

**AN ANALYSIS OF THE EFFECT OF DIGITAL TECHNOLOGY ON
ADMINISTRATION OF TAXES AND TAX COMPLIANCE AMONG ONLINE SMEs**

BEATRICE WENDY KASEMIIRE

ASB1121/249

**A DISSERTATION SUBMITTED TO THE SCHOOL OF LAW IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF LAWS OF
UGANDA CHRISTIAN UNIVERSITY**

May, 2025



**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

DECLARATION

I, Kasemiire Beatrice Wendy, declare that this research proposal is my original work and has not been submitted for the award of a degree in any other university or institution of higher learning. All information from other sources has been appropriately acknowledged.

.....
MS. KASEMIIRE BEATRICE WENDY

DATE.....

APPROVAL

This research proposal has been submitted with the approval of my supervisor.

.....

Dr. Oscar Kamusiime

DATE.....

DEDICATION

I would like to dedicate this dissertation to God, my family and supervisor for the endless support and encouragement to achieve this milestone.

ACKNOWLEDGEMENT

First and foremost, I would like to express my sincere gratitude to my supervisor Dr. Oscar Kamusiime for his invaluable guidance, encouragement, and constructive feedback throughout this research journey. His insights and constructive feedback greatly enriched the quality of my dissertation.

I also extend my heartfelt thanks to the Uganda Revenue Staff and the SME owners who participated in this study. Your Cooperation and willingness to share your roles and experiences made this research possible.

To my family, thank you for your unwavering support, patience and understanding during the highs and lows of this academic pursuit.

Finally, I thank God for the strength, wisdom and perseverance to complete this dissertation.

ABBREVIATIONS

VAT- Value Added Tax

URA- Uganda Revenue Authority

EFFRIS- Electronic Fiscal and Receipting and Invoicing System

SMEs- Small and Midsize Enterprises

ICPAU- Institute of Certified Public Accountants of Uganda

UCUDIR- Uganda Christian university Digital Institutional Repository

FSMEU- Federation of Small and Medium Sized Enterprise of Uganda

VAT- Value Added Tax

MOFPED- Ministry of Finance Planning and Economic Development.

EBMs- Electronic Billing Machine

ITA- Income Tax Act

EBMs - Electronic Billing Machines

AI - Artificial intelligence

MI- Machine Learning

UEDCL - Uganda Electricity Distribution Company

TIN - Tax payer identification Number

TAT - Tax Appeals Tribunal

ICTD - International Centre for Tax and Development

TABLE OF CONTENTS

AN ANALYSIS OF THE EFFECT OF DIGITAL TECHNOLOGY ON ADMINISTRATION OF TAXES AND TAX COMPLIANCE AMONG ONLINE SMEs.....	i
DECLARATION.....	i
APPROVAL	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABBREVIATIONS	v
ABSTRACT.....	1
CHAPTER 1.....	4
1.1 INTRODUCTION.....	4
1.2 BACKGROUND OF THE STUDY	9
SIGNIFICANCE OF THE STUDY	11
1.3 STATEMENT OF THE PROBLEM	11
1.4 RESEARCH OBJECTIVES	12
1.5 SCOPE OF THE RESEARCH.....	12
1.6 RESEARCH METHODOLOGY	13
1.7 LITERATURE REVIEW	14
1.8 CONCLUSION	19
CHAPTER 2.....	22
LEGAL AND INSTITUTIONAL FRAMEWORK FOR TAXATION IN UGANDA.....	22
2.1 INTRODUCTION.....	22
LEGAL FRAMEWORK.....	22
2.2 1995 CONSTITUTION OF THE REPUBLIC OF UGANDA.....	22
2.3 INCOME TAX ACT.....	22
2.4 VALUE ADDED TAX ACT.....	27
2.5 EXCISE DUTY ACT.....	30
2.6 STAMP DUTY ACT.....	32
2.7 TAX PROCEDURES CODE ACT.....	34
2.8 LOTTERIES AND GAMING ACT.....	39
INSTITUTIONAL FRAMEWORK.....	40

2.9 MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (MOFPED)	40
2.10 UGANDA REVENUE AUTHORITY.	41
2.11 NATIONAL LOTTERIES AND GAMING REGULATORY BOARD.....	42
2.12 TAX APPEALS TRIBUNAL	42
2.13 CONCLUSION.....	43
CHAPTER 3.....	44
EFFECT OF DIGITAL TECHNOLOGY ON TAXATION OF ONLINE BUSINESSES	44
3.1 INTRODUCTION.....	44
3.2 Taxpayer Registration	45
3.3 Taxpayer Education.....	47
3.4 Tax Enforcement	48
3.5 Dispute Resolution	49
3.6 CONCLUSION	50
CHAPTER 4.....	51
EFFECT OF DIGITAL TECHNOLOGY ON TAX COMPLIANCE AMONG ONLINE BUSINESSES	51
4.1 INTRODUCTION.....	51
4.2 Transparency and Accuracy	52
4.3 Tax Filings.....	53
4.4 Tax Burden.....	54
4.5 Tax Morale	55
4.6 CONCLUSION	56
CHAPTER 5.....	58
CONCLUSIONS AND RECOMMENDATIONS.....	58
5.1 CONCLUSIONS	58
5.2 RECCOMENDATIONS	59
5.3 AREAS OF FURTHER RESEARCH.	61
REFERENCE LIST.....	63
RESEARCH QUESTIONNAIRES.....	69
TAXATION REASEARCH QUESTIONNAIRE (FOR URA STAFF)	69
TAX RESEARCH QUESTIONNAIRE (FOR ONLINE SME OWNERS)	70

ABSTRACT

This study explores the impact of digital technology on the administration of taxes and tax compliance among online Small and Medium Enterprises (SMEs). It explores the advantages with recommendations to improve efficiency and disadvantages

coupled with new solutions to cater to emerging problems associated with technology integration in tax administration and ensuring compliance. The rapid adoption of digital platforms has transformed the traditional tax collection processes, offering opportunities for increased efficiency, transparency, and ease leading to a more compliant tax payer population. Through a qualitative data collection approach involving surveys and interviews, the research examined how digital tools such as online filing systems, mobile applications, and digital payments influence SMEs' perceptions and behaviors regarding tax obligations. The findings indicate that digital technology enhances administrative outcomes and tax compliance rates by reducing costs involved in paying taxes, reducing administrative burdens, improving access to tax payer information, fostering trust, reliability in the tax system. However, challenges such as digital literacy gaps, low internet penetration and cybersecurity concerns persist. The study concludes with recommendations for policymakers and tax authorities to leverage digital innovations effectively, promoting a more compliant and digitally empowered SME sector. The research also focused on the role the responsible stake holders and administrators play in implementation of taxation digital tools and how they use them to ably serve different categories of tax payers. A number of recommendations and suggested areas of new research have been suggested to mitigate incoming challenges and discover and implement solutions to current problems.

CHAPTER 1

1.1 INTRODUCTION

A tax is a compulsory contribution to state revenue, levied by the government on workers income, business profits or added to the cost of some goods, services and transactions (Butler, 2024). Taxation is the imposition of compulsory levies on individuals or entities by government (Butler, 2024). Taxation is the fuel to building nations, every individual has an obligation to contribute to this cause depending on their financial capacity. Taxation is not only required to raise revenue for government expenditure but also to protect people from harmful substances like tobacco, goods, activities the government thinks may can harm people so they are highly taxed to discourage people from engaging in such activities or consume harmful goods. It is an obligation one has to society to contribute towards the support of the government as nearly as possible in proportion to their respective abilities.¹

Taxes are paid by citizens and non-citizens who reside in Uganda or do business with citizens. An eligible tax payer of income tax is one who derives income, whether an individual, bodies of individuals or corporate entities and is charged every financial year with application of relevant rates as provided by the income tax act on chargeable income.² Taxation is a creature of statute and cannot be imposed other than the Government as stipulated under Article 152 of the Constitution.³ It is imperative to know who a tax collector is, a tax is imposed by government meaning the body collecting taxes must be a government body that is monitored and supervised by government. In Uganda the tax collector is Uganda Revenue Authority. Taxation in Uganda is managed by Uganda Revenue Authority which is a government revenue collection agency operating under Ministry of Finance and Economic Development. Uganda Revenue Authority (URA) has been established by the Parliament of Uganda specifically the Uganda Revenue Authority Act CAP 197 which came into effect in 1991 and later revised and consolidated by the Law Reform Commission of Uganda in 2000.

What determines whether you pay an indirect or direct tax is the tax incidence. Direct Taxes are imposed directly on a person's income arising from business, employment,

¹ Wealth of Nations book (Book 5, Chapter 2)

² Income Tax Act Cap 338

³ 1195 Constitution of the Republic of Uganda

property and the burden of the tax is carried by the person or business entity.⁴ Examples of direct taxes include pay as you earn, capital gains tax, rental tax. Indirect taxes are taxes levied on consumption of goods and services. The taxes are collected by an agent. They include value added tax, excise duty, import duty. In regard to strengthening compliance in online SME businesses we shall be looking at mainly income tax payment.

Taxation has a rich historical background dating up to precolonial period where in different societies and civilizations like the Buganda Kingdom, Runyoro-Kitara Kingdom where there was payment of customary duties and tributes paid to local rulers or chiefs in the form of goods or labour not formal taxes. An important thing to note is that taxes were paid in monetary terms and in kind. Tributes were paid to kings and chiefs for using their land, accessing trade routes and travel routes.⁵ These payments were meant to sustain the Kingdom or Chiefdom, funding military expeditions to gain more territory or protect their people. An Example is Buganda Kingdom the subjects were required to provide agricultural produce, craft goods and labour to the Kabaka (King). There was no formal tax system like codified laws that lay out what taxes were to be paid but never the less people knew they had a responsibility to pay the tariffs for the certain purposes and most importantly for the well-being and sustenance of the Kingdoms or Chiefdom.

