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COMMENCEMENT OF VAT (ELECTRONIC TAX INVOICE) REGULATIONS

In a bid to seal leakages in tax collection, the Cabinet Secretary for National Treasury and Planning issued Legal Notice No. 189 dated 25th September 2020 on regulations of electronic tax registers.

The regulations require businesses with an annual turnover of at least **KShs 5 million** to install electronic tax registers connected to the Kenya Revenue Authority's (KRA) systems (iTax) as an upgrade of the current manual tax registers. The Legal Notice provides that the new electronic tax registers will require to be installed within 12 months of its gazettment and thus by September 2021.

The KRA has however issued an extension of time to comply with the Value added Tax (Electronic Tax Invoice) Regulations through a public notice dated 9th July 2021. Through the public notice, the KRA has indicated that the commencement date of the electronic tax invoice regulations will be on 1st August 2021 after which the taxpayers will be required to comply with the regulations within 12 months of its commencement and thus by **31st July 2022**.

Where a taxpayer is unable to comply within the given timelines, they will be required to apply to the Commissioner of Domestic Taxes for extension of time which shall not exceed six months as provided for in the regulations.

This application should be made at least thirty (30) days before the expiry of the twelve-month period specified which is on or before **1st July 2022**.

With the Legal Notice in place, the KRA will start receiving real-time data on traders' daily sales and will consequently reduce inconsistencies that have been picked before by VAT Auto-Assessments (VAA).

Important Dates

KRA to rollout the electronic tax invoicing system by 1st August 2021.

Taxpayers required to comply with the Electronic Tax Invoicing regulations by 31st July 2022.

Where a taxpayer is unable to comply with the regulations by 31st July 2022, apply for time extension on or before 1st July 2022.

Caveat

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