## E-invoicing in Uganda

In Uganda, the importance of digitization in the public sector is steadily increasing and both the government and the Uganda Revenue Authority (URA) have taken steps to switch to e-invoicing. This is motivated by the belief that traditional paper invoices and receipts can lead to counterfeiting and inaccurate payments. The Ugandan government's main objective is to collect VAT efficiently while curbing the informal economy through the transition to e-invoicing.

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As part of the 2014 Tax Procedure Act, the nationwide EFRIS system was introduced, consisting of **three main components:**

(a) **E-Invoicing:** electronic tax documents can be issued securely and free of charge by logging into the customer application on the URA web portal. The validity can be checked using the URA verification app or a QR reader.

(b) **Electronic financial instruments (EFDs):** This system, consisting of a networked point-of-sale (POS) system and a virtual sales data controller (SDC), enables the creation of electronic receipts and invoices. It includes a secure component that transmits the financial information to the EFRIS system. It also facilitates the search for financial data and the generation of reports on transactions.

(c) **Electronic Dispenser Controls (EDCs):** This component is specifically designed for fuel and service station management. Specialized devices monitor and calculate the capacity of fuel pumps in real time and transmit the information to the EDCs for immediate generation of electronic receipts.

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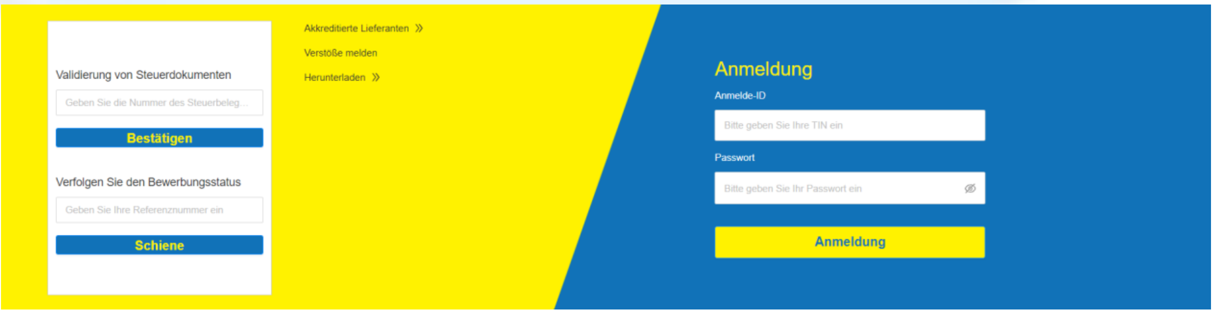
The URA offers various options for taxpayers to generate electronic receipts and invoices:

(a) **System-to-System connections** for customers with existing distribution systems: Enterprise Resource Planning (ERP) integration with EFRIS for real-time transmission of transaction details.

(b) **URA web portal:** Electronic invoices and receipts can be created via the web portal, requiring the TIN and password.



c) **Client application:** Installation of software on taxpayers' devices to create electronic receipts and invoices.

d) **Electronic financial instruments (EFDs):** Use of EFDs for easy creation of electronic receipts.

**e)** **USSD Fast Codes:** Taxpayers receive codes for the creation of electronic receipts via cell phones using Unstructured Supplementary Service Data (USSD).

| Office/Option | Portal | System to System | Client App | USSD-Quick code | EFD |
|---|---|---|---|---|---|
| Large Taxpayers office | ✓ | ✓ | ✓ | | |
| Medium taxpayers | ✓ | ✓ | ✓ | | ✓ |
| Small Taxpayers | ✓ | ✓ | ✓ | ✓ | ✓ |
| Micro Taxpayers | ✓ | | ✓ | ✓ | ✓ |

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**How EFRIS works**

**Login:**
Anyone registered with the URA has an EFRIS account and can access it by logging in with their registered TIN and associated password. A one-time password (OTP) is sent to the user's active e-mail address or telephone number. Registration is required to use the solution in daily business operations.

**Stock management:**
Inventory management begins with the configuration of products or services. The taxpayer selects all the products and services they trade in from the EFRIS product list. This assigns their items to standardized product codes.
For taxpayers offering services, it is possible to issue electronic receipts and invoices as soon as the inventory configuration is complete. On the other hand, taxpayers dealing in physical products must have their configured items in stock before they can issue electronic receipts and invoices. The taxpayer can then adjust their inventory, transfer items or check real-time inventory.
**Note:** If a taxpayer cannot find a required product code or unit of measure, it is necessary to notify the URA. The EFRIS team will review the taxpayer's request and update the list of products and packaging dimensions.

**Tax document management:**
Within this function, the taxpayer has the option to,

- Create electronic receipts and invoices.
- Raise and cancel credit notes that take into account adjustments to an issued invoice, whether for quantities or total amounts.
- Create and cancel debit notes that take into account all adjustments to an issued invoice, whether for quantities or total amounts.

**Format**

The invoice format for all electronic receipts and invoices should be generated in JSTON format.

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**Penalties for non-compliance in relation to EFRIS**

Section 73B of the Tax Procedures Code Act 2014 sets out these penalties, including:

- A gazetted taxpayer for whom the use of EFRIS is mandatory and who fails to adopt the use of EFRIS shall be liable to pay a penalty tax equal to the tax due on the goods or services or four hundred currency points higher;
- A taxable person named in the Official Gazette for whom the use of EFRIS is mandatory and who does not issue an e-receipt or e-invoice or manipulate an EFD is liable to pay a penalty tax equal to the tax due on the goods or services or three hundred currency points, whichever is higher.
- A person who attempts to purchase or acquire an EFD that is not certified by the URA commits an offense and is liable on conviction to imprisonment for a term not exceeding three years or a fine not exceeding three hundred currency points, or both.

**Note**: One currency point is equivalent to twenty thousand (20,000) Uganda shillings.

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EFRIS brings several benefits to taxpayers, including fast processing of refund claims, minimizing delays and costs in tax returns, real-time monitoring of business transactions and eliminating the risk of physical loss of tax documents. Solutions similar to EFRIS are also used in countries such as Rwanda, Tanzania, Kenya, Ethiopia and Zambia.