

**THE ROLE OF ELECTRONIC FISCAL RECEIPTING AND INVOICING SYSTEM
IN ENHANCING TAX COMPLIANCE AMONG SMES IN UGANDA**

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**UGANDA CHRISTIAN
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DECLARATION

I NALWEYISO ANDREA ALINDA, declare that this research report is my own original work and has not been submitted for any other award to any university or other higher institution of learning. All the information resources used herein have been acknowledged and referenced.

Signature.....

Date.....14th April 2025

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APPROVAL

This is to certify that **NALWEYISO ANDREA ALINDA** with a research report topic: “**the role of Electronic Fiscal Reporting and Invoicing System (EFRIS) in enhancing tax compliance among SMEs in Uganda**”, has been conducted under my guidance and supervision. It is being submitted with my approval to the *Department of Finance and accounting* of Uganda Christian University.

Signature..........

Date.....*10/04/2026*.....

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DEDICATION

This work is dedicated to my family for their unwavering support, patience, and encouragement throughout my academic journey. Their belief in me has been a constant source of motivation.

I also dedicate this study to my lecturers and mentors, whose guidance, insight, and commitment have greatly contributed to my growth and understanding.

Finally, this work is dedicated to all individuals who strive for knowledge and self-improvement, as a reminder that persistence and dedication remain key to achieving one's goals.

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LIST OF ABBREVIATIONS/ ACRONYMS

B2B.....	Business-to-Business
B2C.....	Business-to-Consumer
B2G.....	Business-to-Government
CFDI.....	Comprobante Fiscal Digital por Internet (Mexico)
CTC.....	Continuous Transaction Control
EFD.....	Electronic Fiscal Device
EFDs.....	Electronic Fiscal Devices
EFRIS.....	Electronic Fiscal Receipting and Invoicing Solution
ERP.....	Enterprise Resource Planning
EU.....	European Union
EY.....	Ernst & Young
FDN.....	Fiscal Document Number
FIRS.....	Federal Inland Revenue Service (Nigeria)
GDP.....	Gross Domestic Product
ICT.....	Information and Communication Technology
IMF.....	International Monetary Fund
MoFPED.....	Ministry of Finance, Planning and Economic Development
NF-e.....	Nota Fiscal Eletrônica (Brazil)
OECD.....	Organisation for Economic Co-operation and Development
OTP.....	One Time Password
POS.....	Point of Sale
PU.....	Perceived Usefulness
PEOU.....	Perceived Ease of Use
PwC.....	PricewaterhouseCoopers
SAT.....	Servicio de Administración Tributaria (Mexico)
SDI.....	Sistema di Interscambio (Italy)
SMEs.....	Small and Medium Enterprises
SPSS.....	Statistical Package for the Social Sciences
S2S.....	System-to-System (Connection)
TAM.....	Technology Acceptance Model
TRA.....	Tanzania Revenue Authority
URA.....	Uganda Revenue Authority
UCU.....	Uganda Christian University
USSD.....	Unstructured Supplementary Service Data
VAT.....	Value Added Tax
QR.....	Quick Response (Code)

ABSTRACT

This study investigates the role of the Electronic Fiscal Receipting and Invoicing System (EFRIS) in enhancing tax compliance among small and medium enterprises (SMEs) in Uganda. Despite continued tax reforms, compliance levels among SMEs remain relatively low, constraining domestic revenue mobilisation and weakening fiscal sustainability. In response, the Uganda Revenue Authority introduced EFRIS as a digital solution aimed at improving transparency, strengthening accountability, and reducing tax evasion through real-time monitoring of business transactions. However, the effectiveness of this system in addressing persistent compliance challenges among SMEs remains uncertain.

The study was guided by three specific objectives: to assess the role of system-to-system integration, to examine the contribution of electronic fiscal devices, and to evaluate the effectiveness of the EFRIS mobile application in promoting tax compliance. A descriptive research design was employed, using both primary and secondary data collected from selected SMEs. Data were analysed to establish the extent to which EFRIS has influenced compliance behaviour.

Findings reveal that EFRIS has contributed to improved record-keeping, enhanced accuracy in tax reporting, and increased timeliness in filing tax returns. The system has also reduced opportunities for underreporting and strengthened transaction traceability. However, several challenges were identified, including limited digital literacy, high implementation and maintenance costs, and unstable internet connectivity, which continue to hinder full adoption among SMEs.

The study concludes that while EFRIS plays a significant role in improving tax compliance, its overall effectiveness depends on addressing the structural and technological barriers faced by SMEs. It is recommended that greater emphasis be placed on taxpayer education, system support, and infrastructure development to enhance usability and encourage wider adoption. Strengthening these areas will not only improve compliance levels but also contribute to sustainable revenue generation and improved public financial management in Uganda.

CHAPTER ONE: INTRODUCTION

1.0. Introduction

This chapter will consider background, statements of the problem, objectives of the study, research questions, significance of the study and the scope of the study.

1.1. Background of the Study

In Europe, Italy stands out as a pioneer in the implementation of electronic invoicing systems aimed at enhancing tax compliance and reducing value-added tax (VAT) fraud. The Italian government introduced the *Sistema di Interscambio* (SDI) in 2014, making e-invoicing mandatory for business-to-government (B2G) transactions, and later in 2019 extended the requirement to business-to-business (B2B) and business-to-consumer (B2C) transactions (OECD, 2021). The SDI platform allows invoices to be transmitted electronically in real time to the Italian Revenue Agency (*Agenzia delle Entrate*), which validates and stores the data for audit and control purposes. As a result, the adoption of this system increases the level of transparency and traceability of commercial transactions, reducing the possibility of tax evasion and fraud invoicing. According to the European Commission (2020) data, the implementation of mandatory electronic invoicing in Italy created an approximate increase in value-added taxes (VAT) income of 3.5 billion in the first year. Then, other European Union countries, such as Spain, Portugal, and Poland, have followed the example of Italy and implemented or tested similar electronic invoicing and real-time reporting systems (European Commission, 2021). The success of Italy thus demonstrates the ability of fiscal digitization to transform the tax administration, strengthen the compliance of the small and medium-sized enterprises (SMEs), and improve the general revenue performance of the European economy. It has been widely recognized that Latin America is one of the main areas where electronic invoicing systems have been widely adopted to facilitate tax compliance and reduce instances of fiscal frauds. Some countries, like Brazil, Mexico, Chile and Argentina have developed extensive e-invoicing systems that require companies, including small and medium enterprises (SMEs), to print and send electronic tax documents to national tax collection bodies. In 2006, Brazil launched its Nota Fiscal Eletrônica (NF-e), which provides the opportunity to validate an invoice in real time with the tax authority and, therefore, to enhance transparency and prevent tax evasion (OECD, 2021). Likewise, Mexico requires all invoices to be certified by a certified provider and submitted to the Servicio de Administracion Tributaria (SAT), which has been reported to have raised VAT compliance

by about 30 per cent and significantly lowered fictitious invoicing (EY, 2020). Chile and Argentina have also reported massive increases in tax-collection efficiency since the adoption of e-invoicing, which is mostly due to a reduction in administrative expenses and an improved audit trail (Inter-American Development Bank, 2022). These results indicate that the early and high adoption of electronic fiscal systems in Latin America has not just modernised the tax administration system, but also helped instill a spirit of voluntary compliance among SMEs, which has enhanced revenue mobilisation and fiscal transparency.

The Federal Inland Revenue Service (FIRS) in Nigeria has implemented an Electronic Invoicing and Fiscalisation platform as one of a wider digital tax reform program to enhance transparency, prevent tax evasion, and make SMEs more compliant. The system is implemented in accordance with the TaxPro Max platform and the e-Invoicing/Continuous Transaction Control (CTC) system, which implies that businesses will have to send electronic invoices, which are sent in real-time to FIRS so that they can be verified and stored (FIRS, 2022). This project aims at discouraging under-reporting of the sales, invoice falsification, and other tax-evasion activities that have traditionally weakened the revenue mobilisation efforts in Nigeria. PwC (2023) states that the implementation of e-invoicing has enhanced the accuracy of reporting VAT and the reconciliation between the records of the supplier and the purchaser and enhanced the efficiency of the audit and the cost of compliance in the long term. However, these problems still exist, especially when it comes to SMEs that lack access to digital infrastructure or the technical ability to connect to the FIRS platform (OECD, 2021). The experience of Nigeria, therefore, offers an example of the development of electronic fiscalisation in the world and the significance of the supportive policies, training of stakeholders, and the strength of the enforcement mechanisms as the keys to success.

The Electronic Fiscal Device (EFD) is a system that the government of Tanzania has put in place to improve on tax compliance, increase transparency as well as reduce revenue leakage, in this case, among SMEs. The EFD system came into effect in 2010 by the Tanzania Revenue Authority (TRA) and places a requirement on business entities to provide receipts in form of electronic machines that automatically compile sales data and transmit the information to TRA in real-time (TRA, 2021). This project has been developed to overcome the common practice of defeating taxes, reporting low sales, and issuing forged receipts which hitherto limited the domestic revenue collection. The empirical research shows that the adoption of EFDs has led to the realization of a significant growth in VAT compliance and the overall tax-revenue performance in Tanzania, notwithstanding the high purchase cost, low

internet penetration, and low tax payer awareness (Kira, 2016). According to the reports of the International Monetary Fund (IMF, 2020), electronic fiscalisation has not only contributed to the TRA in monitoring business transactions but also facilitating fairness in delivering taxation and minimizing chances of corruption. Tanzanian experience shows that although EFD systems can make significant improvements in tax compliance and accountability, their success requires sustained education of taxpayers, subsidised technology available to SMEs and efficient enforcement strategies.

The Electronic Fiscal Receipting and Invoicing System (EFRIS) was introduced by the Uganda Revenue Authority (URA) in 2020 as part of the government's strategy to strengthen tax compliance, enhance transparency, and reduce revenue leakages among businesses, including small and medium enterprises (SMEs). The Uganda Revenue Authority (URA), in a quest to enable compliance and improve efficiency for e-Invoicing and VAT reporting of commercial transactions, has implemented the EFRIS (Electronic Fiscal Receipting and Invoicing System). According to the mandate, all VAT-registered taxpayers are expected to use EFRIS to issue e-invoices or e-receipts for every business transaction. Under this framework, organizations with operations in the Uganda should upload/transmit their invoices details to the URA. Post this; the URA validates and approves the invoice with Fiscal document number, Verification code, QR code before the organization can send it to its client. The execution of the EFRIS framework intends to improve overall efficiency and compliance by curbing tax evasion and fraudulent practices.

