



THE ELECTRONIC RENTAL INCOME TAX SYSTEM (ERITS)



On April 10, 2025, the Kenya Revenue Authority (KRA) officially launched the Electronic Rental Income Tax System (eRITS), a new digital platform aimed at streamlining the assessment, filing, and payment of Monthly Rental Income (MRI) tax. This system is designed to enhance voluntary tax compliance, reduce administrative hurdles for landlords, and digitize the rental tax process in line with KRA's broader modernization agenda.

Platform Access and Integration

eRITS is accessible in two ways: individual landlords can use the eCitizen portal, while larger players like property managers or developers can integrate directly through the Gava Connect API. The platform runs on KRA's Enterprise Integration Platform, ensuring full compatibility with existing systems such as iTax and eTIMS.

The system's introduction is timely. In 2023, KRA collected KES 17 billion in rental income tax well below the projected KES 100 billion from the sector. With Kenya's rental market generating over KES 400 billion annually, this represents a significant gap that eRITS aims to close by improving visibility into property income and reducing non-compliance.



Legal Framework Supporting eRITS

The deployment of eRITS is grounded in a solid legal foundation:

Kenya Revenue Authority Act (Cap 469) gives KRA the mandate to collect taxes and develop systems that enhance tax administration, including integration with third-party systems.

Tax Procedures Act (2015) requires proper record keeping, timely filing of returns, and electronic communication with the Commissioner. It authorizes KRA to prescribe the use of digital systems like eRITS to ensure compliance. Finance Acts 2023 and 2024 introduced critical provisions: the MRI tax rate was reduced from 10% to 7.5% to encourage voluntary compliance, and withholding agents were appointed mainly property managers to deduct and remit MRI tax at source.

Data Protection Act (2019) ensures that platforms like eRITS and Gava Connect meet national data privacy and cybersecurity standards, safeguarding taxpayer information throughout the system.

Gaps in MRI Compliance

Despite these legislative advances, MRI tax compliance remains significantly underperforming. Awareness is still low, particularly among small-scale or informal landlords. KRA estimates that over 60% of landlords remain outside the formal tax system. For those who are registered, under-declaration is common — a 2022 audit revealed underreporting levels as high as 75% in some Nairobi neighborhoods.

Enforcement has also been limited. KRA conducted only 1,500 rental income audits in 2023, which is far too few given the scale of the sector. Many landlords operate in cash-based environments or lack familiarity with digital systems, making it difficult to fully implement eRITS without additional support.

Moreover, there is growing resistance from landlords to MRI's design as a gross income tax, which does not allow deductions for costs such as mortgage interest, maintenance, or agency fees. This structure, in the context of rising operational costs and inflation, continues to be a major point of contention.

Comparing eRITS to eTIMS

eRITS follows the path laid out by eTIMS, KRA’s digital invoicing platform, but the two systems serve distinct functions. While eTIMS covers VAT-registered businesses across a wide range of industries, eRITS is sector-specific — focused exclusively on real estate and rental income.

Since its rollout in early 2023, eTIMS has achieved significant adoption, now covering over 350,000 businesses and helping KRA collect KES 273 billion in VAT revenue in FY 2023/24. eRITS, still in its early stages, faces unique hurdles due to the informal and fragmented nature of the rental market — but also holds enormous potential if implementation is supported effectively.

What Still Needs to Be Clarified

- 1 Several operational, procedural, and compliance-related questions remain unresolved — and will be critical to address for eRITS to gain traction:
- 2 **Filing Pathway Clarity:** It is not yet clear whether MRI returns will continue to be filed via iTax, or if eRITS will completely replace iTax for MRI filings. The current user experience indicates a dual-path scenario, but KRA has yet to formally communicate how the two systems will interoperate, or whether iTax will be phased out.
- 3 **Onboarding Process and Timelines:** Detailed step-by-step guidance is needed for landlords and agents, especially on how to register for eRITS, authenticate via Gava Connect, link properties to tax accounts, and activate ongoing compliance workflows.

- 4 **Mandate Scope and Transition Periods:** It remains to be seen whether the use of eRITS will become mandatory for all MRI taxpayers or just for those managed by withholding agents. There is also a lack of clarity around transition periods, grace timelines, and grandfathering of existing iTax-compliant users.
- 5 **Reporting and Documentation Requirements:** KRA should issue clear instructions on what data fields must be captured, how rental income should be categorized, and what formats will be accepted for uploads or API integration.
- 6 **Penalties and Enforcement Mechanisms:** The specific consequences of non-use, underreporting, or late compliance on eRITS need to be spelled out. Will current penalties under the Tax Procedures Act apply equally to eRITS-based declarations?
- 7 **Training and Technical Support Infrastructure:** As digital systems are not yet universally understood across the real estate sector, KRA should roll out structured training, offer helpdesk support, and publish user manuals for both web-based and API users.
- 8 **Data Governance and Assurance:** Gava Connect’s data-sharing protocols particularly regarding property ownership, rental receipts, and tenant information — need to be clarified. Users need assurance that personal and financial data will not be misused or leaked.



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