

EFRIS implementation: Impact on VAT compliance obligations

Presentation by PwC
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Agenda

1 Overview of EFRIS

2 Changes in the VAT return template and filing process

3 Common implementation challenges

4 Question and answer session

1

Overview of EFRIS

What is EFRIS?

- Electronic Receipting and Invoicing System (EFRIS) is an automated compliance system introduced by the URA as part of its Domestic Revenue Mobilisation Strategy which is intended to manage the issuance and centralised tracking of all invoices and receipts by specified taxpayers in Uganda.
- Currently VAT-registered taxpayers are required to use EFRIS to issue e-invoices or e-receipts for every business transaction (whether exempt or taxable).
- Ultimate plan to extend to all business taxpayers
- Allows for real-time monitoring of taxpayers' transactions by the URA.
- Extension to other areas such as inventory management (beyond what is provided for in legislation?)

Timeline

- Legislation (sec 73A and 73B TPCA) enacted 1 July 2018 (only provides for issue of e-invoices/receipts and use of an electronic fiscal device linked to centralised URA system).
- Followed by amendments to ITA and VAT Act effective 1 July 2020 (to restrict deductions/input tax credits) and E-invoicing and E-receipting Regulations 2020.
- URA Gazette notice issued 23 June 2020 requires all VAT registered taxpayers to issue e-invoices/receipts effective 1 July 2020 (no mention of EFDs)
- Two separate administrative 3 month extensions, first to 1 October 2020 and then to 1 January 2021
- Changes to VAT return announced December 2020, effective for January 2021 VAT return but could still submit without restriction (will be enforced from February return?)

Modes for EFRIS implementation



System to system channel – Suitable for taxpayers with computerised accounting (e.g. ERP) systems, especially those with high volumes of transactions. The EFRIS process is integrated with the taxpayer's ERP system

URA web portal channel - More suitable for taxpayers with few transactions since it requires manual intervention

Client application - Only recently operational for laptop or desktop use. Ultimately intended for use on mobile handsets. Useful for taxpayers without ERP systems or who issue invoices in the field/remotely.



Fiscal Devices (not yet implemented) :

- Electronic Fiscal Devices - Primarily intended for use by retailers/cash sales
- Electronic Dispenser Controllers - For use by petrol stations

USSD quick code (not yet implemented)

Why was EFRIS introduced?

Benefits to URA

- Elimination of fictitious refund claims (fake invoices)
- Pre-filled tax returns more accurate/verifiable
- Expediting audits and refund claims
- Widening the tax base
- Ease in tracing traders
- Better record keeping

Expected benefits to taxpayers

- Ability to validate business purchases in real time
- Pre-filled tax returns eases compliance
- Shortened URA audit and return examination time
- Faster refunds
- Reduces unfair competition from those outside formal sector
- Better record keeping.

Enforcement and penalties for non compliance

- Persons purchasing goods or services from a designated EFRIS user cannot claim an input tax credit unless the expense is supported by an e-invoice or e-receipt.
- Such persons are also not allowed an income tax deduction unless supported by an e-invoice/receipt. (No impact where you purchase from a non VAT registered person.)
- Penal tax for failure to issue an e-invoice/receipt is the greater of UGX 6 million or the tax due on the goods or services. URA yet to clarify whether this is a blanket penalty or applied transaction by transaction





Changes in the VAT return template and filing process

Changes to the VAT return and process

The URA has made the following amendments to the VAT return and filing process for the tax period January 2021 and onward:

- Return Schedules – Column for invoice number is now required to show fiscal document number (FDN)
- Previously, it was only required to show the invoice number (e.g. for sales, imports and purchases). This was used in tracking invoices for VAT reconciliation purposes.

Schedule 1(a): Output Tax Schedule for Sales (Goods and Services) on wh					
Sales:		Do you want to upload this schedule separately in .CSV file?			
Name of registered Purchaser	TIN of Purchaser	Invoice Date	Invoice Number/Fiscal Document Number	Description of Goods/ Service	Is It a Capital Good (Business Asset)? (Yes / No)

Changes to VAT return and process (cont'd)

- For input tax credit and refund purposes, the return submission will now entail verification of the FDN, TIN, e-invoice issue date and amount. (This is what the URA intends to achieve).
- Claim for input tax credits - Only e-invoices relating to the filed tax period can be included in the return.
- Prior period returns will have to be amended to include old invoices (i.e. as relating to that specific period).

Changes to VAT return and process (cont'd)

Generation of reports for return filing

In order to simplify the VAT return completion process, and as an interim measure before pre-filling of returns, the URA has provided customised reports to each taxpayer registered for EFRIS.

The reports are accessible using the following steps:

1. Login to your EFRIS account using URA login credentials;
2. Go to reports >>Return filing report >>VAT Sales or Purchases report;
3. Search for the preferred fields and generate the required report;
4. Transfer the generated data to your VAT return Schedules;
5. Upload the completed VAT return form.

Need for matching or reconciliation of revenue/purchases per URA EFRIS reports to the numbers in the VAT returns?

3

Common
implementation
challenges

Common implementation challenges

Credit notes

Not possible to issue credit notes after 3 months (transactions may be amended after 3 months)

Inability to issue credit notes for invoices issued pre-EFRIS

Following up with customers who are not tech savvy to approve credit notes

Common implementation challenges

Invoicing

Issuance of invoices to customers making a part payment/deposit for:

- (i) an item that is not in stock
- (ii) an item in stock that can only be supplied upon full payment

Deferred income issue where clients make advance payments (e.g. payment for a fuel card yet the sale takes place at the pump)

Issuance of invoices when EFRIS web portal is down

Issuance of invoices where the billable amount can only be determined after month end (e.g. discounts to customers based on volumes purchased during month)
Invoices can't be backdated

Common implementation challenges

Other

Requirement to amend prior VAT returns in order to claim input tax on old invoices (additional administrative/ reconciliation burden)

Configuring stock for businesses with numerous inventory lines (e.g. supermarkets, building contractors)



Q & A session

For Further Assistance, please reach out to Uganda Revenue Authority via the contacts below;

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Thank you

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