The history of taxation in Uganda shows its growth and pivotal role in growth and development of societies into modern civilization. It also highlights the advancements and improvements our tax system has gone through. The history will date from precolonial taxation culture, colonial tax system and finally post-colonial systems with relevant reforms. In the precolonial setting taxes were collected from people or subjects of the tributary states. The taxes were paid inform of tributes to enable proper running of the kingdom or as tributes by people who needed to gain access to transport and trade routes. The following were the taxes collected taking Buganda Kingdom as a case example;

⁴ Taxation Handbook, A guide to Taxation in Uganda 7th Edition 2024/2025

⁵ <https://thecitizenreport.ug>

- a) Compulsory tax which was collected from each married man who owned a homestead in the form of cowrie shells, pots, backcloth and livestock.
- b) Excise duty which was extracted from men on food crops, cattle and manufacturers of items like baskets.
- c) Customs duty levied on goods such as salt and iron tools
- d) War exemption tax paid as an exemption from participating in a war.⁶

The kings required tax revenues to sustain the armies, support the royal court, cover the costs of frequent banquets and the administration of newly conquered areas (Ali, 2021). The association between precolonial centralization and tax compliance is the obedience to authority. According to the research cited on precolonial tax history it shows that levels of compliance in times where the subjects trusted the authority was characterized by high levels of compliance (Ali, 2021). Compliance became a challenge after colonization as people were constantly trying to undermine the new governance.

In the colonial period of British Indirect rule that started in 1894 and ended in 1962 , the colonial government-maintained autonomy of chiefs in administering the locals including the collection of taxes. The first formal tax introduced by the colonial government was the hut tax in 1900, the gun tax followed soon after. The requirement to tax forced Ugandans into the market sector by either selling their agricultural produce or hiring out their services. The tax burden was later increased by the introduction of another tax to finance to finance local governments. This culminated into the first tax legislation in 1919 under the local Authorities' Ordinance. In 1953 recommendations were made by Mr. C.A.G Walls to introduce graduate tax, income tax was introduced in Uganda in 1940 payable by Indians and Europeans. In 1958 the ordinances were replaced by East African Income Tax Management Act that evolved to a new Income Tax Act of 1952 which laid down the basic legal provisions in the Income Tax Act of today. The administration of income and customs tax was done by departments of East African Community until its collapse. The administration was now transferred to Ministry of Finance Planning and Development⁷. This was short lived as Uganda Revenue Authority was established by an act of parliament in 1991.

⁶ <https://thecitizenreport.ug>

⁷ Taxation Handbook, A guide to Taxation in Uganda 7th Edition 2024/2025

Uganda Revenue Authority is currently responsible for enforcing, assessing, collecting and accounting for the various taxes imposed in Uganda.

Digital technologies that have been incorporated in Uganda's tax system to create the E-Tax system characterized by E-registration that caters for registration of taxpayers, e-filing of returns, assessments, mobile payment of taxes, registration of TIN numbers. E-tax is used to describe an integrated tax administration system that provides online services to the tax payer on a 24-hour basis.⁸ The implementation of E-tax systems holds the potential of enhancing tax administration and compliance among online SMEs in Kampala.

In developing economies taxes are the most important source of government revenue which contributes to a self-sufficient tax system that funds government spending with limited dependence on loans, grants and other forms of aid. The purpose of taxation is very instrumental in a state's development which explains why measures should be put across to strictly ensure compliance coupled with effective administration. In regard to my research topic my findings have enabled me to find out the impact of digital technologies on online SME owners tax compliance and the impact digital technologies have on administration of tax among online SME tax owners.

They are three kinds of taxes being collected in Uganda to mention; Progressive Tax, Regressive Tax, Proportional tax. These taxes are classified under direct and indirect taxes. What determines whether you pay an indirect or direct tax is the tax incidence. Direct Taxes are imposed directly on a person's income arising from business, employment, property and the burden of the tax is carried by the person or business entity. Examples of direct taxes include pay as you earn, capital gains tax, rental tax. Indirect taxes are taxes levied on consumption of goods and services. The taxes are collected by an agent. They include value added tax, excise duty, import duty. The burden of who pays the tax is determined by tax incidence which is the division of a tax burden between stakeholders, such as buyers and sellers or producers and consumers.

⁸ *ibid*

Compliance refers to adhering to tax laws and regulations by correctly reporting income, expenses and other is a when one fulfills their tax obligations. (Tekalinga , 2021)

As i focus on the introduction of digital taxation, I will highlight barriers it faces from a developing country's perspective which will allow me to provide sustainable solutions to the challenges being faced in E-tax implementation. Through analysis of Uganda's taxation system and the introduction E-tax services we shall be looking at the things that are still holding the system back like low internet penetration, corruption, limited adoption of the E-tax system, cyber security threats, hackers etc (Corti Paul, L). This dissertation presents opinions and an analysis that will contribute to policies that will create a tax payer friendly system emphasizing the importance of awareness, accessibility and cultural adaptation of digital tax systems in promoting efficient administration and tax compliance.

The most recent technology that has been incorporated in the Ugandan tax system to improve compliance in SMEs is the Electronic Filing and Receipt system (EFRIS), electronic billing machines and Digital tax stamps (Corti Paul, L). Uganda revenue Authority has been on a quest to enable compliance and improve efficiency for e-invoicing and VAT reporting of commercial transactions and introducing EFRIS has helped them realize this. It is a digital system used to electronically monitor and regulate the issuance of receipts and invoices for businesses to URA,⁹ Under this system, organizations and companies operating in the Ugandan market must submit their electronic sales invoices before the company can transmit it to its client in accordance with the Tax Procedures Act. The implementation of Efris aims to improve tax compliance, eradicate tax evasion and fraudulent practice of false invoices for fake purchases, suppression of sales, non-remittance of VAT collected.

Kampala Uganda's capital city harbors the biggest economy in the country where SMEs have played a major role in development. SMEs form a crucial backbone of Uganda's economy, contributing significantly to employment, driving local trade and commerce, fostering innovation, sustainable development, economic diversification, accessibility and affordability and contributing substantially to the GDP (Kituyi, D

⁹ What is an EFRIS: tally power solutions.com

2022) Uganda alone has 1.1 million SMEs and more than half are in Kampala. It should be known that a small number of them are online businesses who are struggling to penetrate the market and pay less tax as opposed to those with bigger businesses and known locations.¹⁰

However, tax compliance among SMEs often presents a challenge, hindering revenue mobilization and sustainable development. This research aims to explore how digital technologies can streamline tax processes, improve compliance rates, and enhance the overall tax administration framework for SMEs in Kampala (Kituyi, D 2022). The study will analyse the current tax landscape, relevant laws and regulations, evolution of e-tax systems, rights and obligations of tax payers, importance of tax compliance and assess the potential and their advantages of digital tools to address existing challenges.

1.2 BACKGROUND OF THE STUDY

The landscape of taxation in Uganda, particularly for Small and Medium Enterprises (SMEs), is evolving rapidly due to the advent of digital technologies¹¹. Small businesses are an important part of the economy and an appealing target group for tax authorities in Uganda where the informal sector covers half of the economy and only a small fraction of employees is in the formal sector. This offers a broadened tax base when small businesses especially online businesses mainly pursued by the youth are taxed according to the relevant rates which is an important step for enhancing the domestic resource mobilization in the country¹². SMEs play a crucial role in Uganda's economy by contributing over 20% of the GDP and account for 90% of the business making them the country's bedrock of economic development contributing significantly to employment (Nyende, F).

However, according to the data i collected backed up by relevant literature on the topic they often face challenges in tax compliance that include the following;

- a) High costs associated with tax agents which discourages many SME owners from filing their returns and paying taxes.
- b) Poor record keeping that makes filing returns hard because it is hard to account for profits and losses.

¹⁰ Uganda investment Authority profiling small and medium firms, 2020

¹¹ UNU-WIDER Research brief; Simplifying the tax filing of small businesses in Uganda

¹² UNU-WIDER Research brief; Simplifying the tax filing of small businesses in Uganda.

- c) Difficulty in using available digital forms of paying taxes
- d) insufficient knowledge on tax obligations like the taxes they are supposed to pay
- e) lack of efficient reporting systems (Asingwire, P 2019)

The integration of digital technologies into tax processes presents an opportunity to enhance tax compliance among SMEs as they eliminate the challenges that keep them from fulfilling their tax obligations and in some circumstances make paying taxes easier. Digital technologies such as e-filing systems, electronic invoicing, and mobile money payment platforms can streamline tax processes, reduce costs, and improve transparency (Nyende, F). For instance, the Uganda Revenue Authority (URA) has implemented the Electronic Fiscal Receipting and Invoicing System (EFRIS), which mandates the use of digital invoicing by SMEs (Guma, D 2024). This system not only simplifies the invoicing process but also facilitates real-time data sharing with the tax authorities, thereby improving compliance rates. SMEs utilizing digital invoicing have shown an increase in tax compliance due to the ease of record-keeping and reduced chances of errors.

Furthermore, mobile money platforms like MTN's Mobile Money have revolutionized transactions in Uganda. It is as easy as dialing*185*4*5# to access URA and pay your taxes. The integration of these platforms into tax payment systems allows SMEs to pay taxes conveniently and promptly. In Uganda many people are resorting to cashless payments because they are convenient and time saving, access to tax payments through mobile money has made it easier for SME owners to meet their tax obligations. According to a study by (Sawadogo, F). SMEs that adopted mobile payment solutions reported higher tax compliance as these platforms provide a straightforward and accessible method for fulfilling tax obligations.

