

A BRIEF HISTORY OF EFRIS

In the ideal world of a tax policy designer, everyone and almost everything should be taxed. It is for this reason that there are so many taxes and tax points. From income taxes which include corporation tax, pay as you earn and withholding tax to import duty, excise duty, VAT, Local service tax, property tax and many others the idea is to leave nothing out.

Tax is rarely enough and is far from enough in the less affluent countries. The pressure to collect more tax is so pervasive. There is a constant drive to amend the tax laws, to collect more tax, to expand the tax base.

From Hut tax, to Graduated tax, Sales tax and VAT the methods of identifying the tax have mirrored the sophistication of society. The hut tax was probably the easiest to collect since the owner of the hut can neither hide it nor deny it. Graduated tax which was abolished not so long ago was largely gender and age based and was renowned for its crude methods.

With the rise of computerization, it was imperative to give taxpayers an identity so that the tax man could keep a trail of the taxpayer and the taxpayer's transactions. This led to the setting up of rules to capture what later came to be known as the TIN (Tax identification Number). Undeniably, the TIN does not necessarily identify the tax, but it is supposed to keep a digital footprint (or tax print) of the taxpayer. To do this efficiently, it became necessary to enforce registration of taxpayers by denying people or business entities certain facilities if they had no TIN. Without a TIN one couldn't get a Tax clearance certificate and therefore you could not bid for some contracts, and one could not get a trading license, land title or incorporate a company.

Apart from the TIN, there has been no shortage of initiatives aimed at expanding the tax base. Some of the notable ones include Presumptive tax, Domestic VAT, TREPS, and some outsourcing of services such as the hiring of Ripple Nami and GVG. None of them has been particularly successful. There does not seem to have been a coordinated study as to why these initiatives failed but it is safe to say that many of them failed because they were started more as knee jerk responses than a result of deep analytics.

The EFRIS system (Electronic Receipt and Invoicing System) is one of the more successful initiatives in improving especially the administration not only of VAT but all taxes under the purview of the Uganda Revenue Authority (URA). EFRIS has since contributed a lot to increasing the tracking of transactions between taxpayers who are VAT registered. The system can record the payment and receipt of money between the traders in real time, without the two parties having to declare the transactions to URA.

The success of the EFRIS system is limited to transactions between VAT registered taxpayers yet the VAT threshold for registration is a turnover of sh 150,000,000/ per year, meaning that those who are not registered for VAT do not have to use EFRIS hence do not charge VAT.

In the bid to put more taxpayers under its radar the URA decided that come 1st July 2025, every taxpayer in the categories listed below must comply with EFRIS and issue tax invoices whatever their turnover.

The businesses covered by this order are;

1. Wholesale and Retail of fuel
2. Mining and Quarrying
3. Manufacturing
4. Electricity, gas, steam, and air conditioning supply
5. Water supply; Sewage, waste management and remediation activities
6. Construction
7. Transportation and storage
8. Accommodation and food service activities
9. Information, technology, and communication
10. Real estate activities
11. Professional, scientific, and technical activities
12. Arts, entertainment, and Recreation

It is questionable whether the order issued by the URA will not get some challenges along the way, because;

It does not meet the legislative threshold

The Constitution requires that every tax be passed by Parliament. There is no law passed by Parliament amending the threshold to register for VAT from Ushs.150m per annum.

Inadequate definitions

A number of the tax heads would need clear definition and preferably some regulations or practice notes. For example;

Transportation and storage

Is the tax applicable where the taxpayer does both transportation and storage or is storage independent from transportation? In the case of transportation will the boda rider expected to ride with a tax invoicing machine?

Waste management

Is it likely that my house maid who has the obligation to keep my home clean is engaged in the business of waste management and therefore should issue tax invoices every time she throws out the garbage?

Manufacturing

Does the person engaged in the business of making Malwa, tonto, muramba have to issue tax invoices as a manufacturer?

Arts, entertainment, and Recreation

If a person invites guests, (say for a wedding reception) entertains them with art, music and food, should that person issue VAT invoices?

The question is why did the URA feel compelled to introduce this measure soon after the amendments in the VAT Act of the year 2025/ 2026 and not wait for the next round of amendments in the next financial year?



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