



Tax Alert

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iCMS–iTax Integration for Exporters Effective May 2026 Return

The Kenya Revenue Authority (“KRA”) has issued a public notice confirming a significant shift in VAT compliance for exporters. Effective from the May 2026 VAT return, export data from the Integrated Customs Management System (“iCMS”), KRA’s Customs platform for processing import and export declarations and related Customs documentation, will be directly integrated with the VAT return in iTax, KRA’s tax return filing platform.

This development introduces a data-driven and automated validation framework that will fundamentally change how export transactions are recognized for VAT purposes. It presents both compliance risks and opportunities for businesses to strengthen controls and improve VAT refund outcomes.

The integration operationalises the amendment introduced by the Tax Laws (Amendment) Act, 2024, which aligned the VAT time of supply for exported goods with the issuance of the Certificate of Export or other equivalent export document issued by Customs. It replaces the transitional regime that allowed manual capture of export values. From May 2026, only export transactions validated through iCMS will be pre-filled in the VAT auto-populated return. Manual input of export values in the VAT return will no longer be available for exported goods that have not been validated through the required source systems.

The change is more than a system upgrade. It represents a fundamental shift in VAT compliance control and audit readiness. Historically, exporters focused on accuracy at the point of VAT return preparation. Going forward, the critical control point moves upstream to the Tax Invoice Management System (TIMS) / electronic TIMS (eTIMS) invoicing, Customs declaration and proof-of-export documentation. VAT return outcomes will therefore depend on the accuracy of data captured earlier in the export process, often before the return is prepared.

Scope and validation framework

The integration covers direct exports (foreign markets), exports under the East Africa Community Single Customs Territory (“SCT”), and supplies to Export Processing Zones (“EPZs”) and Special Economic Zones (“SEZs”). Exported taxable services will be prefilled from successfully transmitted TIMS/eTIMS invoices.

Validation, and therefore VAT recognition, will depend on the status of the proof of export documentation as summarized below:

| Transaction | Relevant proof of export / Validation Document | Required Status |
|--------------------------|--|--------------------------|
| Direct exports (Foreign) | Certificate of Export (“COE”) | Settled |
| Exports to EPZs / SEZs | Cargo receipt (“C2”) | Settled |
| SCT exports (Transfers) | Exit notification | “Exit Note Arrived” |
| Exported services | TIMS/eTIMS invoice | Successfully transmitted |



Key compliance requirements

The TIMS/eTIMS invoice remains the foundational document for export validation. Validation will only succeed where the TIMS/eTIMS particulars are correctly captured in the Customs declaration. Further, the relevant proof of export must have progressed to the required status. Where any of these links are missing, incorrect or incomplete, the export will not validate, and the relevant particulars will not auto-populate in the VAT return.

To support successful validation, exporters should ensure that Customs declarations capture accurate source data, including but not limited to: exporter KRA Personal Identification Number (PIN); TIMS/eTIMS invoice number; export regime; Customs Procedure Code (“CPC”); product descriptions aligned with the itemised descriptions in the TIMS/eTIMS invoice; product tariff codes; quantities; and taxable values. A valid copy of the TIMS/eTIMS invoice should be uploaded on iCMS.

For EAC SCT transactions, exporters should ensure that their counterparts in partner states (importers) correctly capture the exporter’s KRA PIN and TIMS/eTIMS invoice number reference in import declarations. On the Kenyan side, exporters should ensure that the KRA officer captures the exporter PIN and TIMS/eTIMS invoice reference in the Cargo Manifest (C2).

KRA has indicated its intention to retain the current VAT return template, with prefilled tax information based on iCMS-validated exports.

Key risk areas and practical implications

While the integration introduces additional complexity, these issues can be effectively managed with the right processes, controls, and coordination across finance, tax, and logistics functions:

- **Revenue reconciliation risk:** Misalignment between financial statements, VAT returns, TIMS/eTIMS and iCMS will increasingly trigger KRA scrutiny.
- **Tracking and reconciliation:** Exporters should monitor exports from invoice issuance through to the issuance of proof of export. They should also prioritise monthly multi-system reconciliations to ensure end-to-end data alignment across ERP, TIMS/eTIMS, iCMS, and VAT returns, with a focus on data consistency checks.
- **Timing difference:** Export invoices and proof-of-export documents may fall in different VAT periods, potentially distorting reported revenue.
- **Currency differences:** Differences between internal business invoice currency conversions and iCMS exchange rates may create value inconsistencies. Including the Kenya Shilling equivalent on export invoices for customs declaration purposes may help reduce these differences.
- **Partial shipments:** A single TIMS/eTIMS invoice linked to multiple consignments (road manifest) require robust tracking mechanisms.
- **Customs-agent dependency:** Customs agents now directly influence VAT outcomes, highlighting the need for strengthened governance frameworks, including clear controls and accountability measures.
- **Proof-of-export and audit risk:** Where a COE or equivalent export evidence is unavailable or does not validate, KRA may challenge the zero-rated treatment and assess VAT at the standard rate, together with penalties and interest where applicable.
- **Refund risk:** For exporters in VAT refund positions, data gaps will translate directly into delays or disallowed claims.

Key Takeaways

KRA's integration is an important step in the digitisation of VAT compliance. While it enhances traceability and has the potential to streamline VAT refund verification, it also raises the compliance threshold. Otherwise valid zero-rated exports could fail to be reported in the VAT return purely due to data gaps or misalignment, potentially affecting reported revenue, VAT positions, and refund claims.

Businesses should therefore treat this as more than a routine compliance change. Exporters would need to assess whether their current business operating models, including invoicing, shipment, customs-agents, and reconciliation processes are aligned with the new VAT reporting regime. This will be particularly important for businesses with high export volumes, multiple clearing agents, partial shipments or recurring VAT refund positions.

We would be happy to partner with you in navigating this change through proactively addressing risks, unlocking efficiencies, and ensuring your business is not adversely impacted.

Please contact your usual PwC engagement team or any of the tax contacts listed herein to discuss how these changes affect your business.





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