The significance of this transformation cannot be overstated. By enhancing tax compliance through digital technologies, SMEs can contribute more effectively to national development. Increased tax revenues are essential for funding public services and infrastructure, which are crucial for business growth. A global perspective is presented by (Halden Wang, 2020), who discuss how the digitization of tax systems across the globe can bridge the gap between a burgeoning informal economy and

formal tax compliance, highlighting the potential of digital initiatives to increase the tax base.

However, it is critical to consider the digital divide that exists. Not all SMEs in Kampala have equal access to technology, and disparities in digital literacy can impede the effectiveness of these solutions. Studies illustrate that while large SMEs may benefit immensely from digital tax compliance solutions, micro-enterprises often struggle to adopt these technologies due to resource constraints.

In summary, the impact of digital technologies on SME tax compliance and administration is significant, with potential benefits such as improved efficiency, increased compliance rates, and enhanced revenue collection for the government. As Uganda continues to develop its digital infrastructure, it is imperative to address the disparities in access and literacy to ensure that all SMEs can participate fully in the digital economy.

SIGNIFICANCE OF THE STUDY

This study is significant because it has;

- a) provided an overview of the evolution of digital tax systems
- b) Provided empirical evidence on the impact of digital technology on SME tax compliance by including the E-Tax systems already adopted in Uganda.
- c) Identified specific digital tools and strategies that can enhance tax administration and tax compliance.
- d) Suggested implementation of advanced digital systems that has enabled taxation of online businesses
- e) Offered recommendations to policymakers and the URA on leveraging technology for improved tax collection to overcome the challenges associated with digital taxation in Kampala.
- f) Contributed to a better understanding of the challenges and opportunities associated with digital tax administration in developing economies.(Asingwire, P 2019).

1.3 STATEMENT OF THE PROBLEM

In recent years, digital technologies have emerged as powerful tools reshaping various sectors, including taxation, particularly for online Small and Medium Enterprises

(SMEs). In recent reports it is seen that SMEs account for 90% of the country's economy (Njuki, E) In Uganda, SMEs play a crucial role in the economy, contributing approximately 75% of employment and about 20% of the national GDP.¹³ However, despite their significance, tax compliance among SMEs remains problematic, with the Uganda Revenue Authority (URA) estimating a tax compliance rate of only 40% for these entities.¹⁴ This low compliance rate not only affects government revenue but also undermines the fairness of the tax system and increases the burden on compliant taxpayers. Digital technologies such as e-filing, mobile payment systems, and electronic invoicing systems are being increasingly adopted in Uganda. These technologies provide significant opportunities to enhance tax compliance and administration. However, there is a critical gap in understanding how these digital innovations impact online SME tax compliance within the unique socioeconomic context of Kampala.

1.4 RESEARCH OBJECTIVES

The following are the research questions that guide our findings, literature review, data collection, analysis and lastly recommendations;

1. How have digital technologies affected online SME owners tax compliance?
2. How have digital technologies affected efficiency of tax administration?

1.5 SCOPE OF THE RESEARCH

The scope of the study is centred around the impact digital technologies have on online SME taxpayer compliance and administration of taxes collected from the same group.

The geographical scope is Kampala, Uganda. The methodology is qualitative method of data collection. A systematic approach was used for collecting qualitative data to address the research questions I highlighted in the objective of the study. Regarding the Research Design I employed a qualitative data collection approach, incorporating interviews, focus groups, observations and analysis of documents like reports by relevant institutional bodies and stakeholders governing taxation to provide a comprehensive understanding of the impact of digital technology on tax compliance.

¹³ Uganda Bureau of Statistics, statical Abstract Report 2022

¹⁴ Uganda Revenue Authority Annual Report 2021

The scope has defined the parameters of my research like sample size, duration, inclusion and exclusion criteria, the methodology and finally geographical parameters. It has also highlighted the limitations I have set in place to define the boundaries of my research and what the study focuses on as I collected the necessary data.

1.6 RESEARCH METHODOLOGY

The objective of this research was to analyze how digital technology influences tax compliance and administration among Small and Medium Enterprises (SMEs). The methodology of qualitative approach for collecting qualitative data to address the research questions I highlighted in the objective of the study.

Regarding the Research Design I have employed a qualitative data collection approach, incorporating interviews, observations and analysis of documents like reports by relevant institutional bodies and stakeholders governing taxation to provide a comprehensive understanding of the impact of digital technology on tax compliance and tax administration. This approach allows for triangulation, enhancing the validity and reliability of the findings.

I have applied a sampling strategy of random sampling technique to obtain a representative sample of SMEs in Kampala. The stratification considered factors such as industry sector, size, digital technology usage, gender, age range and education.

The form of Data Collection Methods used includes surveys which included online questionnaire developed using Google Forms with questions on awareness of digital technologies, frequency and ease of use of these technologies in tax compliance, perceived challenges and benefits associated with digital technology in tax administration and demographic information.

The survey was distributed via email and social media channels targeting online SME owners and tax administrators in Kampala. Follow-up reminders were sent to maximize response rates.

Interviews were conducted to collect required data. In-Depth Interviews, Semi-structured interviews were conducted with a selected group of 20 SME owners and 5 tax administrators. This qualitative method explored personal experiences with digital technology and tax compliance, detailed perceptions regarding the efficiency of tax

administration through technology and specific challenges faced and suggestions for improvement.

Regarding the Interview Process, Participants were recruited through the same networks as the survey, ensuring a diverse representation. Interviews were conducted face-to-face and via video calls then transcribed for analysis. Data was analyzed to meet the requirements of the research through qualitative data analysis. Ethical approval was obtained from the appropriate stakeholders. Informed consent was secured from all participants, ensuring confidentiality and the right to withdraw from the study at any point without consequence.

Conclusively this methodology has outlined a systematic approach to collect robust data on the impact of digital technology on SME tax compliance and administration in Kampala. By employing a qualitative design, the study has provided in-depth insights that informed policy recommendations and interventions tailored to improve tax compliance and administration through digital means.

1.7 LITERATURE REVIEW

A literature review is a comprehensive overview and analytical analysis of existing research and scholarly works on a specific topic summarizing, evaluating and synthesizing information to demonstrate understanding and identify gaps in the current knowledge (Rudestam and Newton 1992). My literature review is divided into three parts on the literature concerning the general overview of the status quo of tax compliance and administration in Uganda, secondly how digital technology has improved compliance and led to effective administration and finally the literature on how digital technologies have ensured efficient administration and tax compliance among SME online business owners.

Despite Small and Medium Enterprises (SMEs) playing a vital role in the economic development of Uganda, contributing significantly to employment of so many Ugandans and the overall GDP. However, tax compliance remains a challenge for many SMEs. With the rapid advancement of digital technologies, there is an increasing interest in understanding how these innovations impact tax compliance and administration.

Tax compliance refers to the degree to which a taxpayer conforms to tax regulations and reporting requirements (Kiwanuka, 2022). The country experienced revenue shortfalls of over 760 billion Uganda shillings, 2,376 billion Uganda shillings, 3,593 billion Uganda shillings as reported by (Acode, 2020), these significant drops show how the tax payers' ability was affected by the pandemic mainly on income tax collected where liability is after self-assessment, I agree with this part of the literature because the evidence provided by the financial reports prove the hypothesis of low levels of tax compliance that led to low taxes collected during and after the pandemic which resulted into low revenue generation. It continues to show other challenges being faced by the tax system in regards to compliance that include tax evasion which is the illegal nonpayment of taxes (Butler, 2024) where majority of Ugandans do not fulfil their tax obligations leading to low compliance. The other major hindrance highlighted is inaccurate tax payer registration where there are serious misinformation and inaccuracies regarding tax payer information given on registration which makes it harder to track down tax payers and hold them accountable to their tax obligations.

Tax payer registration is the cornerstone of any tax administrative system, its inaccuracy and lack of credibility can lead to deficiencies in collection and enforcement increasing administrative and compliance costs (Mayenga, 2019), which can be tackled with automated data entry systems that verify ones data on registration to ensure the tax payers have used correct and accurate data so as tax evasion can be avoided and in return improving compliance. In my analysis the major problems in the literature cited above highlights challenges of the tax system regarding compliance and administration with clearly stated hypothesis that are testable and display a relationship between the variables of research. The research failed to have an organized research design to carry out different systematic studies geographically so as to understand how the identified challenges affect people in different economies, it is a well-known fact that Kampala being Uganda's biggest economy cannot be compared to other districts and cities in the country in regards to implementation of solutions to identified problems if the issue of low tax compliance is going to be improved to increase the revenue collected. In the literature I have read and cited researchers approached the problem as a whole instead of separating the case studies e.g. cities alone and districts researched to collect accurate data that would lead to

development of better solutions. In the literature cited I also noticed that researchers did properly analyse whether different individuals understood how to fulfil their tax liability. Individuals did not know what taxes they were supposed to pay, how to assess themselves and file returns simply showing that before we rush to find ways of improving compliance and making sure tax payers fulfil their obligations emphasis should be on sensitization of tax payers on different kinds of taxes, how to pay these taxes, why they pay these taxes and lastly penalties for non-compliance.

The second part of my literature review will be on how digital technologies have impacted tax compliance among SME owners and led to effective administration of taxes collected among SME owners. The implementation of digital technologies in Uganda's tax system holds the promise of enhancing efficiency in administration of taxes by Uganda Revenue Authority, Ministry of finance, planning and Development and above all fix the low compliance issue that could eventually lead to collection of more revenue. I will also be looking into drivers, challenges and barriers from a developing country's perspective as discussed by (Manwaring and Regan,2024) showing domestic challenges faced in adaptation of the relevant digital technologies like low internet penetration, high illiteracy rates and inadequate digital infrastructure.

