no longer pay tax

B. It eliminates the need for a KRA PIN

C. It reduces manual entry errors and speeds up filing

D. It removes all audits

Answer: C

11. I sell vegetables in Gikomba. Do I need eTIMS?*

A: Yes, if you're a business. Use eTIMS Lite via

_222#.

12: Can I claim fuel expenses without eTIMS invoice?*

A: No. Fuel stations must issue eTIMS invoices. Ask for it at the pump.

13: What if my supplier refuses to issue eTIMS invoice?*

A: Don't pay. Find another supplier. You'll lose the deduction and pay more tax.

Page 22: Case Study – How a Nairobi SME Fixed eTIMS Compliance

Business: A printing shop in Westlands with KES 20M annual turnover.

Problem: KRA disallowed KES 4M in expenses due to missing eTIMS invoices.

Extra tax
bill: KES 1.2M.

Solution:

1. Onboarded to eTIMS Client in 2 days.
2. Trained staff on item codes.
3. Reconciled purchases monthly.
4. Switched suppliers to eTIMS-compliant ones.

_Result*: Next year, all expenses were allowed. Tax saved: KES 1.2M.

Page 23: Penalties, Appeals, and Dispute Resolution

***Penalties*:** Late filing KES 2,000 or 5% of tax due, whichever is higher. Late payment 1% per month. False invoices attract 200% penalty.

***Appeals*:** If KRA disallows an expense, file an objection within 30 days via iTax > Objections. Attach evidence.

***ADR*:** For disputes over KES 1M, use Alternative Dispute Resolution to avoid court.

Page 24: The Future of Tax in Kenya

KRA is moving toward real-time tax collection.

Expect: -Pre-populated VAT returns

-Automated VAT refunds

-Integration with eCitizen for business permits

-AI audits based on data patterns

Compliance is no longer optional. It's a competitive advantage.

Page 24 Disclaimer

The information provided in this material is for *educational and informational purposes only*. It does not constitute financial, legal, or professional tax advice.

Tax laws, KRA procedures, and eTIMS requirements are subject to change.

Taxpayers and tax agents should:

1. Conduct their own research and due diligence.
2. Verify all information against the latest updates from the Kenya Revenue Authority.
3. Consult directly with KRA or a licensed tax professional before making any decisions or filings.

KRA is the approved and sole authority for tax matters in Kenya. Reliance on this content without independent verification is at your own risk.

END

Wish you success in your exams

Appendices

Appendix A: Glossary

- *eTIMS*: Electronic Tax Invoice Management System
- *TCC*: Tax Compliance Certificate
- *P9*: Employer's PAYE certificate
- *VSCU*: Virtual Sales Control Unit
- *OSCU*: Online Sales Control Unit

Appendix B: Useful Links

- eTIMS Portal: <http://etims.kra.go.ke>
- iTax: <http://itax.kra.go.ke>
- KRA YouTube: KRA TV for tutorials
- Commitment Form: KRA Website > Publications > eTIMS

Appendix C: 2026 Compliance Checklist

- Registered on eTIMS
- Staff trained on invoicing
- Item codes mapped correctly -
- Monthly reconciliation done -
- Supplier verification process in place -
- Backup and data loss plan ready