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

VAT

**IMPORTS**
- OUTPUT
  - (CUSTOMS ENTRY NUMBER)
- INPUT VAT

**TIMS**
- LOCAL PURCHASES
  - OUTPUT VAT
    - (SALES)
  - INPUT VAT
    - (PURCHASES)
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

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

OUR VALUE
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

1. CONTROL UNIT WITH INBUILT TRANSMISSION, VALIDATION & SIGNING CAPABILITY (ETR, ECR & ESD)

2. MULTIPLE DEVICES CONNECTED TO SINGLE CONTROL UNIT

3. TRADER SYSTEMS W/O TRANSMISSION, VALIDATION, OR SIGNING CAPABILITY

VALIDATE, SIGN & TRANSMIT

CONTROL UNIT WITH TRANSMISSION, VALIDATION, & SIGNING CAPABILITY

SIGNED & VALIDATED TAX INVOICE DETAILS

TIMS APPLICATION

KRA
**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

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**FISCAL RECEIPT**

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<th>Description</th>
<th>Quantity</th>
<th>Price</th>
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<tbody>
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<td>Mosquito Repellent</td>
<td>1.00</td>
<td>1000.00B-EX</td>
</tr>
<tr>
<td>Vacuum Flask</td>
<td>12.00</td>
<td>6720.00A</td>
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<tr>
<td>Discount -25%</td>
<td></td>
<td>5040.00</td>
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<td>Canned Soda</td>
<td>5.00</td>
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**TOTAL**

| 6340.00 |

**TOTAL A-16.00%**

| 5340.00 |

**TOTAL B-EX**

| 1000.00 |

**TOTAL TAX A**

| 814.58 |

**TOTAL TAX**

| 814.58 |

**CASH**

| 6340.00 |

**ITEMS NUMBER**

| 3 |

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**Control Unit Info**

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<th>Date: 25/5/2012</th>
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*Tulipe Ushuru, Tujitegemee!
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.
<table>
<thead>
<tr>
<th>NO</th>
<th>COUNTRY</th>
<th>GROWTH IN REVENUE</th>
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<tbody>
<tr>
<td>1</td>
<td>Rwanda</td>
<td>Electronic cash registers were introduced in March 2013. In 2015, VAT collected on sales had increased by 20%.</td>
</tr>
<tr>
<td>2</td>
<td>Hungary</td>
<td>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.</td>
</tr>
<tr>
<td>3</td>
<td>Belgium</td>
<td>Initial comparisons shows an 8% increase in restaurant sales reported after installation of their solution as with sales reported before.</td>
</tr>
<tr>
<td>4</td>
<td>Sweden</td>
<td>Increased VAT and income tax revenues has been estimated to around EUR 300 million per annum since the legislation was implemented.</td>
</tr>
<tr>
<td>5</td>
<td>Canada</td>
<td>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.</td>
</tr>
<tr>
<td>6</td>
<td>Austria</td>
<td>Results from the electronic sales suppression tools are expected to be an additional EUR 900 million in tax revenues.</td>
</tr>
</tbody>
</table>

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