The challenges contribute to bigger challenges in the system like corruption because of low accountability levels, inefficiencies, poor service delivery and limited adoption of the E-tax system despite its potential advantages to improve tax compliance, administration leading to more revenue collected leading to a self-sufficient tax system.

Looking at research papers of 2023 of the Federation of small and medium sized enterprises of Uganda (Ampumuza, D 2022), makes it clear that compliance is critical for revenue generation, particularly in SMEs, which often face numerous challenges related to tax regulations.

The Role of Digital Technologies is significant and digital technologies encompass a wide range of tools and platforms, including electronic tax filing systems, mobile payment solutions, mobile banking and online accounting software that has revolutionized the tax system making it easier than ever before to pay taxes. These technologies simplify tax processes like filing returns and registering for TIN

numbers, reduce administrative burdens, and promote accurate reporting that promotes transparency and promotes a corruption free tax system.

Uganda Revenue Authority has gone ahead to design an application called ASK URA where all the online services talked about can easily be accessed, Ask URA (Version 2.1).

The introduction of e-filing systems has been revolutionary for tax compliance among online SMEs making paying taxes and filing returns much easier. Electronic filing systems refer to the process of filing one's tax returns electronically using online software approved by the relevant tax Authority. Research by (Guma, 2024) indicates that e-filing reduces time spent on tax submissions, thereby enhancing compliance rates. The ease of access afforded by e-filing is particularly beneficial for online SMEs that may lack the resources to comply with traditional tax processes. This makes it easy to use to use and attracts more SME owner to comply with their tax burdens.

Uganda's mobile money system has revolutionized financial transactions, including tax payments. Mobile payment solutions like mobile money through MTN mobile money and AIRTEL money offer a convenient method for SMEs to remit taxes, thus increasing overall compliance. Mobile money also known as MM is an electronic payment service that uses a cell phone and an associated account to carry out financial transactions traditionally carried out by a bank i.e. remittances, transactions or payments on e-commerce sites (Sawadogo, F). The seamless nature of mobile transactions is appealing to small businesses that prefer to minimize time spent on administrative tasks as they always aim to minimize business running costs to realize a lot of profit. The use of mobile banking where one can transfer money from their bank to URA electronically has also improved compliance.

Despite the benefits, the cited literature above has shown that adoption of digital technologies is not without challenges and risks that have to be overcome to ensure a protected and transparent digital tax system. Studies highlight several challenges that lead to ineffective implementation, including limited digital literacy, limited internet penetration, resistance to change followed by lack of requisite skills and lastly limited supportive telecommunication infrastructure among online SME owners and

inadequate technological infrastructure which limits the people to easy-to-use methods of paying their taxes like mobile money and in the end reduces compliance. Limited digital illiteracy on digital taxation systems remains a significant challenge for many Online SME owners. They do not know enough to want to trust the system with their money. A lot more needs to be introduced to provide awareness to portray a transparent tax system. A considerable proportion of online small business operators lack the skills necessary to effectively engage with digital tax solutions. This gap in skills can lead to errors in tax submissions and, ultimately, non-compliance which is a challenge we are trying to eradicate.

The limited Technological Infrastructure is and has been a major challenge. Recent research as we have seen above puts to light the importance of robust technological infrastructure in facilitating the use of digital tools like smart phone access, adequate internet penetration and advanced software to implement tax digital tools. Poor internet connectivity and access to technological gadgets can hinder online SMEs from fully embracing digital tax solutions which creates a biased view thereby impeding their compliance efforts as they do not adequately cooperate with the system (Simon, k 2025).

The Impact on Tax Administration is realized in the Efficiency in Tax Collection. Digital technologies enhance the efficiency of tax collection agencies because they are automated digital systems that are better at record keeping and accounting which provide accurate results resulting in good and effective administration. The implementation of digital solutions has allowed for more accurate tracking of, taxpayer activities and improved data management. Such advancements assist tax authorities in identifying non-compliant taxpayers swiftly. This allows them to effectively make particular individuals responsible for their tax paying obligations and tax burdens that leads to compliance and effective people centred administration.

Transparency and Accountability is a major value as this system handles revenues that facilitates the country's development. Digital technologies foster transparency and accountability in tax administration because they pioneer efficiency as noted by (Asingwire, 2019), the ability to track and analyse transactions electronically reduces opportunities for tax evasion and avoidance which promotes a culture of low

compliance levels among online SMEs because everyone is held accountable to their tax obligations.

Despite the potential for digital technologies to improve tax compliance, several barriers persist in the realization of this milestone. In recent research by a Ugandan scholar (Nalukenge, Z 2022), identifies the initial costs of technology adoption as a significant concern for online SMEs. Many online small business owners may hesitate to invest in digital solutions due to limited financial resources because they can barely raise capital to keep the business from closing, they prioritize re-investment in the business sidelining the technologies required for tax compliance like the electronic fiscal receipting system.

Another barrier is the biased perception of tax authorities among online tax payers. Some SME owners view tax authorities with scepticism, fearing that digital solutions may lead to increased scrutiny and corruption. This perception can hinder willingness to adopt digital processes like the electronic fiscal and receipting that is less work for the tax payer and the agent collecting and reviving the tax.

Conclusively the literature reviewed indicates that digital technologies hold considerable promise for enhancing online SME tax compliance and administration in Kampala. While there are significant benefits, including improved efficiency and convenience, challenges remain. Digital illiteracy and poor digital infrastructure pose significant barriers that must be addressed to fully realize the potential of these technologies. Further research is necessary to develop customized solutions that can support online SMEs in their transition to using digital solutions in tax payment that improves on tax compliance.

1.8 CONCLUSION

Conclusively chapter 1 has provided an introduction to SMEs, taxation and its administration in Uganda, a comprehensive literature review on the impact of digital technology on administration and tax compliance. The reviewed research identifies that the adoption of digital tools presents itself as a double edged sword. It has enhanced administrative efficiency, transparency, and taxpayer engagement. Additionally, digital platforms have been instrumental in improving tax compliance

by minimizing opportunities for tax evasion. However, the literature also highlights challenges such as cybersecurity risks, digital divide issues, and the need for robust legal frameworks to support technology integration. Overall, the findings and relevant studies suggests that while digital technology presents significant opportunities for improving tax administration and compliance, careful implementation and continuous evaluation are essential to mitigate associated disadvantages. This sets the pace for further empirical analysis and policy recommendations to harness digital innovations effectively.

CHAPTER 2

LEGAL AND INSTITUTIONAL FRAMEWORK FOR TAXATION IN UGANDA.

2.1 INTRODUCTION

In this chapter I focus on the intricate legal and institutional framework governing taxation in Uganda which is a pivotal element in understanding the country's fiscal landscape highlighting statutory laws, regulations, and institutional practices that has emerged to shape the collection and management of taxes.

LEGAL FRAMEWORK

2.2 1995 CONSTITUTION OF THE REPUBLIC OF UGANDA

Tax collection and administration is governed by laws enacted by parliament of Uganda with constitutional mandate under chapter 9 from Article 152 (3),¹⁵ of the Constitution. No tax shall be imposed except under the authority of an act of parliament.¹⁶ Parliament shall make laws to establish tax tribunals for the purposes of settling tax disputes.¹⁷

2.3 INCOME TAX ACT.

An Act to provide for income tax and related matters. Part II of the act provides for Imposition of income Tax. Income tax is imposed on every person who has

¹⁵ 1995 Constitution of Uganda

¹⁶ *ibid*

¹⁷ *ibid*

chargeable income for the year of income.¹⁸ Rental tax is imposed on every person who has rental income for the year of income.¹⁹

Part III of the act provides for Residents and Non-Residents. An individual is a resident for a year of income if they have a permanent home in Uganda, or are present in Uganda for a considerable amount of time.²⁰

Part IV deals with Chargeable income which arises from Gross income consisting of business income, employment income, and property income derived by the person, other than income exempt from tax. For a resident person, gross income includes income from all geographical sources, while for a non-resident person, it includes only income derived from sources in Uganda.²¹ Business income includes any income derived by a person from carrying on a business.²² Employment income includes wages, salary,²³ Property income.²⁴ There are various categories of income that are exempt from tax.²⁵

Part V of the act provides for Deductions,²⁶ that are allowed when calculating chargeable income to reduce tax payable. Certain expenditures are not allowed as deductions like domestic expenditure.²⁷

Part V of the act provides for Tax Accounting Principles to maintain ethical standards and accuracy.²⁸ Taxpayers may account for tax purposes on a cash or accrual basis.²⁹

Part VI of the act provides for gains and losses on Disposal of Assets. The amount of any gain or loss from the disposal of an asset is the difference between the consideration received and the cost base of the asset.³⁰

¹⁸ Section 4, ITA

¹⁹ Section 15, ITA

²⁰ Section 9, ITA

²¹ Section 17, ITA

²² Section 18, ITA

²³ Section 19, ITA

²⁴ Section 20, ITA

²⁵ *ibid*

²⁶ Section 22, ITA

²⁷ *ibid*

²⁸ Section 38, ITA

²⁹ Section 39, ITA

³⁰ Section 48, ITA

Part VII provides for Miscellaneous Rules for Determining Chargeable in case of joint owners depending on their interests,³¹ and Companies.³² Other methods of allocating costs and revenue used in determining chargeable income of a person like input-output ratios.³³

Part VIII provides for persons assessable applying to how different persons are taxed. Chargeable income for each individual is determined separately.³⁴ The partnership income is calculated as gross income less allowable deductions.³⁵ A resident trustee of a deceased person's estate is liable for tax on chargeable trust income.³⁶ A non-resident trustee is liable on trust income attributable to sources in Uganda. A company is liable to tax separately from its shareholders.³⁷

Part IX provides for International tax as a final tax for different categories as explained below. A resident Earning money from business with branch outside Uganda,³⁸ derived by a non-resident carrying out business in a Uganda.³⁹ Foreign source employment income derived by a resident individual who has been subjected to withholding tax to a foreign tax authority.⁴⁰ Non-resident company carrying on business in Uganda through a branch that has repatriated income.⁴¹ Non-resident person who derives rent sourced in Uganda.⁴² Non-resident deriving income from performing as a public entertainer or sports person in Uganda.⁴³ Non-resident deriving income from a Ugandan source services contract.⁴⁴ Non-residents carrying on the business of shipping and or telecommunications services who derive income from passengers embarking and cargo rendered in Uganda,⁴⁵ and so many others. General provisions relating to taxes imposed under sections 82, 83, 84 and 85. The tax imposed under these sections is a final tax on the income.

