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TAX ALERT

TAX FILING UPDATE FOR 2025 & EMERGING ISSUES

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Introduction

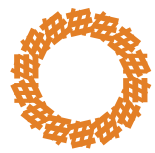
Following the communication by the Kenya Revenue Authority (KRA) in November 2025 regarding the validation of income and expenses against eTIMS data for the year 2025, further guidelines have now been issued. These address challenges faced by taxpayers, particularly those not on boarded onto eTIMS, as well as various accounting and reporting complexities identified during implementation.

1. Key Enhancements:

a) Income Tax Return Validation

- Issues relating to manual/non-eTIMS expenses and accounting/accrual adjustments have now been resolved. Taxpayers can therefore claim manual and non-eTIMS invoices and also account for accounting/accrual adjustments.
- Taxpayers with manual/non-eTIMS expenses are required to upload supporting documentation, including:





- Non-eTIMS invoices
 - Contracts
 - Proof of payment
 - CSV file for non-eTIMS invoices (as prescribed)
- Auditor details are now mandatory where accounting or accrual adjustments are declared.
 - The prescribed CSV format must be strictly adhered to (no special characters) to avoid upload errors.
 - The CSV templates can be accessed via:
iTax ► Returns ► Income Tax Return ► Adjustments

b) Additional Income Exemptions from eTIMS Validation

- The following income streams are now excluded from validation against eTIMS invoices and WHT certificate gross amounts:
 - Gifts related to the use or exploitation of property
 - Profit/surplus on disposal of assets
 - Realized exchange gains
 - Unrealized exchange gains
 - Bad debts recovered
 - Annuities (applicable to IT2P returns)



Implication:

Taxpayers can declare the above income streams in their returns without triggering eTIMS validation errors (e.g., “data not supported by eTIMS”).

c) Additional Expense Exemptions from eTIMS Validation

- In addition to exemptions provided under Section 23A of the Tax Procedures Act and Paragraph 10 of the Electronic Tax Invoice Regulations, the following expenses are now excluded:
 - Direct wages
 - Bad debts written off
 - Provision for bad and doubtful debts
 - Depreciation
 - Loss on disposal of assets

Implication:

Taxpayers can claim the above expenses in their returns without triggering eTIMS validation errors (e.g., “expenses not supported by eTIMS invoices”).



2. Taxpayer Dashboard Enhancements

The taxpayer dashboard has been upgraded to allow

- Access to sales and purchases across both current and prior periods for various tax obligations
- Early identification of discrepancies such as:
 - Missing supplier invoices
 - Erroneous eTIMS-generated sales

Recommendation: Taxpayers should conduct daily or weekly reviews to detect and correct errors before return submission.

3. Bug Fixes & System Update

- **Consult/View Returns:** Previously filed returns are now visible (whereby initially it was showing no records when trying to view previously filed returns).
- **PAYE Credits in Employee Ledgers:**
 - A system defect affecting PAYE credits (from November 2025) is currently under resolution.
 - Affected employees may incorrectly reflect a payment status despite employer remittance after filing the 2025 returns.



4. Recommended action for Taxpayers

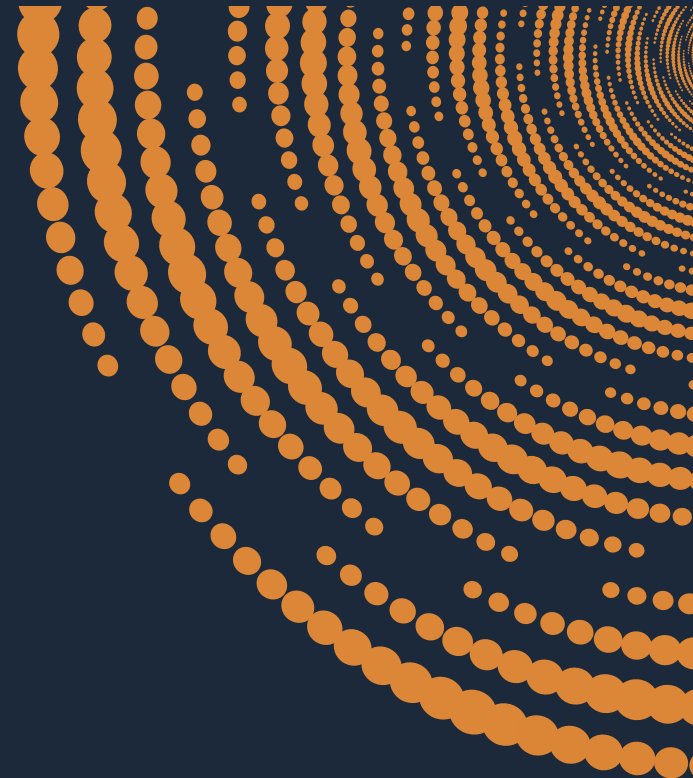
- Clear browser cache/history to enable updated system functionality
- Ensure all required supporting documents are uploaded with returns
- Regularly monitor the taxpayer dashboard for discrepancies

Seek guidance from qualified tax professionals where needed

Reach out to us for assistance: accounting@tarraagility.com

Any advice in this publication is limited to the conclusions specifically set forth herein and is based on the completeness and accuracy of the stated facts, assumptions and/or representations included. In rendering our advice, we may consider legal authorities that are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of our advice. We will not update our advice for subsequent changes or modifications to the law and regulations, or to the judicial and administrative interpretations thereof





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