EFRIS requires taxpayers to issue electronic invoices and receipts which are automatically transmitted to the URA system portal at that exact time and therefore enables accurate tracking and monitoring of business transactions (URA, 2021). This digital reform aims to avoid tax evasion, false invoicing, and under-declaration of sales which is done by most businesses, which have historically hindered Uganda's revenue mobilization efforts. The URA introduced a security feature known as "One Time Password" (OTP) which means that only persons with access to a telephone or email contact registered with URA can access the EFRIS portal. The prompt to send the OTP by email or SMS takes a couple of minutes which is a loss of time for users as compared to the manual invoicing. In some cases, the OTP is not sent to the users at all and has to be prompted several times. This is inconveniencing since the EFRIS portal cannot be accessed without the OTP.

In addition to this, the OTP expires after a specified period (24 hours) which means the taxpayer has to request another OTP almost every time they log in. Whilst the OTP is a great security control, most of the contact persons of the URA accounts are not exactly the people charged with the responsibility of generating invoices and credit notes. If the OTP has to be resent to another user via SMS or email, then it ceases to be convenient for users and also defeats the purpose of the security as the re-sending of the SMS or email which is not encrypted may land in the wrong hands (New Vision, 2025).

A more suitable approach is to grant access as it happens for customs agents to a registered agent or person with the right to make decisions on behalf of the company. This access can be set-up to run for months or weeks in the case the owner of the account and the user are not the same. Alternatively, the contact person for the EFRIS should be set up differently from the contact person managing the URA web-portal account so that each of the recognized users can log in under their capacity and personalized credentials without inconveniencing the account owner or compromising the OTP security (New Vision, 2025) According to the Ministry of Finance, Planning and Economic Development (MoFPED, 2022), EFRIS has contributed to improved VAT compliance and an increase in domestic tax revenue, with the URA reporting a notable rise in VAT collections during the first full year of implementation. However, small and medium enterprises have been initially faced with limitations like limited digital literacy, high maintenance costs, and unstable internet connection (Nsubuga, 2023). In spite of these challenges, the Electronic Fiscal Reporting and Invoicing System (EFRIS) has been recognized as the critical turning point in digitalizing tax administration in Uganda, due to its efficiency and transparency and a more fair tax climate to the compliant businesses.

1.2 Statement of the Problem

Small and medium enterprises (SMEs) adherence to taxation is still significantly low despite the continuous reforms provided by the tax administration system that threatens the mobilization of domestic revenue and fiscal sustainability. The Uganda Revenue Authority (URA, 2023) estimates up to 75% of Uganda small and medium-sized enterprises contribute to the employment of the country's private-sector, and the gross domestic product amounts to about 20 percent; however, their compliance with tax obligation stays less than 50%. According to the 2022 Domestic Revenue Mobilization Strategy released by the Ministry of Finance, Planning and Economic Development (MoFPED), the tax revenue as a percentage of the GDP is only 13.5 which is significantly lower than the Sub-Saharan African average of 18. This is a deficit that can be largely blamed on a continued level of tax evasion and sales under-reporting among SMEs. Subsequently, the Ugandan government has introduced the Electronic Fiscal Receipting and Invoicing System (EFRIS) in 2020 that is expected to foster transparency and increase VAT compliance caused by real-time monitoring of business transactions (URA, 2021). Nevertheless, it has been empirically observed that not all SMEs have an easy time adopting the system due to considerable barriers, such as low digital literacy, expensive maintenance, and low internet connectivity; thus, opposition and partial conformity remain (Nsubuga, 2023). Unless these barriers are overcome, Uganda stands the risk of a protracted continued shortfall in revenues, reductions in funding of government services, and the increase of inequity of the distribution of fiscal load: since business conforming to rules carry an unfair portion of fiscal load. The research is therefore aimed at investigating how EFRIS can enhance tax compliance among SMEs to guide policy changes that would achieve efficiency in technology use and inclusiveness, as well as sustainability of taxpayers in the long term.

1.3 Objectives of the Study

1.3.1 General Objective

To investigate the role of EFRIS in enhancing tax compliance among SMEs in Uganda

1.3.2 Specific Objectives

- i). To assess the role of System-to-System Connection in enhancing tax compliance among SMEs in Uganda

- ii). To establish the role of Electronic Fiscal Devices (EFDs in enhancing tax compliance among SMEs in Uganda
- iii). To determine the role of Mobile Application (EFRIS Mobile App) in enhancing tax compliance among SMEs in Uganda

1.4 Research Questions

- i). What is the role of EFRIS in enhancing tax compliance among SME's in Uganda
- ii). What is the role of System-to-System Connection in enhancing tax compliance among SMEs in Uganda?
- iii). What is the role of Electronic Fiscal Devices (EFDs in enhancing tax compliance among SMEs in Uganda?
- iv). What is the role of Mobile Application (EFRIS Mobile App) in enhancing tax compliance among SMEs in Uganda?

1.5 Scope of the Study

1.5.1. Geographical Scope

The study will be conducted within selected districts and urban across Uganda where the Uganda Revenue Authority (URA) actively monitors EFRIS implementation. The study will primarily be focused on Kampala, where there most small and medium enterprises are located for example the wholesale, retail, hospitality, and professional services. In addition to Kampala, the study will extend to Wakiso and Jinja which represent Uganda's major regional business centers with growing SME participation in trade and manufacturing.

1.5.2. Content Scope

The study majorly focusing on investigating the role of EFRIS in enhancing tax compliance among small and medium enterprises in Uganda by assess the role of System-to-System Connection in enhancing tax compliance among SMEs in Uganda, establishing the role of Electronic Fiscal Devices (EFDs in enhancing tax compliance among SMEs in Uganda, and determining the role of Mobile Application (EFRIS Mobile App) in enhancing tax compliance among SMEs in Uganda

1.5.3. Time Scope

The study will be carried out within a period of 3 months which is from January to March of 2026.

1.6. Significance of the Study

The proposed research is expected to have significant implications to a myriad of stakeholders, including policy makers, the taxation department, business owners, and researchers.

1.6.1. To the Government of Uganda

The results of this research are likely to contain valuable information on the efficacy of EFRIS as the tool of supplementing the domestic revenue collection. The evidence will help the Ministry of Finance, Planning and Economic Development (MoFPED) and other government bodies to determine whether digital tax reforms are fulfilling their intended purposes of expanding the tax base and averting revenue losses.

1.6.2. To Uganda Revenue Authority (URA).

The study can be helpful to the URA in the assessment of the practical difficulties and achievements that are related to the implementation of EFRIS with SMEs. The findings can help URA improve its work by pinpointing obstacles like low levels of digital literacy and high compliance expenses and increasing user-support frameworks.

1.6.3. To Small and Medium Enterprises (SMEs).

The small and medium enterprises can gain in terms of this research by getting to know better how EFRIS can streamline the record-keeping process, enhance business accountability, and promptly seek formal credit using digital transaction trail.

1.6.4. Policy Makers and Development Partners To the Policy Makers and Development Partners.

The study will provide evidence-based information that can be used in current fiscal policy reforms and capacity-building processes in Uganda. These findings can be used by development partners such as the World Bank and the African Development Bank that

finance the digital transformation programmes to establish specific interventions that can empower tax administration systems in Uganda.

1.6.5. To the Academic and Research Community.

The research will add to the literature of tax digitalization and tax compliance behaviour in developing economies. It will also be used as a reference to new researchers investigating the convergence of technology, fiscal policy, and SME development in Uganda and the Sub-Saharan African region in general.

1.6.6. To the General Public:

Improved tax compliance through EFRIS directly benefits citizens by increasing domestic revenue available for funding essential public services such as healthcare, education, and infrastructure. Hence, the study indirectly promotes social accountability and equitable national development.

1.7. Conceptual Framework

Independent Variables (IV)

Dependent Variables (DV)

