

TAX INVOICE MANAGEMENT SYSTEM (TIMS)

21st August 2019

CORPORATE BACKGROUND

KRA is currently implementing the Seventh Plan (2018/19 – 2020/21) whose focus is on key priorities of the country's development agenda as spelt out in:

- The Kenya Vision 2030 - Long-term Plan
- The Third Medium Term Plan (MTP 2018-2022)-Government support for reform of Public Sector through digitization of government services
- The Budget Policy Statement 2019
- The Big Four Agenda

Also taken into account are the country's commitments under the Sustainable Development Goals (SDGs) especially: **SDG 8** - Decent work and Economic growth , **SDG 9**- Industry, Innovation & Infrastructure, , **SDG 10** -Reduced Inequalities, **SDG 16** - Peace, Justice & Strong Institutions, **SDG 17**- Partnership for the goals.

CORPORATE BACKGROUND..

The KRA 7th Corporate Plan is in turn supported by the Transformation Agenda

Transformation Vision:

“A Tax Authority offering customer focused tax services based on data, risk and intelligence by leveraging technology”.

Aiming at efficiency in Service Delivery by using more **intelligent processes** while being **customer friendly** hence the Transformation Strategy slogan, **“Simple at the Front, Smart at the Back”**

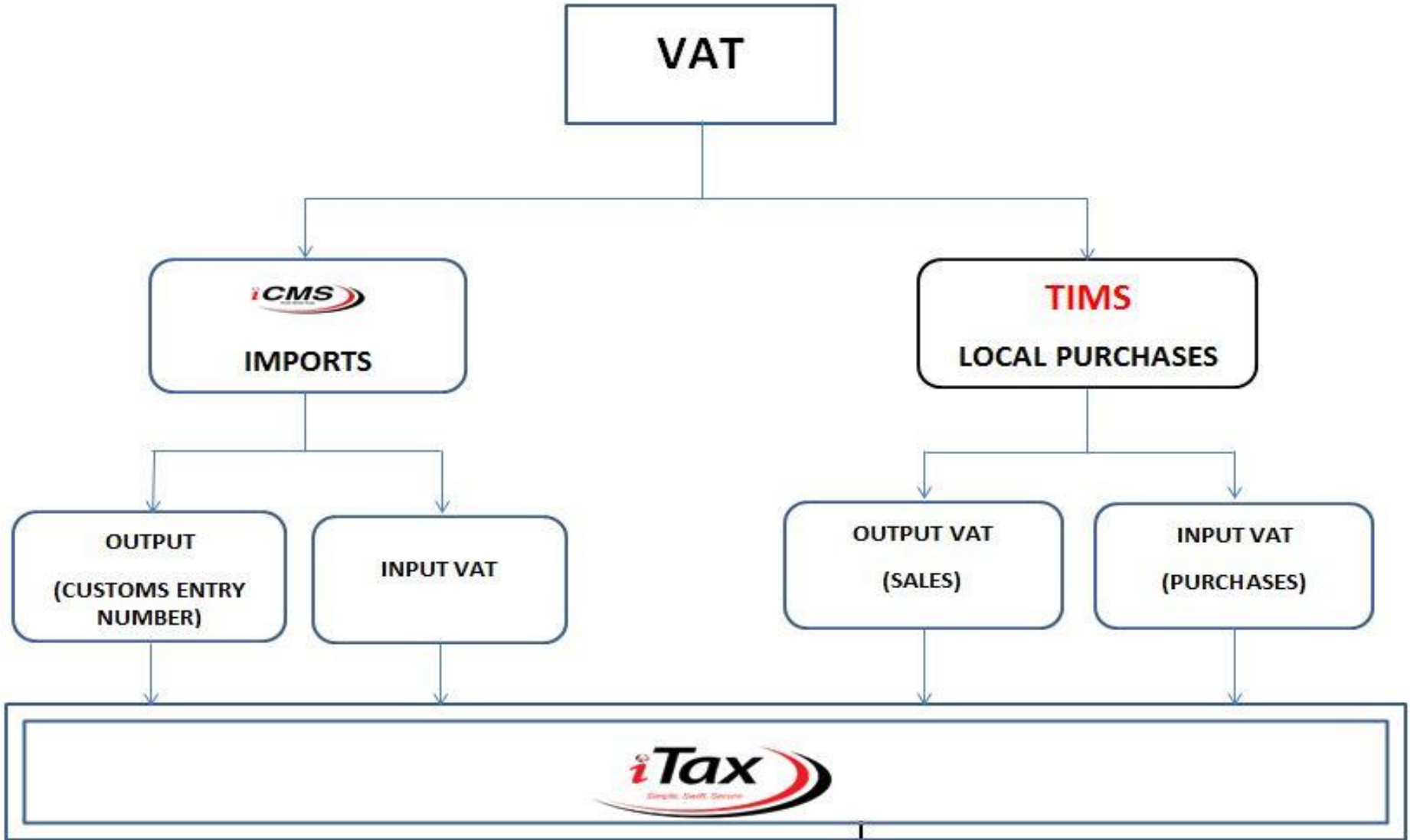
KRA’s transformation objectives are as follows;

- To be a truly modern tax administration, offering high quality services that meet stakeholder expectations.
- To have a well-equipped, skilled and motivated staff delivering high quality services in a modern working environment.