³¹ Section 53, ITA

³² Section 59, ITA

³³ Section 55, ITA

³⁴ Section 62, ITA

³⁵ Section 65, ITA

³⁶ Section 72, ITA

³⁷ Section 73, ITA

³⁸ Section 78, ITA

³⁹ *ibid*

⁴⁰ Section 79, ITA

⁴¹ Section 81, ITA

⁴² Section 82, ITA

⁴³ Section 83, ITA

⁴⁴ Section 84, ITA

⁴⁵ Section 85, ITA

Part X provides for Special Provisions for Taxation of Petroleum Operations. Licensees in relation to mining operations are managed by this act.⁴⁶ Deductions for licensees related to mining operations are limited. Licensees can deduct mining exploration expenditure under certain conditions.⁴⁷ A contribution by a licensee to a rehabilitation fund is allowed as a deduction.⁴⁸ Expenditure incurred in carrying out approved rehabilitation plans is also deductible.⁴⁹ Deductions for licensees in a contract area are limited to the extent of cost oil derived from that area.⁵⁰ Rules applicable to mining and petroleum operations includes sections on Farm-outs,⁵¹ Indirect transfers of interest,⁵² and Taxation of contractors.⁵³

Part XI of the act provides for rules to counteract tax avoidance. The Commissioner General can adjust income, deductions, or credits arising from transactions in an employment relationship or transactions involving intangible property between associates to reflect an arm's length transaction.⁵⁴ The Commissioner General can determine the source of income and the nature of payments in such circumstances.⁵⁵ The Commissioner General can re-characterise a transaction or an element of a transaction if it entered into as part of a tax avoidance scheme, or disregard a transaction without substantial economic effect, or re-characterise a transaction where the form does not reflect the substance.⁵⁶

Part XII of the act provides for the Procedure Relating to Income Tax. Every taxpayer must furnish a return of income accompanied by supporting documents like balance sheets for each year of income within six months after the end of the year.⁵⁷ Returns must be in the prescribed form and furnished to the Commissioner General.⁵⁸ Persons expecting to derive income not subject to withholding tax or liable for provisional tax under sections 126 or 127 are subject to provisional tax.⁵⁹ Provisional

⁴⁶ Section 90, ITA

⁴⁷ Section 92, ITA

⁴⁸ Section 94, ITA

⁴⁹ *ibid*

⁵⁰ Section 96, ITA

⁵¹ Section 101, ITA

⁵² Section 102, ITA

⁵³ Section 103, ITA

⁵⁴ Section 116, ITA

⁵⁵ *ibid*

⁵⁶ Section 117, ITA

⁵⁷ Section 118, ITA

⁵⁸ *ibid*

⁵⁹ Section 121, ITA

taxpayers, other than individuals, pay provisional tax in two instalments.⁶⁰ Individuals pay in four instalments.

Part XIII of the act specifically addresses the procedure for rental tax where an individual charged to rental tax must furnish a return within six months after the end of the year.⁶¹ Sections related to returns, payment, and refunds of income tax (sections 118 and 123) apply with necessary modifications to rental tax. The Commissioner General prescribes the return form for rental income.⁶²

Part XIV provides for Withholding of Tax at Source where every employer must withhold tax from employment income as prescribed by regulations.⁶³ The obligation to withhold is not reduced even if the employer can recover the amount from the employee. The obligation to withhold applies notwithstanding other laws that may provide otherwise.⁶⁴ Withholding tax may or may not be a final tax.

Part XV provides for Information Collection. Every person carrying on business in Uganda who makes certain specified income payments must submit a "business information return" to the Commissioner General within sixty days after the end of the financial year.⁶⁵ This return should be in the form specified and include the required information.⁶⁶

Part XVI provides for simple interest on unpaid tax.⁶⁷ A person who fails to pay tax imposed on them or fails to pay over tax withheld by the due date is liable for interest of 2%.⁶⁸ Interest paid may be refunded.⁶⁹ Interest arising from failure to comply with section 140 is borne personally by the withholding agent and cannot be recovered from the recipient of the payment.⁷⁰

Part XVII on Miscellaneous Provisions. This part provides the re-characterization of arrangements under Islamic financial business by the Commissioner General for tax

⁶⁰ *ibid*

⁶¹ Section 124, ITA

⁶² *Ibid*

⁶³ Section 126, ITA

⁶⁴ *ibid*

⁶⁵ Section 147, ITA

⁶⁶ *ibid*

⁶⁷ Section 148, ITA

⁶⁸ Section 148, ITA

⁶⁹ *ibid*

⁷⁰ *ibid*

purposes⁷¹, generally in accordance with Shariah principles. The Minister is empowered to make regulations to implement the Act, which can include transitional provisions and prescribe penalties for non-compliance. The Minister also has the power to amend monetary amounts and Schedules specified in the Act.⁷²

2.4 VALUE ADDED TAX ACT.

Part II of the Value Added Tax Act provides for Charge of tax. This part establishes the imposition of VAT on every taxable supply in Uganda made by a taxable person, every import of goods other than an exempt import, and the supply of any imported services by any person.⁷³ The person liable to pay the tax for each type of taxable transaction is one for a taxable person for a taxable supply, the importer for an import of goods, and the recipient for an import of services.⁷⁴

Part III of the Value Added Tax Act provides for Taxable persons. A person registered under section 7 is a taxable person.⁷⁵ The Commissioner General registers eligible applicants and issues a certificate.⁷⁶ Registration takes effect from the beginning of the tax period after the duty/application arose.⁷⁷ Taxable persons must notify the Commissioner General of changes in personal details like name, address.⁷⁸

Part IV of the Value Added Tax Act provides for the supplies of goods and services. A supply of goods generally means an arrangement where the owner parts with possession.⁷⁹ The part also addresses mixed supplies, where services incidental to goods are part of the goods supply, and vice versa.⁸⁰ A supply by agent is generally treated as a supply by the principal.⁸¹ The time of supply is determined by specific rules, generally the earliest of delivery, payment, or tax invoice issuance, with special

⁷¹ Section 150, ITA

⁷² Section 152, ITA

⁷³ Section 4, VAT Act

⁷⁴ Section 5, VAT Act

⁷⁵ Section 6, VAT Act

⁷⁶ Section 8, VAT Act

⁷⁷ *ibid*

⁷⁸ Section 9, VAT Act

⁷⁹ Section 10, VAT Act

⁸⁰ Section 12, VAT Act

⁸¹ Section 13, VAT Act

rules for own use, gifts, rental agreements, and periodic payments.⁸² The place of supply of goods is where they are delivered.⁸³

Part V of the Value Added Tax Act provides for the taxable supplies. A taxable supply is a supply of goods or service made by a taxable person for consideration as part of their business activities.⁸⁴ A supply is for consideration if the supplier receives payment, in money or kind.⁸⁵ Supply of goods for reduced consideration between associates is treated as for consideration unless they are trade samples.⁸⁶ An exempt supply is a supply specified in the third Schedule.⁸⁷

Part VI of the Value Added Tax Provides for taxable value. Generally, the taxable value of a taxable supply is the total consideration paid.⁸⁸ For supplies like application to own use, supplies for reduced consideration, or supplies upon registration cancellation, the taxable value is the fair market value.⁸⁹ If the consideration includes tax but isn't itemized, the taxable value is the consideration excluding tax.⁹⁰ For goods supplied under a rental agreement, the taxable value is the rental payments due or received.⁹¹ The part also details adjustments to the taxable value that may be required if a supply is cancelled, varied, the consideration changes, or goods are returned, resulting in incorrect tax being accounted for.⁹²

Part VII of the Value Added Tax Act provides for Calculation of tax payable. The tax on a taxable transaction is calculated by applying the tax rate to the taxable value of the transaction.⁹³ Where taxable value is determined based on fair market value or inclusive consideration, a specific formula using the tax fraction applies and its provided Fifth Schedule of the Act.⁹⁴ The rate of tax is specified by statutory order. However, taxable supplies listed in the fourth Schedule are zero-rated,⁹⁵ meaning the tax rate is zero. The part also outlines the consequences and calculation adjustments

⁸² Section 14, VAT Act

⁸³ Section 15, VAT Act

⁸⁴ Section 18, VAT Act

⁸⁵ *ibid*

⁸⁶ *ibid*

⁸⁷ Section 19, VAT Act

⁸⁸ Section 21, VAT Act

⁸⁹ *ibid*

⁹⁰ *ibid*

⁹¹ *ibid*

⁹² Section 22, VAT Act

⁹³ Section 24, VAT Act

⁹⁴ *ibid*

⁹⁵ *ibid*

for a change in accounting basis,⁹⁶ for example from invoice to cash or vice versa. A negative result from these calculations results in a refund.⁹⁷ It covers returns and assessments, requiring taxable persons to lodge monthly returns within fifteen days.⁹⁸ The Commissioner General may require additional returns from any person.⁹⁹ Extensions may be granted for lodging returns.¹⁰⁰ The part also covers refund of tax. If a taxable person's input tax credit exceeds their liability, the excess is generally refunded within one month of the return due date.¹⁰¹ Refunds should be made immediately if the Commissioner General is satisfied with the claim.¹⁰²

Part VIII provides for general provisions of the act. The Act applies to a partnership or unincorporated association as if it were a single person.¹⁰³ Any obligations imposed on the partnership or association are imposed on each partner or member, and any tax or penalty payable by the partnership or association may be collected from any partner or member.¹⁰⁴ An offence committed by the partnership is deemed committed by each partner or member,¹⁰⁵ unless they can prove they did not aid or abet.