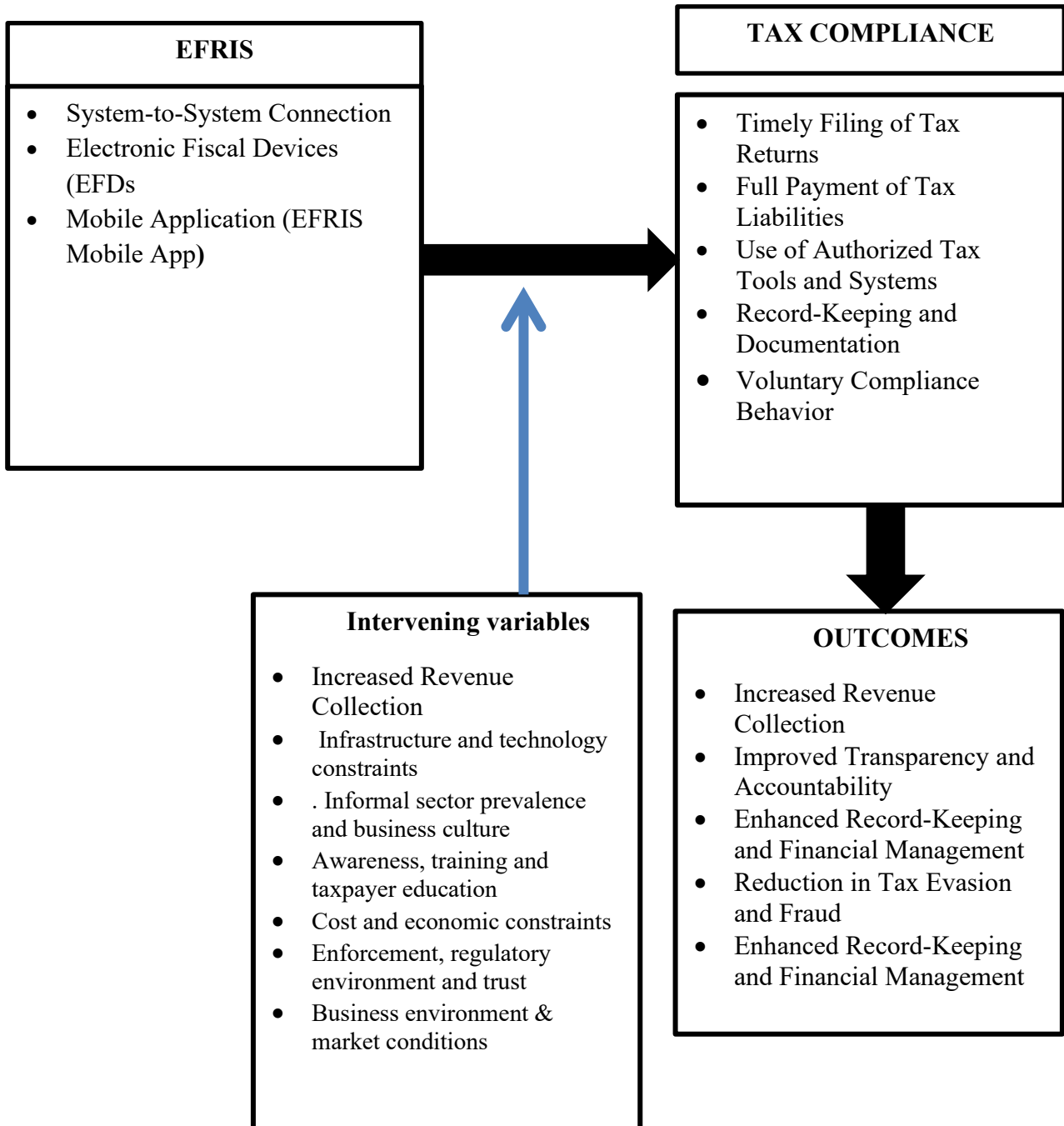


Figure 1: Conceptual Framework

1.6.1 Narrative of the conceptual framework

The conceptual framework demonstrates the relationship between the Electronic Fiscal Receipting and Invoicing System (EFRIS) and tax compliance, with the help of variables that influence key fiscal and governance outcomes. The framework will show the role of introduction of EFRIS in increasing the tax compliance of taxpayers, which will help increase revenue collection from the small and medium enterprises.

EFRIS is the independent variable of the research. It consists of three main parts : the System-to-System Connection, Electronic Fiscal Devices (EFDs), and the Mobile Application (EFRIS Mobile App). These are developed to automate tax administration processes, promote accurate reporting, and also facilitate real-time data sharing between the taxpayers and the tax authority. By these processes EFRIS is expected to simplify compliance procedures, minimize human errors, and enhance transparency in business transactions.

Tax compliance is the dependent variable of the framework. This includes tax returns being submitted on time, payment of the tax liabilities, use of the approved tax tools and systems, adequate record-keeping and documentation, and voluntary compliance behavior. The means that when EFRIS is effectively implemented, it promotes efficiency, accountability, and convenience in tax reporting. However, the relationship between EFRIS and tax compliance does not occur in isolation. It is influenced by a set of intervening variables that either strengthen or weaken the effect of EFRIS on compliance behavior. These intervening factors include increased revenue collection, infrastructure and technology constraints, the prevalence of the informal sector, taxpayers' awareness and education, and the broader economic and regulatory environment. For instance, in contexts where technological infrastructure is reliable and taxpayers are adequately trained, EFRIS is more likely to yield positive compliance outcomes. Conversely, inadequate awareness or technological limitations may hinder its effectiveness.

Finally, there are positive outcomes brought about by the improved tax compliance based on the successful realization of the Electronic Tax Filing and Reporting Information System (EFRIS). These are , increased revenue-generation on the part of the government, enhanced transparency and accountability in the financial management of the government, positive practices in record-keeping, and reduction in tax misconduct and fraud. All these advantages

enhance the fiscal strength of the state and promote the tenets of good governance and sustainable economic growth.

Overall, the conceptual framework proves that EFRIS is an independent variable that has a direct impact on tax compliance, the dependent one. The degree of the intervening factors that moderate this relationship is a spectrum of determinations of the success of EFRIS in achieving compliance. The final outcomes of such relationship are increased income collection, increased transparency and efficiency in financial administration. As a result, the framework identifies the critical role of technology-based tax systems like EFRIS towards building compliance and improving the effectiveness of tax administration.

CHAPTER TWO LITERATURE REVIEW

2.1. Introduction

This chapter contains the review of the related literature. It will cover the views, ideas and opinions of different researchers and writers in relation to this topic.

2.1 Theoretical Review

This paper will use the Technology Acceptance Model (TAM) which was proposed by Fred Davis in 1989 as the expansion of the Theory of Reasoned Action (TRA) by Fishbein and Ajzen (1975). TAM has become one of the most powerful and most utilized theoretical models to study technology acceptance and user behavior in various fields, including business, education, healthcare, and e-governance, as it was developed to explain and predict user acceptance of computer based technologies. The Technology Acceptance Model which is developed by Davis (1989) holds that the perceived usefulness (PU) and the perceived ease of use (PEOU) are two fundamental beliefs that dictate the attitude an individual has towards accepting and using a new technology. PU refers to the degree of an individual faith in the fact that the use of a given system would lead to a positive job performance or productivity. PEOU on the other hand refers to the effort perceived to utilize the technology. Such thoughts affect the attitude of a user to the system that, in turn, affects behavioral intention to utilize the technology, which eventually leads to the real use of the system. Therefore, the implication of the model is that users will be more willing to adopt and maintain the use of a system which is useful and easy to use.

Regarding the current study on The Role of EFRIS in Enhancing Tax Compliance Among SMEs in Uganda, Technology Acceptance Model offers a solid theoretical framework that can be used to explain the way SMEs perceive and use the Electronic Fiscal Receipting and Invoicing System (EFRIS). EFRIS as a digital solution by the Uganda Revenue Authority (URA) requires user acceptance and proper use in an effort to achieve its goal of enhancing the tax compliance. When SMEs find EFRIS helpful in making the task of filing taxes easier, more accurate, and less time-consuming, then they will be more inclined to integrate it into their practice. Similarly, when EFRIS is found to be easy to use and does not require a lot of technical skills, then SMEs will be more willing to utilize it. Thus, the deployment and

effective application of EFRIS can foster a better tax reporting, record-keeping, and display of taxpayers in general compliance behavior.

However, despite its widespread usage, there are a number of criticisms that have been raised against the Technology Acceptance Model. One of them is that TAM is too much focused on individual perceptions (usefulness and ease of use) and does not pay much attention to larger social, cultural, and organisational determinants, which also make technology adoption. Opponents also believe that other elements, including governmental policies, infrastructure, costs, and user training are also essential in influencing the acceptance of technology, particularly in developing environments like Uganda where there is a significant difference in the level of technological literacy. Other critiques are directed at TAM focusing on the fact that it assumes a linear, rational decision-making process that ignores the emotional, contextual and habitual factors that affect the behavior of the user. In addition, the model does not pay proper attention to post-adoption effects, such as continued use, satisfaction, and trust to the system, which is crucial to the long-term success of such technologies as EFRIS.

2.2. Concept of EFRIS

Electronic Receipting and Invoicing System (EFRIS) is an automated compliance system that was established by the Uganda Revenue Authority (URA) to coordinate the distribution and centralized monitoring of invoices and receipts of the specific taxpayers in Uganda. EFRIS, which stands as Electronic Fiscal Receipting and Invoicing System was introduced to help in making commercial transactions in the country easier. It involves the use of Electronic Fiscal Devices (EFDs), e-invoicing, or direct interface with business transaction systems to send e-invoices in compliance with the Tax Procedures Code Act 2014. When a transaction is executed, the associated information is sent to the URA in real time thus facilitating the production of e-invoices (URA, 2025).

It works by connecting business accounting systems, point-sale (POS) devices or web interfaces to the URA database. Whenever a transaction occurs, the system automatically generates an e-receipt or e-invoice, which is electronically stored on behalf of the taxpayer and the URA. This automation will improve the accuracy of reporting, decrease administrative overloads, and foster trust and responsibility between taxpayers and the government (Mugisha & Nsubuga, 2022). In addition, EFRIS enables the URA to follow up taxable operations more effectively, enabling the assessment of tax in time and preventing revenue leakage.

The adoption of EFRIS has presented several benefits. It enhances transparency, minimises cost of compliance and increases revenue mobilisation to the state. It also helps companies to keep accurate records, enhance the financial planning, and simplify company operations. However, the challenges of poor digital literacy among business owners, network connectivity, and unwillingness to embrace technological changes continue to limit full adoption (Kisakye, 2023). Nevertheless, notwithstanding these challenges, EFRIS is a meaningful step towards digital transformation in the Ugandan tax management process and agrees with the broader goals of e-governance and sustainable economic custody.

Apart from digitization, the URA has introduced e-receipting/e-invoicing to improve compliance by curbing fraudulence, suppression of sales, non-issuance of tax receipts/invoices, and non-remittance of VAT collected, and much more. As per the latest regulation passed by the Uganda Revenue Authority (URA), all businesses registered in Uganda are required to register with the EFRIS system through the tax authority's website. Here's a quick rundown of how the EFRIS platform works:

Pre-registration:

- Business registers on the URA website
- Once logged in, the business gets verified through a One-time password (OTP) sent via sms or email
- Post that, they are required to indicate the type of invoicing system they are using - whether it is EFD or e-invoicing.
- Once done, the business needs to furnish more details, including the taxpayers' details (these details are auto-filled from the e-tax), the purpose of registration, and the upload of supporting documents, e.g., business license.
- Once the business is registered and verified as a system user, the business account will be enabled and help you access EFRIS functionalities.

Generating e-invoice:

- Post this, a certificate issued by a local certification authority must be requested to sign invoices.

- The e-Document is sent to the EFRIS platform, which authenticates the invoice by including four mandatory fields - Fiscal Document Number (FDN), Invoice Identification Number, Verification Code, and QR Code to identify the invoice.
- The invoice must be sent to the receiver with the data entered by the platform.

How to send e-Invoices to the EFRIS?

There are many implementation models for connecting to the EFRIS platform and sending e-invoices:

System to system channel: Applicable for taxpayers with automated accounting systems, particularly those with high transaction volumes.

