



TAX ALERT

KRA TO VALIDATE INCOME AND EXPENSES IN 2025 INCOME TAX RETURNS.

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The Kenya Revenue Authority (KRA) has issued a public notice dated 7th November 2025 indicating that, effective January 2026, it will begin validating income and expenses declared in both individual and non-individual income tax returns. This validation will apply to 2025 year of income/accounting period returns and will be based on the following data sources:

1. TIMS/eTIMS invoices.
2. Withholding Income Tax gross amounts.
3. Import records from Customs systems.

WHAT THIS MEANS

1. TIMS/eTIMS invoices

Only invoices that have been transmitted electronically through the TIMS/eTIMS system will be accepted. Note that you can issue invoices using any of the authorized platforms - eTIMS online, desktop, tablet, Ecitizen including reverse invoicing where applicable. Likewise, ensure your suppliers issue valid TIMS/eTIMS compliant invoices for all transactions to guarantee that your expenses are recognized for tax purposes.

2. Income and Expenses Validation

All income and expenses declared for the 2025 year must be supported by valid TIMS/eTIMS invoices containing a valid KRA PIN, except for the exclusions provided under Section 23A of the Tax Procedures Act, which cover:

- ❑ Emoluments (salaries and wages)
- ❑ Imports
- ❑ Investment allowances
- ❑ Interest income
- ❑ Airline passenger ticketing
- ❑ Payments subject to withholding tax that is a final tax

3. Withholding Tax Data

KRA will use withholding tax certificates issued by your clients to verify whether all related income has been correctly declared in your returns.

4. Import Records

KRA will use customs import data to confirm that all declared import expenses match with your iTax declarations



WHY THIS MATTERS

This new process aims to:

- Enhance tax compliance and data accuracy
- Reduce tax evasion
- Widen the tax base

Note that if the income or expenses you declare do not match KRA's system data, your return may be flagged for review or audit, and:

- Some expenses and purchases may be disallowed, or
- The entire return may be rejected.

RECOMMENDED NEXT STEPS

1. Organize Your TIMS/eTIMS Records

Ensure all your sales and purchase transactions are supported by TIMS/eTIMS invoices capturing the correct KRA PIN. Only TIMS/eTIMS supported income and expenses will be accepted.

2. Request eTIMS Schedules

Businesses and individuals are encouraged to request their annual TIMS/eTIMS income and expense schedules for 2025 from their KRA account managers and reconcile them with internal records before submitting returns on iTax.

3. Reconcile Withholding Tax Data

Where tax has been withheld (e.g., on professional fees, construction, consultancy, etc.), declare the gross income as shown on the withholding tax certificate (available on iTax). Remember — withholding tax is an advance payment, not a final tax unless specified.

4. Prepare Early

Start digitizing your records and reconciling your 2025 transactions from January 2025 to date. Always ensure all expenses and purchases are supported by TIMS/eTIMS invoices, as unsupported items may be disallowed or trigger KRA audits.

Tarra agility Africa provides proactive tax health checks ahead of the returns filing to identify any compliance gaps, reconcile eTIMS/TIMS data with accounting records to help minimize exposure of rejection of returns or costly audits. Engage us early to strengthen your compliance position in the 2025 tax return.

Should you have any questions on this legal alert, please do not hesitate to contact us,



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