**WHAT TO KNOW BEFORE HAVING A LIVE DARAJA ACCOUNT**

**Will I have to file taxes?**

You may need to file taxes if you have a real Buy Goods Till (Daraja API) account, depending on how you use it and whether you're receiving actual payments. This is because the money is linked to your KRA PIN: Safaricom treats Buy Goods Till as a business revenue channel, having a Buy Goods account effectively puts you in a position where you're expected to:

1. Declare the income
2. File tax returns
3. Possibly pay taxes (depending on your total earnings and thresholds)

**Recommendation for Developers**

If you're just testing and not accepting payments: use Sandbox only. But if you're using the real Buy Goods Till to accept real payments, keep track of:

1. All received payments.
2. Your expenses (for offsetting).
3. File annual or monthly taxes via iTax.

Even small developers with side income are legally required to file taxes if using real financial tools like M-PESA Tills.

**When Do You File Taxes?**

|  |  |
| --- | --- |
| Scenario | Tax Obligation |
| You're only testing in Sandbox | ❌ No tax filing required. |
| You have a live Buy Goods Till but it's not receiving money or money being received is less than 1M yearly | ✅ File nil return if KRA PIN is active. |
| You're receiving real payments through the till | ✅ Must declare it as income (monthly or annually). |

**Tax Obligations You May Have**

|  |  |  |
| --- | --- | --- |
| Tax Type | Applies? | Notes |
| Income Tax | ✅ Yes | You’ll need to file a return annually via iTax using your KRA PIN. |
| Turnover Tax (TOT) | ✅ If revenue > KES 1M/year | Applies to small businesses making between KES 1M – 5M/year. |
| Value Added Tax (VAT) | ✅ If registered | Required if your total taxable turnover exceeds KES 5M/year. |

**Best Practices**

1. Keep transaction logs (you can pull M-PESA statements).
2. File tax returns every year, even if it’s just a nil return.
3. If unsure, consult a tax agent or use iTax’s helpdesk.

**HOW TO FILE A NIL RETURN ON iTAX (For Developers with none or Income less than 1M Yearly)**

Step-by-Step:

1. Go to iTax Portal: 👉 https://itax.kra.go.ke/KRA-Portal
2. Login using your:KRA PIN and input iTax Password
3. On the Dashboard, click: Returns > File Return
4. Select Tax Obligation: Choose Income Tax - Resident Individual
5. Choose Return Period: Usually 01/01/YYYY to 31/12/YYYY (e.g. for 2024)
6. Select Nil Return: Click “Yes” if no income was earned.
7. Submit and download the acknowledgment receipt (PDF).

**HOW TO FILE A SMALL BUSINESS RETURN (WITH INCOME BETWEEN 1M-5M)**

If you received any money via Buy Goods (even just a few thousand shillings), file under Turnover Tax (TOT). The tax rate is 1% of gross turnover, due monthly. 🕒 Due by 20th of the following month.

Step-by-Step for Monthly TOT:

1. Login to iTax.
2. Go to: Returns > File Return > Turnover Tax (TOT)
3. Select period (e.g. March 2025 → 01/03/2025 to 31/03/2025)
4. Enter: Gross income (amount received via Buy Goods Till), the system auto-calculates 1% tax due.
5. Submit and download payment slip (PRN).
6. Go to eCitizen or your bank/M-PESA to pay the tax.

**Auto-Tracking?**

Use apps like KRA iTax App, Tala, or Accounting software (Zoho, Wave, etc.) for income tracking.

Consider consulting a licensed tax agent if unsure.