URA web portal channel: Suitable for taxpayers with less volume of transactions since it needs manual intervention

Client application: This option is applicable for taxpayers without ERP systems or entities that issue invoices in the field or remotely

USSD quick code option: This can be used by mobile phone users who don't have access to smart phones and therefore this option can be used to raise e-invoices even when offline. It involves following prompts on the mobile phone to generate the e-invoice. However, this option is not yet available.

Electronic Fiscal Devices: Intended for use by retailers/cash sales

2.3. Review of Related literature

2.2.1. The role of System-to-System Connection in enhancing tax compliance among SMEs

Automated Record-Keeping and Improved Data Accuracy: System-to-System (S2S) connections are very important in enhancing tax compliance through automating data transmission between business accounting systems and tax authority platforms. This therefore leads to automation and minimizes manual entry errors, ensures consistency in transaction reporting and provides an audit trail for both taxpayers and regulators. For SMEs, S2S integration simplifies the bookkeeping process by incorporating tax compliance functions directly into everyday operations, thereby reducing administrative burdens and improving the

accuracy of reported data. Studies have shown that countries adopting electronic fiscal devices and system integrations record significant improvements in VAT reporting accuracy and reductions in fraudulent invoicing (Karanja & Muturi, 2021; OECD, 2022; Bellon, 2022; Mugisha, 2023). The real-time nature of S2S transactions also allows tax authorities to validate invoices instantly which strengthens the accountability and traceability within the tax system. Consequently, SMEs are better positioned to maintain compliant and transparent records, which enhances confidence between taxpayers and authorities. Accurate, automated record-keeping reduces disputes and delays in tax assessment, fostering an environment of voluntary compliance. In Uganda, the EFRIS initiative demonstrates that automating fiscal receipts through S2S integration promotes both efficiency and trust in digital tax administration (URA, 2023; Namukasa & Akello, 2024).

Raising Detection Probability and Deterrence Effects: S2S connections enhance tax compliance through increasing the probability of identifying non-compliance through real-time data sharing between the taxpayers and Uganda Revenue Authority . According to deterrence theory, taxpayers are more likely to comply when they perceive that tax evasion is easily detectable and penalties are enforceable (Becker, 1968; Allingham & Sandmo, 1972; Kirchler, 2007; Fjeldstad & Tungodden, 2022). The integration of taxpayer systems with electronic invoicing platforms enables tax administrators to easily identify the differences between reported and actual sales. In Uganda, the implementation of EFRIS has improved audit effectiveness and reduced the prevalence of under-declaration among SMEs by automating invoice validation and verification processes (Nsubuga, 2023; URA, 2023; OECD, 2022; Kotsogiannis et al., 2024). This technological linkage acts as a deterrent to tax evasion by increasing both the perceived and actual likelihood of detection. Moreover, real-time visibility of business transactions enhances enforcement efficiency, making it easier for authorities to trace non-compliant entities and strengthen monitoring systems (World Bank, 2022; Mugisha, 2023; Bellon, 2022; Mutyaba & Lwanga, 2023). Therefore, S2S connections strengthen the compliance coercive and preventive mechanisms, reducing intentional evasion and promoting a culture of transparency among SMEs.

Lowering Compliance Costs and Simplifying Administrative Burden: One obvious benefit of server-to-server (S2S) connections is the ability to reduce compliance expenses of small and medium enterprises (SMEs). The historical problem of SMEs is a heavy administrative load especially when manual preparation, filing, and reconciliation of tax returns must be made (Amoako and Aboagye, 2021; OECD, 2022; URA, 2023; Karanja and

Muturi, 2021). Connecting internal accounting systems directly to tax-authority databases, companies can now automate such major processes as the generation of invoices, calculation and submission of taxes. This automation saves the time and resources that are used in compliance thus allowing the SMEs to focus more on productive business processes. Empirical studies suggest that compliance costs cut enhances voluntary compliance because tax payments are seen to be less burdensome (Kirchler et al., 2008; Luttmer and Singhal, 2014; Bellon, 2022; Mugisha, 2023). Also, S2S systems add to the user experience by making the process of tax filing more user-friendly and less prone to human error. This observation is supported in the concept Theory of Use of Technology Acceptance Model (TAM) that postulates that the perceived ease of use and usefulness enhance the chances of technology adoption (Davis, 1989; Venkatesh and Davis, 2000; Wekesa, 2022; Namukaka and Akello, 2024). As a result, this makes S2S reduce transaction costs and increase the willingness of tax payers to voluntarily meet fiscal requirements by making compliance easier.

Interoperability and Integration with Business Systems: System-to-System connection enhances interoperability of the business management software, accounting tools and government tax platforms. This interoperability makes sure that business transactions automatically comply with the fiscal reporting which becomes effective and compliant. The OECD (2022) argues that a smooth connection between accounting systems of the private sector and the databases of the tax authorities will decrease the level of data fragmentation and foster the accuracy of tax returns. In the case of SMEs, such an integrated approach helps convert the compliance as a time-consuming and independent activity into a natural outcome of business activities (Bellon, 2022; World Bank, 2022; Mugisha, 2023; URA, 2023). Moreover, interoperability fosters transparency and trust because when data is standardized, there is no grey area during reporting. Research also highlights that the collaboration between the governments and software vendors and cloud-service providers helps to increase the adoption rates among SMEs because of the better user experience and reduced costs (Namukasa and Akello, 2024; Kotsogiannis et al., 2024; Nsubuga, 2023; Fjeldstad and Tungodden, 2022). Thus, S2S boosts tax compliance since it entrenches the regulatory demands into regular business processes making compliance routine as opposed to ad-hoc. In Uganda, EFRIS integration with enterprise systems has shown how interoperability can be used to facilitate tax processes and overall compliance through the ecosystem among SMEs (URA, 2023).

Data Analytics and Risk-Based Audits:

S2S are also used to generate large-scale, real-time information, which can be analysed to detect compliance risks and focus on audits. This allows the tax authorities with access to granular, structured transactional information to implement risk-oriented auditing practices, focusing on risky entities and expanding unnecessary audit on complying SMEs (OECD, 2022; World Bank, 2022; Kotsogiannis et al., 2024; Bellon, 2022). This evidence-based practice is not only making audits more effective but also a more trusted method as it reduces random enforcement. According to research, tax fraud and under-reporting detection is greatly enhanced through the usage of digital audit systems facilitated by S2S integration (Mugisha, 2023; URA, 2023; Fjeldstad and Tungodden, 2022; Namukasa and Akello, 2024). To SMEs, it will have the added advantage of reduced compliance issues and shortened time of dispute resolution since most of the tax information is automatically verified. Furthermore, the risk-based audits promote fairness in distinguishing between intentional evasion and accidental mistakes.

When SMEs find fairness and evidence based enforcement to be reasonable, then they tend to be compliant on their own accord (Kirchler et al., 2008; Luttmer and Singhal, 2014; Becker, 1968; Davis, 1989). Therefore, S2S is a tool of compliance monitoring, as well as of establishing shared responsibility between the tax authorities and SMEs.

2.2.2. The role of Electronic Fiscal Devices (EFDs in enhancing tax compliance among SMEs

Enhancing Record Accuracy and Transparency: Electronic Fiscal Devices (EFDs) can help to increase the accuracy of the commercial record-keeping and promote transparency in the administration of taxes. They are electronic devices that capture the sales transactions and issue electronic fiscal receipts that have verifiable tax information and thus allow real-time tracking by the revenue authorities. In small and medium-sized enterprises (SMEs), using EFDs reduces manual errors, minimizes the falsification of sales documentation, and underreporting of revenues. According to Mwaura and Muturi (2021), EFDs implementation enhances data integrity because all taxable transactions are recorded automatically, which leaves fewer opportunities to commit fraud. Similarly, OECD (2022) highlights the importance of EFDs as the means of creating tamper-proof fiscal data that, in its turn, increases transparency and builds trust between taxpayers and taxing authorities. In Uganda, EFDs have been reported to improve traced commercial transactions and reduce false

invoicing related cases in SMEs; the Uganda Revenue Authority (URA, 2023) records. Also, Mugisha (2023) argues that automated retrieval of information enhances audit trails and supports accountability. By creating an environment of voluntary adherence and trust in the fairness of the taxation system by taxpayers, EFDs create a background of accuracy and transparency in sales reporting (Bellon, 2022; Mwaura and Muturi, 2021; URA, 2023; OECD, 2022).

Reducing Tax Evasion and Strengthening Enforcement:

Among the most noticeable additions of Electronic Fiscal Devices (EFDs) is that they will help in redressing tax evasion as it will ensure that all sales transactions are automatically documented and sent to tax authority. The deterrence impact of EFDs is based on the heightened challenge that the devices posed to businesses that tried to hide or falsify sales information (Becker, 1968; Allingham and Sandmo, 1972; Kirchler, 2007; Fjeldstad and Tungodden, 2022). A small and medium organization is prone to increased detection risk when the transactions are electronically logged and stored once they indulge in tax evasion. Experimental data in Kenya, Tanzania and Rwanda indicate that EFD implementation resulted in significant VAT collection improvements and underreporting reduction (Nkundabanyanga et al., 2017; Karanja and Muturi, 2021; Fjeldstad and Tungodden, 2022; Bellon, 2022)

In like manner, according to the Uganda Revenue Authority (URA, 2023) integration of EFDs in Electronic Fiscal Receipts and Information System (EFRIS) has significantly reduced tax leakages and increased effectiveness of audits. Since the fiscal receipts get connected to the database of the URA, the inspectors can use this to view their transactions remotely, thus reducing the use of physical auditing. As a result, EFDs turn into an additional technological deterrence that enhances enforcement, reduces non-compliance, and creates a fair competition between enterprises through the implementation of uniform reporting systems (Becker, 1968; Mugisha, 2023; URA, 2023; OECD, 2022).