A trustee is defined as a person holding property in trust for another in more than one capacity, where each capacity is treated separately for the purposes of this Act.¹⁰⁶ All amounts of money are to be expressed in Uganda shillings.¹⁰⁷ Any price advertised or quoted for a taxable supply must include the tax.¹⁰⁸ In a case where the Commissioner General is to determine the tax liability of a person if a scheme has been entered where that person has obtained a tax benefit, and the scheme was entered into or carried out for the sole or dominant purpose of enabling the person to obtain that tax benefit. The Commissioner General may determine tax liability as if the scheme had not been entered into or carried out, or in any other manner, to prevent or reduce the tax benefit.¹⁰⁹ For determining tax liability, the Commissioner General may re-characterise an arrangement, including Islamic financial business not covered by the

⁹⁶ Section 27, VAT Act

⁹⁷ *ibid*

⁹⁸ Section 31, VAT Act

⁹⁹ *ibid*

¹⁰⁰ Section 32, VAT Act

¹⁰¹ Section 34, VAT Act

¹⁰² *ibid*

¹⁰³ Section 43, VAT Act

¹⁰⁴ *ibid*

¹⁰⁵ *ibid*

¹⁰⁶ Section 44, VAT Act

¹⁰⁷ Section 45, VAT Act

¹⁰⁸ Section 46, VAT Act

¹⁰⁹ Section 47, VAT Act

Act, to reflect the equivalent economic substance of the arrangement, rather than its form.¹¹⁰ The Commissioner General must comply with Shariah principles when re-characterizing Islamic financial business arrangements.¹¹¹ The Minister may make regulations to better carry out the provisions and purposes of the Act.¹¹²

2.5 EXCISE DUTY ACT

An act to provide for Excise duty and related matters.

Part II of the Imposition of Excise Duty on Excisable goods and services specified in Schedule 2 are subject to excise duty.¹¹³ The duty is paid by the service provider, manufacturer, or importer, depending on the nature of the excisable item.

Part III of the act provides for Registration of Manufacturers, Importers, and Providers of Excisable Goods and Services for purposes of administration of excise duty manufacturers, importers or providers of excisable services other than retailers shall apply for registration and registration of premises of business other retailing business,¹¹⁴ in a form prescribed by the commissioner.¹¹⁵ The commissioner may award a registration certificate with or without conditions.¹¹⁶

Part IV of the act provides for Control of Excisable Goods. The Commissioner may require an officer to be stationed at registered premises,¹¹⁷ and may require the registered person to provide suitable office accommodation and equipment.¹¹⁸ Before manufacturing, a registered person must make an entry of each building, room, place, and plant item. The Commissioner may require a new entry.¹¹⁹

Contravention leads to penalties, including imprisonment, fines, and forfeiture of goods.¹²⁰ All Manufactured goods must be moved to a stock room within the registered premises immediately after manufacture.¹²¹ Goods must be stored to allow

¹¹⁰ Section 48, VAT Act

¹¹¹ *ibid*

¹¹² Section 51, VAT Act

¹¹³ Section 3, Excise Duty Act.

¹¹⁴ Section 4, Excise Duty Act.

¹¹⁵ Section 4(2), Excise Duty Act.

¹¹⁶ Section 4(5), Excise Duty Act.

¹¹⁷ Section 5, Excise Duty Act.

¹¹⁸ Section 5(2), Excise Duty Act.

¹¹⁹ Section 6, Excise Duty Act.

¹²⁰ Section 6(5), Excise Duty Act.

¹²¹ Section 7, Excise Duty Act.

a full account.¹²² Contravention is an offense with potential fines, imprisonment, and forfeiture of goods.¹²³ Excess goods found in the stockroom are forfeited to the State.¹²⁴ Failure to account or having excess goods without a satisfactory explanation is an offense with penalties.¹²⁵

Part V of the act provides for Payment of Excise Duty, Returns, Assessments, and Appeals. Duty is payable on the date of filing a return or within forty-five days after receiving a notice of assessment.¹²⁶ If duty-paid excisable goods are converted into other excisable goods, only the difference in excise duty is payable.¹²⁷ The Commissioner may allow the use of information technology for formalities or procedures.¹²⁸ A person may apply for a refund of excise duty paid in error or excess.¹²⁹ The Commissioner may apply the excess to reduce other duties or refund the balance.¹³⁰ Interest is paid on refunds after a delay, but delays caused by the applicant may reduce interest eligibility.¹³¹ Decisions on refunds can be challenged through objection and appeal procedure.¹³² Excisable goods or services that have been granted a remission or refund and are subsequently re-imported are liable to excise duty.¹³³ Excisable Goods or Excisable Services Granted Remission Liable to Duty on Disposal.¹³⁴ A person granted a remission or refund must not deal with the goods or services inconsistently with the purpose of the remission or refund.¹³⁵

Inconsistent dealing leads to liability for the excise duty that would have been paid.¹³⁶

Part VI of the act provides for Miscellaneous.

Advertised prices must include excise duty.¹³⁷

The Minister may make regulations to carry out the Act.¹³⁸

The Minister may amend Schedule 1 with Cabinet approval

¹²² Section 7 (4), Excise Duty Act.

¹²³ Section 7(5), Excise Duty Act.

¹²⁴ *Ibid*

¹²⁵ *ibid*

¹²⁶ Section 9, Excise Duty Act.

¹²⁷ Section 9 (2), Excise Duty Act.

¹²⁸ Section 10, Excise Duty Act.

¹²⁹ Section 11, Excise Duty Act.

¹³⁰ *ibid*

¹³¹ *ibid*

¹³² *ibid*

¹³³ Section 12, Excise Duty Act.

¹³⁴ Section 13, Excise Duty Act.

¹³⁵ *ibid*

¹³⁶ *ibid*

¹³⁷ Section 14, Excise Duty Act

¹³⁸ Section 16, Excise Duty Act

2.6 STAMP DUTY ACT.

An act to provide for the stamp duty and related matters. The Stamp Duty Act imposes taxes on legal documents, transactions, and certain financial instruments.

Part II of the act is on the instruments chargeable with stamp duty. Instruments chargeable with duty in accordance with Schedule 2, including those executed in Uganda, or executed outside Uganda but relating to property matters in Uganda and received there.¹³⁹ Principal Instrument used in a transaction to be the only one taxed.¹⁴⁰ Instruments relating to several distinct matters to be taxed according to each instrument.¹⁴¹ and those with and those coming from within several descriptions are provided for in schedule 2.¹⁴² The Act addresses specific types of instruments like marine insurance contracts.¹⁴³ Time limits for stamping instruments are provided for, specifying periods for instruments executed in Uganda which is 45,¹⁴⁴ days and outside Uganda 30 days.¹⁴⁵

Part III of the act provides for the determination as to stamps. It allows a person to apply to the Commissioner for an opinion on the duty chargeable on an instrument. The Commissioner can require evidence and subsequently issue a certificate endorsing that the instrument is duly stamped or not chargeable with duty. An instrument with such an endorsement is deemed duly stamped and admissible in evidence, subject to certain time limits for bringing the instrument to the Commissioner.

Part IV of the acts provides for the instruments not duly stamped. This part addresses the consequences and procedures for instruments that have not been properly stamped, which is crucial for enforcement and collection. Persons with authority to receive evidence or in charge of public offices to examine and impound instruments that

¹³⁹ Section 2, Stamp Duty Act

¹⁴⁰ Section 3, Stamp Duty Act

¹⁴¹ Section 4, Stamp Duty Act

¹⁴² Section 5, Stamp Duty Act

¹⁴³ Section 6, Stamp Duty Act

¹⁴⁴ Section 13, Stamp Duty Act

¹⁴⁵ Section 14, Stamp Duty Act

appear not to be duly stamped.¹⁴⁶ Such instruments are generally inadmissible in evidence or cannot be acted upon unless duly stamped.¹⁴⁷ Section 36,¹⁴⁸ allows for waiving penalties if unstamped instruments are voluntarily brought to the Commissioner within one year and the omission was due to accident, mistake, or urgent necessity. Sections 37 to 40 cover prosecution for offence,¹⁴⁹ related to unstamped instruments, allow persons who paid duty to recover it from the responsible party, and provide for the Commissioner to refund penalty or excess duty.¹⁵⁰

Part V of the act provides for allowances for spoiled stamps in certain cases. This part relates to adjustments in the collection process by providing mechanisms for taxpayers to receive allowances for stamps that are spoiled, misused, or are on printed forms no longer required I.e expired. It details the specific circumstances under which allowances can be made for stamps on various instruments, including bills, notes, policies, and executed instruments that become void or useless. It also provides for allowances when debentures are renewed. This part addresses situations where stamps were paid for but not effectively used due to unknown reasons.