TIMS BACKGROUND

- Electronic Tax Registers (ETRs) were introduced in 2005 to aid in VAT administration.
- Initial increase in VAT collection was shortly eroded due to inherent technological shortfalls in the current ETR regime, resulting from tampering of the ETRs and misdeclaration or under declaration of sales transactions.
- This resulted in significant loss of revenue over the years, which directly impacted on VAT revenue administration
- It became imperative for KRA to streamline the ETR sector through the implementation of the **Tax Invoice Management System (TIMS)**.

VAT at a Glance



MAIN FEATURES OF TIMS

TIMS is an **enhancement** of the **current ETR regime**. It aims at plugging loopholes resulting from weaknesses in this regime through:

- Integration **with trader systems**, i.e. ETRs, ERPs and Point of Sale systems (POS).
- **Standardization and authentication** of tax invoices issued by VAT traders on a real time basis.
- Seamless **integration with iTax**.
- A module for **storage of tax invoice data**.
- **Verification of the validity** of a tax invoice for use by officers, traders and the general public through the Tax Invoice Checker on the iTax portal or Mobile app.

TIMS VALUE PROPOSITION

VAT TAXPAYERS

- ✓ Foster fair business environment
- ✓ Reduced cost of billing, i.e. printing, postage fees
- ✓ Business modernity & professionalism – digital economy, elimination of human errors
- ✓ Simplified VAT Return filing (Pre-Filled)
- ✓ Non intrusive verification of tax processes
- ✓ Faster processing of refunds

CUSTOMERS

- ✓ Foster patriotism – Kulipa Ushuru ni Kujitegemea
- ✓ Assurance of genuine products in the market
- ✓ Building of trust between the customer & business entity
- ✓ Environmentally friendly – no paper; saves trees
- ✓ Participate in enhancing Tax Compliance by business entities – via the invoice checker

GOVERNMENT

- ✓ Enhanced Revenue Collection
- ✓ Good Governance in the Field of Taxation and PFM (Public Finance Management)
- ✓ Ease of doing business climate (investment hub)
- ✓ Reduction in shadow economy
- ✓ Certainty in tax revenue expected due to improved ability to forecast
- ✓ Authentic refunds paid
- ✓ Economic analysis & prediction based on live data

OUR VALUE

KRA

- ✓ Reduction of VAT Fiscal Fraud
- ✓ Timely Transfer of VAT Fiscal Data
- ✓ Enhancement of Tax Compliance
- ✓ Reduced compliance management cost
- ✓ Enhanced efficiency in service delivery
- ✓ Enhanced revenue collection