Lowering Compliance Costs and Administrative Burden:

EFD systems automate the tax reporting processes hence reducing the compliance costs among small and medium-sized enterprises (SMEs). Most of the small enterprises before were using manual systems of bookkeeping and paper-based invoicing system, which was not only time-consuming, but also subject to mistake. Amoako and Aboagye (2021) state that

EFDs improve tax reporting, automate the creation of invoices, create daily sales summaries, and end-of-day reports. This automates less administration work, leaving SMEs to concentrate on their activities. Another point that Organisation for Economic Co-operation and Development (OECD, 2022) makes is that automation reduces compliance expenses by incorporating fiscal recording with the current accounting frameworks, and as such, the requisite data is easily available when preparing tax returns. Moreover, Kotsogiannis et al. (2024) argue that EFDs will facilitate voluntary compliance by making the process of filing simpler and offering unquestionable digital proofs of paying taxes. Mugisha (2023) reported in Uganda that SMEs that integrate EFDs in Electronic Filing and Reporting Information System (EFRIS) incurred reduced compliance costs and also faced fewer disagreements with the Uganda Revenue Authority (URA). Besides, once the compliance is easier and less time-consuming, companies are more likely to view the tax system as user-friendly and will therefore be more willing to comply voluntarily (Davis, 1989; Amoako and Aboagye, 2021; URA, 2023; OECD, 2022). Therefore, EFDs will improve compliance, not only by the use of enforcement mechanisms, but also by streamlining the administrative procedures that companies with few employees will face.

Promoting Voluntary Compliance and Building Trust: EFDs also enhance the creation of voluntary tax compliance as they enhance fairness, transparency and trust in the process of tax administration. The Slippery Slope Framework states that compliance is realized when there is an equilibrium between the authority and trust of the taxpayers (Kirchler et al., 2008; Luttmer and Singhal, 2014; Fjeldstad and Tungodden, 2022; Mugisha, 2023). EFDs help in building trust by ensuring there is transparency and fair treatment of taxpayers since all businesses conform to the same standards of digital recording. Such a system is more easily taken as voluntary compliance when SMEs feel that there is fairness within the system. In addition, the timely receipt validation also strengthens the assurance that the taxes collected by the government are properly registered and registered by the revenue authority (URA, 2023; World Bank, 2022; Bellon, 2022; Namukasa and Akello, 2024). The East African evidence shows that EFD usage leads to the willingness of taxpayers to comply, which could be associated with the perceived increase of fairness and accountability (Mwaura and Muturi, 2021; Nkundabanyanga et al., 2017; OECD, 2022; Mugisha, 2023). Therefore, in addition to deterrence, EFDs develop the culture of compliance with an increased level of trust among the taxpayers and a reduced perception of corruption within the tax administration.

Enhancing Revenue Collection and Fiscal Accountability: The use of EFDs has been linked to high increases in revenue collection and fiscal accountability. The EFDs enhance the effectiveness and promptness of revenue collection by providing real time reporting of business transactions. The empirical evidence provided by World Bank (2022) and OECD (2022) illustrates that the countries that implemented fiscal devices have shown significant improvements in the revenue in VAT and sales-tax, which can be explained by the improved monitoring and the decrease in underreporting. In the case of Uganda, URA (2023) notes the increase in the monthly VAT collection on the increase in the use of EFDs by the SMEs. Also, EFDs enhance fiscal responsibility since tax collection bodies can compare collected taxes with the reported income, which reduces chances of manipulation (Bellon, 2022; Mugisha, 2023; Namukasa and Akello, 2024; URA, 2023). In the case of SMEs, EFDs can offer verifiable record of transactions enhancing financial credibility and ease of access to credit facilities, which further paves them into the formal economy. The readiness of businesses to comply improves when they can see tangible improvements in the way the public services are provided associated with the transparent tax collection (Kirchler, 2007; Fjeldstad and Tungodden, 2022; World Bank, 2022; Mugisha, 2023). Thus, EFDs do not merely increase the government revenue but they also strengthen the mutual accountability between the taxpayers and the state.

Implementation Problems and Policy issues: Although it has the potential to be implemented among SMEs, EFDs have issues regarding cost, technical capacity and infrastructure. Most small business owners do not have the funds to buy and use fiscal devices, or to educate their employees on them (Amoako and Aboagye, 2021; Nkundabanyanga et al., 2017; URA, 2023; World Bank, 2022). In Uganda, Mugisha (2023) notes that the high cost of installing and maintaining EFDs has deterred its use by small firms, especially in the rural regions that have low internet penetration. Furthermore, suppliers are reported by some users to have technical issues and lack confidence in the system, as well as have poor after-sales services (Namukaca, Akello, 2024; Bellon, 2022; OECD, 2022; URA, 2023). To ensure that these challenges are overcome, the OECD (2022) and the World Bank (2022) suggest that governments should offer subsidies, tax breaks, and capacity-building programmes in order to get SMEs to adopt them. Also, trust and sustainability can be improved through regular upgrades of the system, educating users, and providing transparency regarding the use of data. These barriers need to be addressed to

ensure that EFDs realise their potential in achieving compliance with taxation and inclusive economic growth (Amoako and Aboagye, 2021; Mugisha, 2023; URA, 2023; OECD, 2022).

2.2.3. The role of Mobile Application (EFRIS Mobile App) in enhancing tax compliance

Improving the Accessibility and Ease of Tax Compliance. The EFRIS Mobile Application complements tax compliance by the SMEs by improving accessibility and convenience in tax processes. At an older stage, small businesses have had to face barriers to online tax portals because of the lack of computers and a stable Internet connection (World Bank, 2022; URA, 2023; Mugisha, 2023; Namukasa and Akello, 2024). With the launch of the EFRIS Mobile App, SMEs have the ability to perform tax-related services, such as issuing e-receipts, checking invoices, and submitting returns, on smartphones. This mobile accessibility closes the digital divide and especially the small traders located in distant areas having limited access to desktop systems (OECD, 2022; Karanja and Muturi, 2021; Bellon, 2022; URA, 2023). Empirical evidence shows that mobile platforms can help improve compliance because they make interactions between taxpayers and authorities easier, which leads to greater efficiency and fewer delays in the process (Amoako and Aboagye, 2021; Mugisha, 2023; Fjeldstad and Tungodden, 2022; World Bank, 2022). The EFRIS Mobile App is used in Uganda to issue fiscal receipts in real time and provide constant access to digital infrastructure of the URA. Such ease of access promotes voluntary compliance by removing barriers of a physical nature of filing and paying taxes so that the tax obligation can be met in time. Therefore, the mobile app reacts to inclusiveness and engagement of the SMEs in the formal tax system via easy digital access.

Making Tax filling less complex and administrative less demanding. The EFRIS Mobile Application also eases the tax filing and record-keeping of the SMEs and hence overcoming the burden of administration that comes with tax compliance. With the help of the app, companies will be able to automatically create e-invoices, track payments, and file tax returns without any hassles (URA, 2023; OECD, 2022; Bellon, 2022; Mugisha, 2023). This integration will eliminate the need to manually enter data and use paper documentation, which are often the sources of error and non-compliance among small businesses. The perceived ease of use is one of the key factors that determine technology adoption as described in the Technology Acceptance Model by Davis (1989). The more SMEs will view the EFRIS Mobile App as easy to use, the higher the compliance levels will be (Venkatesh and Davis, 2000, Wekesa, 2022, Karanja and Muturi, 2021, URA, 2023). Furthermore,

automation like sales summary and invoice generation, decreases the labor required to keep the accounting records, making the compliance less time-consuming (OECD, 2022; World Bank, 2022; Mugisha, 2023; Namukasa and Akello, 2024). Also, the simplicity of the app allows other users who may not be technical to comply without involving external accountants hence cutting the costs of compliance. Consequently, the EFRIS Mobile App will help increase the rates of voluntary compliance because it makes tax processes simpler, quicker, and more approachable by both small and large-scale SMEs.

Furthering Real-Time Reporting and Transparency. The EFRIS Mobile Application supports transparency and accountability as it helps to report on business transactions in real-time. Every transaction made with the help of the mobile app is immediately sent to the central database of URA, and all sales are registered and validated correctly (URA, 2023; OECD, 2022; Bellon, 2022; Mugisha, 2023). This real time connection prevents chances of tax evasion and under reporting by SMEs. Fjeldstad and Tungodden (2022) affirm that these digital connections increase the quality of audit records, making it easier and more accurate to track the compliance of the tax authorities. Also, the application has the verification feature, which allows customers to verify the authenticity of their receipt and thus contributes to transparency in the relationship between businesses and customers (Namukesa and Akello, 2024; World Bank, 2022; URA, 2023; Mugisha, 2023). Real-time reporting of data also enhances confidence in the tax system with taxpayers and authorities being able to know that records are not still up to date and remain immutable (Bellon, 2022; Karanja and Muturi, 2021; OECD, 2022; URA, 2023). In Uganda, SMEs who use EFRIS Mobile App in their operations have a lower number of inaccuracies in returns and are able to solve issues faster since the app has automated synchronization. Thus, the mobile application will significantly improve the integrity and reliability of tax system among SMEs by encouraging instant reporting and transparency.

Building Taxpayer Awareness and Voluntary Compliance: The EFRIS Mobile App also doubles up as an educational channel and a behavioral tool aimed at promoting tax awareness and voluntary compliance by small and medium-sized enterprises (SMEs). The application provides alerts, instructions, and notifications about tax requirements and responsibilities, thus helping firms to be aware of tax deadlines and provisions (URA, 2023; OECD, 2022; Mugisha, 2023; World Bank, 2022). Empirical studies on the subject of digital tax systems have proved that an increased awareness and continued communication has led to the willingness to obey taxes among taxpayers (Kirchler, 2007; Luttmer and Singhal, 2014;

Fjeldstad and Tungodden, 2022; Bellon, 2022). Being a real-time communication channel, the app will increase the interaction between SMEs and tax authorities. In Uganda, the Uganda Revenue Authority (URA) has incorporated training resources and compliance suggestions into the EFRIS portal, thus, to confirm that the users gain the skills to use the system successfully (Namukisa and Akello, 2024; URA, 2023; Mugisha, 2023; Karanja and Muturi, 2021). App-based learning is also beneficial because it gives small businesses the ability to fulfill their responsibilities with minimum external support. In addition, the frequent feedback systems within the app encourage the behavior of tax compliance through strengthening the confidence of taxpayers in handling tax responsibilities. As a result, the EFRIS Mobile App, as well as being an effective compliance tool, enhances the culture of tax responsibility among the SMEs.