Part VI provides for objections and appeals. This part establishes the formal process for disputing decisions regarding stamp duty liability and provides strong collection and enforcement powers.¹⁵¹ Sections 46 to 50 outline the procedure for objecting to a decision made under the Act, appealing to the Tax Appeals Tribunal, appealing to the High Court on a question of law, and appealing to the Court of Appeal (with leave). A requirement to pay a portion of the disputed duty before appealing to the tribunal is included. The burden of proof in a review of an objection decision is on the person liable to pay tax.¹⁵² Sections 51 to 55 provide for direct collection and enforcement mechanisms. The tax is declared a debt due to the Government,¹⁵³ and recoverable in court. The Commissioner can recover duty from other persons who owe money to or hold money for the person liable. The Commissioner can use distress proceedings

¹⁴⁶ Section 30, Stamp Duty Act

¹⁴⁷ Section 31, Stamp Duty Act

¹⁴⁸ Stamp Duty Act

¹⁴⁹ Section 37 Stamp Duty Act

¹⁵⁰ Section 38, Stamp Duty Act

¹⁵¹ Section 46, Stamp Duty Act

¹⁵² Section 54, Stamp Duty Act

¹⁵³ Section 51, Stamp Duty Act

against movable property to recover unpaid duty. It defines the duties of receivers,¹⁵⁴ regarding assets and payment of duty. Finally, it allows the Commissioner to place a security on land or buildings,¹⁵⁵ for unpaid duty by registering a notice with the Commissioner for Land Registration.

Part VII of the act provides for criminal offences and procedure. It provides for various criminal offenses related to stamp duty, such as executing instruments without them being duly stamped, failing to cancel adhesive stamps, issues related to insurance policies, marine policies drawn in sets, postdating bills or using other devices to defraud the revenue, and various offenses concerning the sale and forging of stamps.¹⁵⁶

Part VIII of the act provide for miscellaneous. Section 63,¹⁵⁷ allows authorized persons to inspect books, records, and documents to secure duty or discover fraud/omission related to duty, which is an administrative tool for monitoring compliance and potential under-collection. Re-characterization of Islamic business is also provided for under section 63.¹⁵⁸ Sections 64 and 65,¹⁵⁹ grant the Minister power to amend schedules and make regulations, allowing for administrative flexibility in implementing of the Act. Section 66 provides for the repeal of the previous Stamps Act and includes savings provisions.

2.7 TAX PROCEDURES CODE ACT

Part II of the act provides for registration of tax payers. A person liable to pay tax under a tax law shall apply to the Commissioner for registration.¹⁶⁰ The application must be accompanied by prescribed evidence of the person's identity.¹⁶¹ The Commissioner shall issue a TIN to every person registered.¹⁶² The TIN is issued by the Commissioner and is used for tax purposes under all tax laws. A person who is no

¹⁵⁴ Section 54, Stamp Duty Act

¹⁵⁵ Section 55, Stamp Duty Act

¹⁵⁶ Section 56, Stamp Duty Act

¹⁵⁷ Stamp Duty Act

¹⁵⁸ *ibid*

¹⁵⁹ *ibid*

¹⁶⁰ Section 3, Tax Procedures Act

¹⁶¹ *ibid*

¹⁶² Section 4, Tax Procedures Act

longer required to be registered may apply for deregistration.¹⁶³ The Commissioner shall deregister a person if they have applied and the Commissioner is satisfied the person is no longer required to be registered, or if the Commissioner is satisfied the person is eligible for deregistration even if they haven't applied.¹⁶⁴

Part III of the act provides for tax agents and representatives. A Tax Agents Registration Committee shall be established to handle registration, renewal of registrations, and cancellation of tax agent's registration.¹⁶⁵ An individual, partnership, or company may apply for registration as a tax agent.¹⁶⁶ A tax agent is a person engaged in activities such as preparing, certifying, and filing tax returns, preparing petitions, objections, requests for refund or tax certificates; and representing taxpayers in meetings and hearings. The requirements for registration as a tax agent for individuals, partnerships, or companies are specified, including qualifications and experience. Renewal of registration requires an application to the Committee within twenty-one days before the expiry date.¹⁶⁷ Procedures for registering additional or substituted tax agents and giving notice of changes in registered particulars are also covered.¹⁶⁸ The Committee may cancel a tax agent's registration under certain conditions, such as the person no longer being fit and negligent conduct.¹⁶⁹ A tax representative is responsible for duties imposed on him/her by the act.¹⁷⁰

Part IV of the act provides for record keeping. This part outlines the requirements for taxpayers to maintain accounts and records.¹⁷¹ Every taxpayer shall maintain accounts and records for the purposes of a tax obligation.¹⁷² Records must be maintained in the English language, including in electronic format, and be sufficient to determine the taxpayer's tax liability.¹⁷³

Part V provides for tax returns. Tax returns include returns of income, rental income, provisional tax estimates, business information returns, Value Added Tax returns, and

¹⁶³ Section 5, Tax Procedures Act

¹⁶⁴ *ibid*

¹⁶⁵ Section 6, Tax Procedures Act

¹⁶⁶ *ibid*

¹⁶⁷ Section 9, Tax Procedures Act

¹⁶⁸ Section 10, Tax Procedures Act

¹⁶⁹ Section 12, Tax Procedures Act

¹⁷⁰ Section 13, Tax Procedures Act

¹⁷¹ Section 13, Tax Procedures Act

¹⁷² *ibid*

¹⁷³ *ibid*

Excise Duty returns. The Commissioner may require a taxpayer or their representative to furnish a tax return at any time during a tax period if the taxpayer has died, is bankrupt or in liquidation, or is about to leave Uganda permanently.¹⁷⁴ A taxpayer may apply in writing for an extension of time to furnish a tax return. An extension granted shall not exceed ninety days.¹⁷⁵

Part VI provides for tax stamps. A person dealing in goods whether locally manufactured or imported shall affix a stamp on any goods locally manufactured or imported.¹⁷⁶ Penal tax shall be imposed when one is non compliant.¹⁷⁷

Part VII provides for tax assessments. This part covers different types of tax assessments; self-assessment,¹⁷⁸ default assessment,¹⁷⁹ advance assessment¹⁸⁰, and additional assessment.¹⁸¹

Part VIII of the act provides for objections and appeals. A taxpayer dissatisfied with a tax decision may lodge an objection with the Commissioner within forty-five days after receiving notice of the decision.¹⁸² The objection must be in the prescribed form and state the grounds.¹⁸³ The Commissioner shall make a decision on an objection within ninety days from the date of receipt of the objection. The burden of proof in an objection to a tax decision or appeal lies with the person objecting.¹⁸⁴

Part IX provides for the collection and recovery of tax. This part outlines procedures for tax collection, including enforced collection measures and they including Payment of tax where tax is payable on the date specified in the tax law or within twenty-eight days from the date of service of a notice of demand.¹⁸⁵ Extension of time to pay tax where the Commissioner may grant an extension of time for payment.¹⁸⁶ Tax as a debt due to the Government.¹⁸⁷ The Commissioner may sue for and recover unpaid tax.

¹⁷⁴ Section 18, Tax Procedures Act

¹⁷⁵ Section 19, Tax Procedures Act

¹⁷⁶ Section 20, Tax Procedures Act

¹⁷⁷ Section 21, Tax Procedures Act

¹⁷⁸ Section 22, Tax Procedures Act

¹⁷⁹ Section 23, Tax Procedures Act

¹⁸⁰ Section 24, Tax Procedures Act

¹⁸¹ Section 25, Tax Procedures Act

¹⁸² Section 26, Tax Procedures Act

¹⁸³ *ibid*

¹⁸⁴ Section 28, Tax Procedures Act

¹⁸⁵ Section 29, Tax Procedures Act

¹⁸⁶ Section 31, Tax Procedures Act

¹⁸⁷ Section 32, Tax Procedures Act

Collection from persons leaving Uganda permanently where the Commissioner may issue a certificate to immigration control or officers to prevent a taxpayer from leaving Uganda permanently until payment or security is provided.¹⁸⁸ Recovery through persons owing money where the Commissioner may require a person who owes money to the taxpayer to pay that money to the Commissioner to satisfy the taxpayer's unpaid tax.¹⁸⁹ Recovery of interest on unpaid tax where Interest payable on unpaid tax shall be collected as if it were unpaid tax.¹⁹⁰

Part X provides for remission of tax. Where the Commissioner is of the opinion that the whole or part of the tax payable by a taxpayer cannot be effectively recovered due to hardship, impossibility, or excessive cost of recovery, the Commissioner may refer the case to the Minister.¹⁹¹ The Minister may remit the whole or part of the tax payable by the taxpayer. This section applies to tax, interest, and penal tax.¹⁹²

Part XI provides for Investigations where the Commissioner has powers to access premises, records, and data storage devices and the power to issue notices to obtain information or evidence for administering tax laws.¹⁹³ The Commissioner shall have access to any premises or place, any record (including electronic format), and any data storage device for the purposes of administering tax laws.¹⁹⁴ The Commissioner may seize any record or data storage device that may provide evidence in determining a taxpayer's tax liability and may require a police officer to be present during investigations.¹⁹⁵ The occupier of the premises shall provide reasonable assistance. The Commissioner may serve a notice in writing requiring a person to furnish information or evidence.¹⁹⁶

Part XII of the act provides for Tax Clearance Certificates. Taxpayers providing certain services, such as passenger or freight transport, warehousing, clearing, or forwarding services, are required to obtain a tax clearance certificate from the

¹⁸⁸ Section 33, Tax Procedures Act

¹⁸⁹ Section 34, Tax Procedures Act

¹⁹⁰ Section 42, Tax Procedures Act

¹⁹¹ Section 43, Tax Procedures Act

¹⁹² *ibid*

¹⁹³ Section 48, Tax Procedures Act

¹⁹⁴ *ibid*

¹⁹⁵ *ibid*

¹⁹⁶ *ibid*

Commissioner as proof of compliance with their tax obligations.¹⁹⁷ Other persons requiring a tax clearance certificate shall apply to the Commissioner.