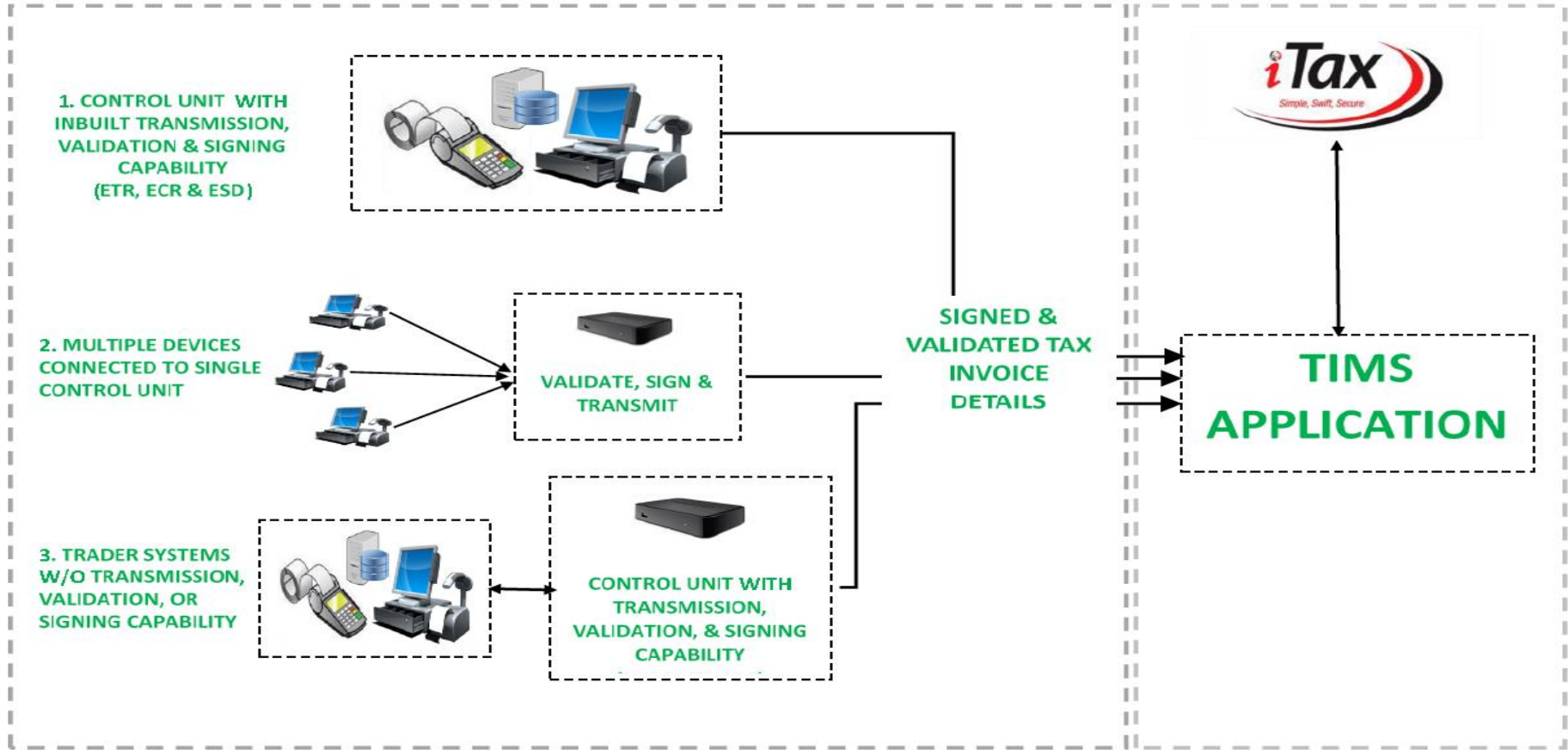
OBJECTIVES OF TIMS

The overall objective is to increase VAT Compliance, minimize VAT fraud and increase tax revenue.

- TIMS will achieve this objective by **integrating** with the different trader sales systems in the market i.e. (ETRs, Point of Sale terminals and ERPs) via a Control Unit.
- Each VAT registered trader will be required to obtain this **Control Unit** as an **independent** or **integrated** component in order to enable the seamless transmission of invoice data to TIMS.

CONCEPTUAL OVERVIEW OF TIMS

TRADER PREMISES



Trade Name/Logo

Address, City
Welcome to our Shop

PIN: 000000000
Buyer PIN: 000000000

FISCAL RECEIPT

Mosquito Repellent		
1000.00x	1.00	1000.00B-EX
Vacuum Flask		
560.00x	12.00	6720.00A
Discount -25%		5040.00
Canned Soda		
60.00x	5.00	300.00A
<hr/>		
TOTAL		6340.00
TOTAL A-16.00%		5340.00
TOTAL B-EX		1000.00
TOTAL TAX A		814.58
TOTAL TAX		814.58
<hr/>		
CASH		6340.00
ITEMS NUMBER		3

Control Unit Info

Date: 25/5/2012 Time: 11:07:35
CU Serial No:
KRAMW582201907007181
CU Invoice Number: 582071810000000003



Other features:

Buyer PIN (Optional)

Description of Supplies-HS Code Classification

QR Code

Invoice verification-Invoice Checker

Control Unit Checker

Real /Near Real Time Transmission

Secure Channel for Transmission of Invoice Data

Module for Supply Chain Management

Next Steps:

-Upgrade of ETR Specifications

-Pilot & Roll Out

Tuliye Ushuru, Tujitegeme!

OTHER OPPORTUNITIES

- Analytics, management and planning across the country by region, county, etc.
- Protection of consumer rights.
- Innovation, creativity and exploitation of emerging global technology.
- Advancement to global best practice.
- Extending the benefits of TIMS to other tax heads and revenue sources.

GLOBAL EXPERIENCES

NO	COUNTRY	GROWTH IN REVENUE
1	Rwanda	Electronic cash registers were introduced in March 2013. In 2015, VAT collected on sales had increased by 20%.
2	Hungary	Electronic cash registers were installed with a fiscal control unit. After the first year of operation, VAT revenue increased by 15% in the concerned sectors.
3	Belgium	Initial comparisons shows an 8% increase in restaurant sales reported after installation of their solution as with sales reported before.
4	Sweden	Increased VAT and income tax revenues has been estimated to around EUR 300 million per annum since the legislation was implemented.
5	Canada	In Canada as at 31 March 2016, EUR 822 million in taxes was recovered following the introduction of sales recording modules into the restaurant industry. Projections are that by 2018-2019, this will cumulatively amount to EUR 1.44 billion.
6	Austria	Results from the electronic sales suppression tools are expected to be an additional EUR 900 million in tax revenues.

OECD (2013), *Electronic Sales Suppression: A threat to tax revenues*, OECD Publishing, Paris,

Price Waterhouse Coopers (2015), *The Sharing Economy* (accessed on 1 March 2017)

European Commission (2012), *Study to quantify and analyze the VAT Gap in the EU 27 Member States, Final Report, TAXUD/2012/DE/316*

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