Improving trust and reducing corruption in the tax administration: The EFRIS Mobile App fosters trust by means of less human interaction and, thus, a chance to corrupt. Traditional taxation systems often subjected SMEs to bureaucratic ineffectiveness and unofficial payments when filing and inspections were done manually (Fjeldstad and Tungodden, 2022; OECD, 2022; World Bank, 2022; Bellon, 2022). The application allows digitizing the transactions and, therefore, all transactions between taxpayers and the URA are performed electronically, thus restricting opportunities to manipulate and show favoritism discretionally (URA, 2023; Mugisha, 2023; Namukasa and Akello, 2024; OECD, 2022). Kirchler et al. (2008) assume that the belief of fairness and transparency of the system of taxes has a positive impact on voluntary compliance. When the SMEs have confidence in the system as being fair and automated, they will submit to it voluntarily. Besides, the receipt validation and instant validation features of the mobile application give assurances to taxpayers that their funds are properly recorded and recognized (World Bank, 2022; URA, 2023; Mugisha, 2023; Fjeldstad and Tungodden, 2022). In Uganda, an increase in the use of the EFRIS Mobile App has been linked to an increase in taxpayer confidence and a decline in corruption-related grievances in the revenue administration system. As such, the app serves as a trust-building tool, which improves transparency, reduces the likelihood of corruption, and sustains adherence.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

This chapter comprises of the research design and methodology that will be used to carry out the research. It presents the research design, the population, sample size and sampling procedure, data procedures of data collection, data processing and analysis, ethical consideration, and limitations to the study.

3.1 Research Design

The current research will utilize a descriptive research design that is used to outline the features of the population and the phenomenon under study. It is designed without the inferential effort to explain how, when or why certain behaviours emerge in preference of an accurate description of the variables related to the adoption and utilisation of Electronic Fiscal Receipting and Invoicing System (EFRIS) in small and medium-sized enterprises (SMEs) (Shields and Rangarajan, 2013). The descriptive design enables calculating frequencies, percentages, and other statistical tests that are necessary in order to interpret the empirical findings of the study. Casadevall and Fang (2018) note that the administration of a survey is a perfect initial step to be taken before moving on to the descriptive research. Therefore, the design allows the simultaneous utilisation of quantitative and qualitative designs to collect and process information related to the effects of EFRIS on tax compliance among SMEs. The ensuing findings will be comparatively and contrastively analysed in relation to the available secondary literature and consequently lead to a holistic analytical discussion on the subject matter (Mugenda and Mugenda, 2013). The choice of this research design is founded on the fact that a variety of categories of SME participants will be analysed at one time point. Qualitative and quantitative methods of data collection, such as structured questionnaires, direct observations, and a documentary analysis, will be used in a bid to obtain correct, dependable data (Berg, 2011).

3.2 Target Population

This study has the target population as Small and Medium Enterprises (SMEs) based in Uganda which are registered with the Uganda Revenue Authority (URA) and those that need to use the Electronic Fiscal Receipting and Invoicing System (EFRIS). The sample covers SMEs of various industries: retail trade, wholesale, manufacturing, hospitality, and professional services. The choice of these enterprises is since they are directly affected

through the adoption and implementation of EFRIS as a component of the URA digital tax compliance environment.

The research shall focus on the SMEs situated in the Kampala, Wakiso, Jinja, and Mbarara districts where business hubs are reported to have the highest concentration of SMEs and those that enforce EFRIS to a large extent. The target population will therefore be composed of SME owners, accountants and finance managers who have the responsibility of ensuring compliance of taxes and EFRIS operations in their respective firms. As stated in URA (2024), over 30,000 SMEs are already on boarded in EFRIS platform creating a relevant and representative pool where the study sample is to be identified. This population is especially suitable since it provides an understanding of the effect of EFRIS on tax reporting, transparency, and voluntary compliance to active taxpayers in business.

3.3 Sample Size

The study employed the use of purposive sampling alongside simple random and stratified sampling (Kothari, 2014). Gall (2016) notes that a representative sample produces results of which the study population can be deduced. The sampling frame was therefore constrained by the information that was needed in this investigation.

A total of 395 respondents, whom are part of the small and medium-sized enterprises (SMEs) using the Electronic Fiscal and Reporting System (EFRIS) in the chosen districts, were used as the sample. The sample was stratified to achieve proportional representation in the regions and the business sector, namely, retail, wholesale, manufacturing, hospitality, and services. Simple random sampling was used to select the respondents within each stratum in order to reduce bias. The main group to be included in the study was the SME owners, accountants and finance officers directly engaging in EFRIS-related tax operations.

A summary of the proposed sample distribution is presented below:

Category	Estimated Population (N)	Sample Size (n)
Retail and Wholesale Trade	8,000	105
Manufacturing	4,000	53
Hospitality and Tourism	5,000	66
Professional and Service Firms	6,000	79
ICT and E-Commerce SMEs	7,000	92
Total	30,000	395

This representative sampling ensures inclusivity across various SME categories and geographical areas, allowing the study to generalize findings on how EFRIS influences tax compliance behavior among SMEs in Uganda.

3.4 Sampling Procedure

This research study will use a blend of stratified sampling, simple random sampling, and purposive sampling techniques in order to select respondents that adequately represent the diverse categories of SMEs using the Electronic Fiscal Receipting and Invoicing System (EFRIS) in Uganda.

3.4.1. Stratified Sampling

The preliminary stage of the sampling plan will involve stratifying the target group of SMEs on the basis of geographical (Kampala, Wakiso, Jinja and Mbarara) and business (retail, wholesale, manufacturing, hospitality, information and communication technology and professional services) location. This level of stratification is necessary in order to identify heterogeneity in the EFRIS uptake and tax compliance behaviour in different regions and industries. Through stratified sampling, every stratum will be represented proportionately in the final sample hence improving the overall representativeness of the data.

3.4.2. Simple Random Sampling

After stratification, the simple random sampling methodology will be utilized to identify individual SME respondents in each stratification identified. The strategy will make all SMEs in the target population have equal and independent chances of being included in the empirical study, which will reduce the effects of sampling bias and guarantee objectivity in data collection procedures. At the Uganda Revenue Authority (URA) regional offices or any relevant database, the lists of registered SMEs at the EFRIS will be taken and be used to construct the sampling frame, and through them, the respondents will be selected randomly.

3.4.3. Purposive Sampling

Besides random sampling, purposive sampling will be used to select important informants who have specialist knowledge on the Electronic Fiscal Receipting and Invoicing System (EFRIS) and the related tax compliance processes. The sample of this purposive cohort will include Uganda Revenue Authority (URA) officials who are part of EFRIS implementation and supervision and leaders of Small and Medium Enterprises (SME) and the

accounting or finance managers whose duty is to enforce EFRIS compliance in their respective companies. It is expected that the presence of such informants will provide more detailed and elaborate insight into operational issues, user experiences, and implications of introducing a policy that makes use of EFRIS.

3.5 Research Instruments

To gather information on the importance of Electronic Fiscal Receipting and Invoicing System (EFRIS) in improving tax compliance among the Small and Medium Enterprises (SMEs) in Uganda, the current study will use a variety of research tools that will lead to the collection of quantitative and qualitative data on the owners of the firms, accountants, finance officers and the officers of the Uganda Revenue Authority (URA).

3.5.1 Questionnaires

Structured questionnaires will be used as the major data collection tool. These tools will be given to the owners, accountants as well as managers of SMEs who are in charge of tax compliance within their establishments. The questionnaires are going to consist of close ended and open ended questions. The questionnaires will be closed and open ended questions.

Closed-ended questions will be used in eliciting quantitative data (e.g., the degrees of EFRIS use, the convenience of system adoption, the ideas of compliance improvement).

The questionnaire will be further divided into sections based on the study objectives in the role of system-to-system connection, electronic fiscal devices, and EFRIS mobile application on the effect of compliance.

The questionnaires will be self-administered in which the respondents will have enough time to complete the questionnaires and their privacy will be ensured besides their accuracy.

3.5.2 Interviews

The semi-structured interviews will be carried out with some key informants including URA officials, SME association officials, tax consultants and some SME managers who have been greatly experienced with use of EFRIS. These interviews shall also delve into the finer points

on system implementation, policy issues, perceptions of the users and the systems of institutional support. Semi-structured format flexibility will enable the researcher to explore the emergent themes and elicit explanations to the responses, which enhances the level of insights in the practical effects of EFRIS on compliance.

3.5.3 Observation

The observation will be used to determine the use of EFRIS in the practical business environments. This will entail monitoring the process through which the SMEs produce e-invoices, e-receipts, and their interface with the URA system. This will be supported by observations in determining whether the practical use of EFRIS is in line with what the respondents reported with respect to experience and compliance behaviours.

A checklist on observation will be applied to make sure that there will be a systematic data collection of all enterprises visited.

3.5.4 Document Review.

The secondary data will be sourced by using the documents related such as URA reports, EFRIS user manuals, government policy papers, journal articles and past studies on digital tax systems. This review will ensure that primary data triangulation and contextual understanding is supported.

3.6 Sources of Data

In conducting the research, the researcher will use both primary and secondary sources of information in order to have a full representation of research on the effectiveness of EFRIS in improving tax compliance among SMEs in Uganda.

3.6.1 Primary Data Sources

The primary data will be gathered using direct methods of collecting information by the means of survey methods of collecting primary data by approaching the respondents that are directly engaged in tax compliance and the utilization of EFRIS. They will comprise SME owners, accountants, finance managers and officials of Uganda Revenue Authority (URA).

The data will be collected by:

Structured Questionnaires: This will be issued to the operators of the small and medium enterprises in order to gain quantitative information on their degree of EFRIS adoption, ease of use, and obstacles that have issues with compliance.

Observation: Observation will be applied to find out the utilization of EFRIS tools of system-to-system connections, electronic fiscal equipment, and mobile application to document transactions, issue a receipt, and present a report to URA in SMEs.

3.6.2 Secondary Data Sources

The secondary data will be obtained through available literature, policy documents and institutional compliance reports on the subject of digital taxation and the compliance of the SMEs in Uganda.

These will include:

- Governmental reports and publications by the Uganda Revenue Authority (URA), the Ministry of Finance, Planning and Economic Development (MoFPED), and the International Monetary Fund (IMF) on the topic of tax compliance and digitalisation reforms.
- Academic books and journal articles that discuss electronic fiscal systems, tax policy and SME compliance behaviour of developing economies.
- Pre-existing research works and theses that dwell on EFRIS, e-invoicing and tax administration in Uganda as well as other African nations.
- Internet resources and media reports that contain the latest information on the implementation of EFRIS, its relationship with taxpayers, and the policy changes.

