

Sales taxes and VAT

Accounting and finance

Documentation version 1.0
Published 17 November 2026
https://www.hesabuerp.co.ke/documentation/

Accounting and finance

Sales taxes and VAT

Set up a tax template so VAT is calculated correctly on sales and purchases.

Intermediate · About 20 minutes · Version 1.0 · Updated 17 November 2026

Overview

A **Sales Taxes and Charges Template** adds tax to every line of a sale automatically. A matching **Purchase Taxes and Charges Template** does the same for purchases. This lets you report the tax you collected and the tax you paid.

> **Check the rules with your accountant**
>
> Tax rules change. In Kenya, the standard VAT rate is currently 16% and VAT registration is required once taxable sales pass the threshold set by law. Confirm your own rate, exemptions and filing obligations with your accountant or the Kenya Revenue Authority before you use a template.

Prerequisites

- A **Tax** account in your chart, for example `VAT Payable` under *Duties and Taxes*, with **Account Type** *Tax*.
- The Accounts Manager role.

Steps

1. Search for **Sales Taxes and Charges Template** and click **Add**.
2. Name it, for example `Kenya VAT 16%`, and choose the company.
3. In the **Sales Taxes and Charges** table, add a row.
4. Set **Type** to *On Net Total*, choose the **Account Head** (your VAT account), enter the **Rate** (16), and give a **Description**.
5. Tick **Default** if most of your sales use it, then **Save**.
6. On a **Sales Invoice**, choose the template under *Taxes and Charges*. The tax is added to the totals.
7. For purchases, create a **Purchase Taxes and Charges Template** in the same way, using an *input tax* account.

Items with no tax

For exempt or zero-rated items, create a second template (for example `Zero Rated`) with a 0% row, or set an **Item Tax Template** on the item.

Practical example

The hardware business uses `Kenya VAT 16%` by default. A KES 100,000 sale shows KES 16,000 tax and a KES 116,000 total. At month end the accountant compares VAT collected on sales to VAT paid on purchases to prepare the VAT return.

Important notes

- Hesabu ERP calculates and records tax. Your accountant files returns.
- If your business must issue KRA eTIMS invoices, ask support to set up the eTIMS connection. See Electronic tax invoices and eTIMS.

Common mistakes

- Using the wrong account type for the tax account.
- Adding tax on top of prices that already include it. Tick **Is this Tax included in Basic Rate** on the tax row if your prices include tax.

Next steps

Move on to Selling.

Related documentation

- Creating a sales invoice
- Recording supplier bills
- Financial reports