3.7 Procedures of Data collection

The systematic and ethical collection of data will take place to enable the data collection of accurate, reliable and relevant information from the respondents. Data collection among SMEs and key stakeholders who have direct interaction with the implementation and the use of the Electronic Fiscal Receipting and Invoicing System (EFRIS) will be carried out using both quantitative and qualitative methods of data collection.

The Department of Finance and Accounting, School of Business, Uganda Christian University (UCU) will be requested to sign an introductory letter. This letter will be submitted to the Uganda Revenue Authority (URA) and other associations of local business people to seek permission to carry out the study. It will engage the researcher in free interaction with respondents without restriction because of official authorization to access EFRIS-registered SMEs.

Based on the lists of EFRIS-registered SMEs that the researcher will get through the regional offices of URA (Kampala, Wakiso, Jinja, and Mbarara), the researcher will determine the eligible respondents. They will involve the owners of SMEs, managers, accountants and tax officers who have direct involvement in EFRIS operations. Interviews will also be done with key informants like the leaders of such association as SME and the URA officials.

Structured questionnaires will be distributed physically and electronically (via email or Google Forms) to respondents. The researcher will provide a brief explanation of the study's purpose and instructions for completing the questionnaire. Respondents will be given three to five days to fill out the forms. Where necessary, follow-ups will be made through phone calls or visits to ensure a high response rate. Each completed questionnaire will be checked for completeness and accuracy before acceptance.

3.8 Data Processing, Presentation and Analysis.

Editing will be done to check the completed responses with purposes of detecting and eliminating errors and identifying vital information that will be essential in coding and tabulation. Coding will be done according to whether or not the response will be a representative of the objective of the study and realistic to the subject matter.

Tabulation involved mainly the use of simple statistical techniques like use of tables and percentages to test significance of the information from which meaning interpretation will be drawn. The data will be analysed using Statistical package of Software of SPSS and data will be presented in percentages on frequency distribution tables, pie charts and graphs.

3.9 Ethical Consideration

The next research will be done in full adherence to the ethical principles laid down by the research studies so as to ensure the integrity of the research, the confidentiality of the participants and the respect of the rights of all the parties. The researcher undertakes to

maintain these standards in each and every stage of the research process which involves data collection, data analysis, as well as presentation of findings.

Informed Consent

Before the respondents are involved in any data collection activity, an elaborate description of the study aims and objectives will be conducted along with expected outcomes. The participants will be properly informed that their participation is purely voluntary and that they have the freedom to pull out at any point without penalty. Each questionnaire and interview guide is to be accompanied by a document of informed-consent; the participants will be required to sign this document; either physically or using an electronic signature, indicating their knowledgeable consent to participate.

Confidentiality and Anonymity.

To protect the privacy of the respondents, any personal or organizational identification information will not be included in questionnaires, transcripts of the interviews, or the final report. Reactions will be coded numerically, and all information will be strengthened by transferring it to password-protected files. The content of the participants will be used solely in scholarly purposes, and will be not revealed to the third-party without the clear permission.

Respect and Integrity

The researcher will deal with the participants in the most dignified and respectful way that guarantees cultural sensitivity and fairness during the investigation. None of the participants will be forced or influenced unnecessarily to give out any information against their volition. In addition, all primary and secondary data accessed will be properly credited through appropriate references and citation, which will save academic integrity and will reduce plagiarism.

Data Protection

All the data collected during the study will be handled responsibly and stored securely both during and after the research. The access to the raw data will be restricted to the researcher and the academic supervisor only.

3.10 Limitations in the Study

Limited Access to Respondents: Some SME owners or accountants may be reluctant to participate in the study due to busy work schedules, lack of trust, or fear of disclosing tax-related information

Technological and Data Challenges: Differences in technological knowledge among SMEs may influence the accuracy of responses, especially in cases where participants have limited experience with the EFRIS. To minimize this, the researcher will provide brief explanations and clarifications during data collection to ensure respondents understand all questions.

Geographical and Resource Constraints: Since the study will involve respondents from Kampala, Wakiso, Jinja, and Mbarara, travel and logistical limitations may restrict access to some respondents

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents the findings obtained from the field study and provides a detailed analysis and interpretation of the data collected from respondents. The results are organized according to the study objectives and are presented using descriptive statistics such as frequencies and percentages

4.2 Response rate

A total of 100 questionnaires were distributed to selected respondents. Out of these, 85 questionnaires were completed and returned while 15 of the questionnaires were not returned. This response rate was considered adequate for analysis because it provided sufficient data to draw meaningful conclusions about the study variables.

4.3 Social demographic characteristics of respondents

The study examined demographic characteristics including gender, age, and education level. Understanding these characteristics was important because respondents' backgrounds may influence their perception, adoption, and use of the electronic tax systems that are put in place.

4.3.1 Gender Distribution

Characteristic	Response	Number	Percentage
	Male	55	64.7
	Female	30	35.3
	Total	85	100

The findings revealed that 64.7% of respondents were male while 35.3% were female. This shows that although both genders participate in SME operations, men slightly dominate ownership. However, the difference is relatively small, indicating growing participation of women in business management.

4.3.2 Education Level of the Respondents

Characteristic	Response	Number	Percentage
	Primary	10	12.5
	Secondary	15	18.75
	Certificate	17	21.25
	Diploma	18	22.5
	Bachelors degree	20	25
	Masters degree	5	6.25
		85	100

The finding on the education level show that the majority of the respondents have secondary qualifications. The bachelors degree holders make the largest share at 25%, followed by diploma holders at 22.5% and the certificate holders at 21.25%. 18.75% of the respondents have secondary education while 12.25% possess an education level of primary education. Only 6.25% had a masters degree. This distribution suggests that most of the SME operators have moderate to high education backgrounds, implying that they have the reasonable capacity to understand and adopt to digital systems such as the EFRIS. This is because the higher the education level, the better the comprehension of the electronic tax procedures therefore positively influencing the compliance. On the other hand, respondents with a lower education may still require additional training to best adopt to the system.

4.4 Study results

The results in these tables below were presented according to a 5 Likert scale of 1-5 where 1 is strongly disagree (SD), 2 is disagree (D), 3 is not sure (NS), 4 is agree (A), and 5 is strongly agree (SA).

4.4.1. The role of System-to-System Connection in enhancing tax compliance among SMEs in Uganda.

Statement	SA	A	NS	D	SD	Mean	Standard deviation
Integration between our accounting system and tax authority systems has improved reporting efficiency.	24	28	12	13	8	3.55	1.20
System-to-system connectivity has reduced manual data entry errors.	26	30	10	12	7	3.66	1.16
Automated data transfer enhances accuracy of tax declarations.	29	27	9	13	7	3.68	1.18
The integration system made tax compliance easier for our business.	31	25	11	10	8	3.72	1.21
Real-time synchronization improves transparency of financial records.	28	29	8	12	8	3.67	1.19

The findings indicate that the respondents agreed that system to system integration contributes positively to tax compliance among the SMEs in Uganda. Many of the participants agreed that the integration between the accounting systems and the tax authority platforms have improved the reporting efficiency, reduced manual data entry errors and enhanced the accuracy of the tax declarations as reflected in mean scores above 3.5 for all the items. Most of the respondents also agreed that integration makes the tax compliance easier for the business operations which therefore shows that automated processes simplify the tax procedures for the SMEs. Similarly the responses showed that real time synchronization improves the transparency in financial records. Although a small proportion of respondents expressed disagreement, the overall trend shows that system to system connectivity is perceived as a useful mechanism for boosting compliance behaviour among the small and medium enterprises in Uganda.

4.4.2. The role of Electronic Fiscal Devices (EFDs in enhancing tax compliance among SMEs

SCALE	SA	A	NS	D	SD	Mean	Standard deviation
This business understands how to operate Electronic Fiscal Devices.	27	29	9	12	8	3.65	1.2
The use of EFDs has improved record-keeping accuracy.	30	28	8	11	8	3.72	1.18
EFDs have made it easier to submit correct tax information.	28	30	7	12	8	3.69	1.19
The cost of acquiring and maintaining EFDs is reasonable.	18	21	12	19	15	3.09	1.33
EFDs reduces the chance of tax reporting mistakes.	29	27	9	12	8	3.67	1.21

The results indicate the Electronic Fiscal Devices play a positive and impactful role in enhancing tax compliance amongst the small and medium enterprises. A majority of the respondents agreed that they understand how to use this fiscal devices and these devices improve record keeping and simplify the submission of correct tax information as is reflected by the mean scores above 3.6 for the various items. This therefore means that most SMEs are capable of using these devices effectively in order to maintain accurate financial records.

In addition, respondents agreed that EFDs reduce the likelihood of tax reporting errors showing that automated recording systems help to minimize mistakes that are usually associated with entering the data manually.

However the statement concerning the affordability recorded a comparatively lower mean score of 3.09 showing that even though businesses are aware about the benefits of EFDs, they still face a significant challenge in maintenance costs that are involved. Overall the pattern of the responses shows that electronic fiscal devices are a supportive tool that promotes accuracy, transparency and compliance among the small and medium enterprises despite the minor concerns about the costs involved in acquisition and maintenance.

4.4.3. The role of Mobile Application (EFRIS Mobile App) in enhancing tax compliance among SMEs in Uganda

SCALE	SA	A	NS	D	SD	Mean	Standard deviation
The mobile app is convenient for issuing receipts or invoices	30	34	8	9	4	3.91	1.02
The application helps our business comply with tax regulations	28	36	7	10	4	3.87	1.05
Using the mobile app improves accuracy of transaction reporting.	26	39	6	9	5	3.85	1.07
The app is user-friendly for business operations.	24	35	10	11	5	3.73	1.12
I trust the reliability and security of the mobile tax application.	22	37	9	12	5	3.69	1.15

The findings indicate that the mobile application plays a significant role in supporting the tax compliance among the small and medium enterprises. The respondents expressed that the application is convenient for issuing receipts and invoices as shown and seen in the highest mean score of 3.91. This therefore suggests that many businesses view the system as a good tool that simplifies routine transactions and reduces over reliance on the manual data.

In the same manner, the results show that the respondents acknowledged the applications contribution to compliance with the tax regulations that are set by Uganda Revenue Authority with a mean of 3.87. This implies that the digital platform helps businesses in aligning their reporting practices with the statutory requirements and hence the adherence to the tax obligations. A trend was also observed regarding accuracy of transaction reporting where the mean score of 3.85 indicates that most respondents believe that the system enhances record accuracy and minimizes errors.

Overall the pattern of the responses show a positive perception of the mobile applications as a supportive tool for tax compliance amongst the SMEs. The results therefore suggest that the mobile based tax solutions can improve and strengthen the compliance attitude and behaviour of the small and medium enterprises by improving the efficiency and accuracy of the tax processes. However it should also be noted that continued system improvement and user support is required in order to address the trust concerns.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter realises the main findings of the research, develops conclusions based on the empirical results, and gives recommendations based on the analysis process. It also establishes the possible future research directions that can contribute to what is already known of electronic tax systems and tax compliance behaviour of small and medium-sized enterprises (SMEs).

5.2 Summary Findings

The research conclusions summary is in accordance with the study objectives as follows:

5.2.1. System-to-System Connection in the increase of tax compliance on the SMEs in Uganda.

It is seen that system-to-system integration is one of the primary factors that enhance tax compliance among the SMEs in Uganda. The high average scores derived on all the indicators measured gives empirical data that respondents feel that integration of their internal accounting systems with the tax authority platform has helped in the compliance efforts. In particular, the results show that automated connectivity can be more efficient in reporting, less prone to making errors in entering data manually, more efficient in terms of accuracy of tax declaration, and more transparent in real-time financial records. Therefore, the digital integration under consideration simplifies the procurement procedure and reduces the risks, which were traditionally linked to the manual tax reporting that includes the possibility of errors in calculations, lateness, and discrepancies in the documents. The positive perception of reduced manual errors is especially relevant to the situation in the SME segment where many of the enterprises have a small number of accountants and technical personnel. The system to system connection also reduces chances of unintentional acts of non-compliance since unnecessary repetitive data inputs and automated transfer of information are minimized. This is in line with the overall fact that compliance increases with the streamlining of administrative mechanisms and with the user-oriented design of regulatory systems. The findings consequently imply that technological inclusion not only makes it easier but goes a step further to improve the structural capacity of SMEs to monitor

statutory taxation requirements. In addition to that, real-time synchronization encourages transparency in financial reporting hence minimizing any deliberate under-reporting and creates accountability because transactions in the business are automatically captured and reported to the integrated system. System connectivity in this regard plays a role in efficiency of operations and development of behavioural compliance through strengthening proper usage of records. The study therefore supports the notion that digital taxation administration changes, namely integration of system to system, are good policy tools in increasing the level of compliance amongst the SME market. Overall, the results show that the integration of business accounting systems into tax authority platforms supported by technology enhances compliance by making them more efficient and reducing errors and transparency. However, even with the great degree of respondent consensus, long-term compliance will be based on the reliability of the system, the extensive training of the users, and the frequent availability of technical assistance so that these digital innovations could be enjoyed by the SMEs to their full extent.

5.2.2 The role of Electronic Fiscal Devices (EFDs) in enhancing tax compliance among SMEs

The research results show that Electronic Fiscal Devices (EFDs) are important in increasing compliance with taxes among SMEs in Uganda. The mean scores based on the positive part of the statements are positive and indicate that the respondents are aware of the role of EFDs in enhancing the accuracy of record-keeping, ease of making accurate tax submissions, and minimize reporting errors. It means that automated characteristics that are imprinted in EFDs work to reduce errors that are often related with manual bookkeeping and encourage more organized financial reporting units among small businesses. The findings also indicate that a number of respondents are knowledgeable in how to use EFDs and this is a prerequisite of effective compliance. Once the SMEs are conversant with the operation of fiscal devices, there are high chances that they will present correct and punctual tax filings. On this note, EFDs can enhance technical accuracy as well as enhance procedural compliance by standardizing the process of recording and reporting transactions. Nevertheless, the comparatively low score in terms of the cost of acquiring and maintaining EFDs indicates that some companies are still faced with the issue of cost. Though the SMEs recognize the advantages of the devices, its use or effective use could be curtailed by financial limitations. In general, the results prove that EFDs have a positive impact on tax compliance by enhancing the accuracy and accountability, yet they may be extended to improve

effectiveness by tackling the issue of costs or by offering ongoing assistance to the technology.

5.2.3. The role of Mobile Application (EFRIS Mobile App) in enhancing tax compliance among SMEs in Uganda

The study results show that EFRIS mobile application is significant in ensuring that SMEs in Uganda comply with taxation. The mean scores in all of the indicators measured are generally high, which indicates that the respondents find the application convenient to issue receipts and invoices and enhance the accuracy of transactions and make it easier to comply with the tax policies. This implies that the use of mobile-based tax solutions makes reporting easier on a day to day basis and less reliance on manual reporting which is usually likely to generate error and inconsistency. The findings also prove that the application makes access to tax services more available, which means that businesses can handle tax-related needs in a more flexible and efficient way. The capability of issuing digital receipts and sending information straight to the tax authority enhances transparency and accountability in the case of SMEs that act in the dynamic environment. This implies that the mobile application does not only enhance operational effectiveness, but also facilitates behavioral compliance through promoting proper record keeping. Nevertheless, a slight decrease in the ratings of user-friendliness and system reliability means that not all SMEs will avoid technical difficulties or worries about the stability of the systems. These differences underscore the need to keep on improving the system, training the users, and doing technical support in order to ensure that the application functions at its best. On the whole, the results prove that the EFRIS mobile app has a positive effect on tax compliance in terms of efficiency and accuracy improvement as well as transparency, but prolonged effects will be achieved once the usability and support-related concerns are mitigated.

5.3. Conclusion

The aim of the study was to explore how Electronic Fiscal Receipting and Invoicing System (EFRIS) would influence the tax compliance of small and medium businesses in Uganda. According to the results, it can be inferred that digital tax administration tools have a great impact on the behavior of compliance in the SME sector. The findings were uniform to show that system-to-system integration, Electronic Fiscal Devices (EFDs), and the EFRIS mobile application are all associated with positive results in terms of facilitating the enhancement of accuracy, transparency, and efficiency when reporting taxes.

The research determined that the system to system connectivity increases compliance through minimizing manual errors and streamlining the process of filing tax information. Through the automation of the process of passing information between the accounting systems of businesses based on the solutions and the platform of the tax authority, SMEs have additional opportunities to fulfil the necessary statutory duties in a timely and correct way. Likewise, it has been revealed that Electronic Fiscal Devices enhance reliability of records and uniformity in reporting transactions which enhance accountability. The general opinion about EFDs was positive in terms of compliance promotion despite the reported issue of costs.

In addition, the results showed that the EFRIS mobile app increases accessibility and convenience in tax administration. The possibility to issue the digital receipts, operate the transactions electronically and transmit information to the tax authority directly, encourages more transparency and the lack of possibilities to act non-compliantly. Nevertheless, there are some minor issues with the usability and system stability that imply that the technical support and the further improvement of the system should be conducted on a regular basis. Overall, this research concludes that EFRIS has played a significant and positive role in the tax compliance rates amongst SMEs in Uganda. Electronic tax systems have not only made revenue tax administration modern, but have also enhanced the ability to comply among small businesses. However, to be effective long-term, continuous training and improvement of the system, as well as the supportive implementation policies are necessary.

5.4. Recommendations

Different suggestions are put forward concerning the result of this study, and the aim to increase the effectiveness of EFRIS in developing tax compliance by SMEs in Uganda. To start with, the taskforce is encouraged to further enhance the continuous training and create awareness among SMEs on the use of EFRIS platforms, such as system-to-system integration, electronic fiscal devices, as well as, the mobile application. Though the statistics demonstrate a rather good overall attitude towards such systems, the differences in user experience imply that not every company will be able to function without challenges. Frequent trainings, user manuals with simplified instructions and digital support tools would enhance user confidence and reduce compliance lapse.

Second, the government and the related regulation organizations should contemplate putting in place subsidization policies to ease the financial constraints of buying and maintaining electronic fiscal devices. The cost is also a limitation to other SMEs hence subsidy schemes,

flexible payment schemes or tax credits can encourage more uptake and make compliance tools cheaper to smaller businesses with smaller capital bases.

Another area that Uganda Revenue Authority should consider is ongoing system upgrading and support. Digital tax systems may attain higher levels of credibility through improving the reliability of the system, minimizing downtime and ensuring that the mobile application is very user-friendly. Good infrastructure will be required to ensure that SMEs can send correct information with no inconveniences that will hinder compliance.

Lastly, SMEs are also urged to invest in the capability of their internal record-keeping systems and digital literacy. These measures can be introduced as regulatory requirements and as strategic business solutions to encourage the use of technology solutions as a way of financial management, financial transparency, and long-term sustainability.

5.6. Suggestions for further research

Although the current research offers useful information regarding the effects of the EFRIS on the tax compliance rates of SMEs in Uganda, there are a number of gaps that can be pursued.

Future studies ought to examine the effects of the implementation of the EFRIS on revenues and the growth patterns of SMEs over a long period. Though the literature that has been left mainly questions the behaviour of compliance, further research should also analyse the results of improved compliance whether in the form of improved profitability, better financial performance or higher rates of formalization amongst small firms in the long run.

Comparative analysis between various industries or geographical location in Uganda would be useful in establishing whether the impact of the EFRIS is determined by the type of business operations or the location. The rural SMEs might also face distinct technological and infrastructural issues compared to their urban equivalents and these might affect the effectiveness of digital taxation.

The effectiveness of the use of EFRIS platform would be clarified by further research on the connection between levels of digital literacy and the output of compliance. Since differences were observed in terms of attitudes to user-friendliness and system reliability, researching the effects of technological competency and training on adoption can be considered as the design of specific policy interventions.

To conclude, despite the fact that this research confirms that the EFRIS has a positive effect on tax compliance among SMEs, more research is needed to identify the overall economic, behavioural, and policy implications of the use of the EFRIS in the changing environment of Uganda digital taxes policy.

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