Part XII of the act provides for Practice and Notes and Rulings. The Commissioner may issue practice notes setting out the Commissioner's understanding of the application of a tax law.¹⁹⁸ Practice notes are binding on the Commissioner.¹⁹⁹ Subject to application in writing by a taxpayer, the Commissioner may issue a private ruling setting out the Commissioner's position regarding the application of a tax law to a transaction the taxpayer has entered or proposes to enter.²⁰⁰ The Commissioner may reject an application for a private ruling if the matter is the subject of a tax assessment, audit, or objection, or if the application is frivolous or vexatious.²⁰¹ A private ruling is binding on the Commissioner in relation to the taxpayer to whom it is issued.²⁰² A private ruling is not a tax decision.²⁰³

Part XIV of the act provides for Tax Officers. The commissioner General may by written instrument delegate to a tax officer an accounting officer of a local government or Kampala Capital City Authority any duty, power, or function conferred or imposed on the Commissioner General.²⁰⁴ A tax officer shall regard as secret and confidential all information and documents received in performance of duties as a tax officer.²⁰⁵

Part XV provides for Penal Tax. This part specifies various actions that attract penal tax and how it is calculated and recovered. Penal tax may be imposed for default in furnishing a tax return,²⁰⁶ failure to maintain proper records,²⁰⁷ making false or misleading statements,²⁰⁸ understating provisional tax estimates,²⁰⁹ and failing to apply for registration.²¹⁰

¹⁹⁷ Section 50, Tax Procedures Act

¹⁹⁸ Section 52, Tax Procedures Act

¹⁹⁹ *ibid*

²⁰⁰ *ibid*

²⁰¹ Section 53, Tax Procedures Act

²⁰² *ibid*

²⁰³ *ibid*

²⁰⁴ Section 54, Tax Procedures Act

²⁰⁵ Section 55, Tax Procedures Act

²⁰⁶ Section 56, Tax Procedures Act

²⁰⁷ Section 57, Tax Procedures Act

²⁰⁸ Section 59, Tax Procedures Act

²⁰⁹ Section 60, Tax Procedures Act

²¹⁰ Section 61, Tax Procedures Act

Part V of the act provides for Offences. This part outlines various actions that constitute offences under the Act and their potential penalties. Offences include failing to furnish a tax return,²¹¹ failing to comply with obligations,²¹² failing to maintain proper records,²¹³ using a false TIN,²¹⁴ making false or misleading statements,²¹⁵ obstructing a tax officer,²¹⁶ aiding or abetting a tax offence,²¹⁷ offences relating to tax recovery or registration,²¹⁸ and offences relating to tax officers.²¹⁹ Penalties for conviction can include fines or imprisonment, or both. A tax officer may appear on behalf of the Commissioner in court proceedings.²²⁰

Part XVI of the act provides for Miscellaneous. A tax decision's validity is not affected by errors unless the law has not been complied with, it is voidable for want of form, or affected by mistake, defect, or omission.²²¹ The Commissioner may rectify mistakes in orders, decisions, or notices within three years.²²² Approved forms are specified under section 89 of the act. Documents and notices can be furnished or served personally, by registered post, left at the address, or by electronic data message.²²³ The Commissioner may establish an electronic notice system.²²⁴ Appeals from the Tax Agents Registration Committee's decision may be made to the Tax Appeals Tribunal. The Minister may make regulations and amend Schedules. The Act repeals specific provisions of the Income Tax Act and the Value Added Tax Act. Transitional provisions deal with ongoing prosecutions, applications, appeals, and recovery of tax liability.²²⁵

2.8 LOTTERIES AND GAMING ACT.

This Act provides for the conduct of lotteries, gaming, betting, and casinos; to provide for the establishment of the National Lotteries and Gaming Regulatory Board; to provide for licensing and regulation of lotteries, gaming or betting; to provide for

²¹¹ Section 63, Tax Procedures Act

²¹² Section 64, Tax Procedures Act

²¹³ Section 65, Tax Procedures Act

²¹⁴ Section 66, Tax Procedures Act

²¹⁵ Section 67, Tax Procedures Act

²¹⁶ Section 68, Tax Procedures Act

²¹⁷ Section 69, Tax Procedures Act

²¹⁸ Section 70, Tax Procedures Act

²¹⁹ Section 72, Tax Procedures Act

²²⁰ Section 83, Tax Procedures Act

²²¹ Section 86, Tax Procedures Act

²²² Section 87, Tax Procedures Act

²²³ Section 90, Tax Procedures Act

²²⁴ Section 91, Tax Procedures Act

²²⁵ Section 97, Tax Procedures Act

taxation of casinos, gaming or betting and activities and for related matters. Part VIII of the Act provides for taxation of casinos, gaming or betting activities.

Section 48-52,²²⁶ of the act stipulate that an operator of a casino, gaming or betting activity with a license shall pay a tax with interest as prescribed in schedule 4 when they file their return in a form prescribed by the commissioner after self assessment. Recovery of unpaid tax shall be recovered with interest because it is a debt due to the government.²²⁷ Liability is imposed on the person who fails to file tax return within specified time to pay relevant tax under this act.²²⁸ The commissioner shall collect the tax required to be paid under this act.²²⁹

INSTITUTIONAL FRAMEWORK.

2.9 MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (MOFPED)

The MOFPED is responsible for developing and updating tax policies that are in line with economic growth and development goals. This includes setting tax rates, defining tax bases and determining which taxes are levied.²³⁰

MOFPED works to maximize revenue collection by ensuring efficient tax administration and broadening the tax base by reducing compliance burdens and improving citizen perceptions of tax.²³¹

MOFPED monitors and evaluates the performance of the tax system as headed by Uganda Revenue Authority. It tracks revenue collection, analyzes tax compliance rates and identifying areas of improvement.²³²

MOFPED is responsible for ensuring that tax revenues are used effectively and transparently. This includes preparing financial reports, implementing financial management systems and enhancing public awareness of government expenditures.²³³

MOFPED collaborates with other government agencies like URA to ensure effective tax collection and administration. This achieved through sharing information and promoting compliance.²³⁴

²²⁶ Lotteries and Gaming Act

²²⁷ Section 54, Lotteries and Gaming Act

²²⁸ Section 55, Lotteries and Gaming Act

²²⁹ Section 56, Lotteries and Gaming Act

²³⁰ <https://www.finance.go.ug>

²³¹ *ibid*

²³² *ibid*

²³³ *ibid*

²³⁴ *ibid*

MOFPED supports the URA in building its capacity to administer taxes efficiently and effectively by providing training resources and technology to the URA.²³⁵

MOFPED ensures that the legal framework for taxation is in place and is effective by developing and working with parliament to pass relevant legislation.²³⁶

2.10 UGANDA REVENUE AUTHORITY.

The Uganda Revenue Authority is administered by a seven person Board of directors appointed by the Minister of Finance.²³⁷ The board is the governing body of authority and its members include a chairperson, representatives from the Ministry of Finance and Economic development, Uganda Manufacturers Association and the Commissioner General of URA.²³⁸ The board is responsible for monitoring revenue performance and determining policies related to staffing and procurement. The management of URA is headed by the Commissioner General.

The Uganda Revenue Authority is organized to serve its clients through the following departments that handle the administrative work of the URA,²³⁹

Commissioner Generals Office in charge of client experience, Public relations and communication, stakeholder relations, integrity and ethics. Corporate Services Department responsible for all the support service functions in the organization like performance management, procurement, finance, administration and human resource management.

Customs department responsible for handling all customs issues including assessing and collecting international trade revenues in accordance with the relevant tax laws

Domestic Taxes Department charged with the responsibility of administering all domestic tax affairs, registration, receipt of returns, filing, auditing, assessments, collections and refunds.

Internal audit department offering audit assurance services to other departments on the adequacy of internal control systems.

Tax Investigation Department responsible monitoring and pursuing all cases of tax crime and evasion-related activities.

²³⁵ *ibid*

²³⁶ *ibid*

²³⁷ <https://www.ura.go.ug>

²³⁸ <https://www.ura.go.ug>

²³⁹ Taxation Handbook 7th Edition 2024/2025

Information Technology and innovation charged with development, planning and implementation of enterprise information technology systems.

Legal and board Affairs Department to serve as an in house legal firm to provide legal services on all issues that may arise in the day to day operation.

2.11 NATIONAL LOTTERIES AND GAMING REGULATORY BOARD.

The National Lotteries and Gaming Board is established under the Lotteries and Gaming Act.²⁴⁰ The board is composed of a representative from the ministry of finance appointed by the permanent secretary, a representative from the ministry of internal affairs appointed by the permanent secretary, three persons not being public officers who are knowledgeable and experienced in matters relating to the administration, the Chief executive officer who is an ex officio member.²⁴¹ The members shall have a tenure of 3 years except the Chief Executive Officer.²⁴² The board has the objective to supervise and regulate the establishment, management and operation of lotteries, gaming betting and casinos in Uganda.²⁴³ The functions of the board include licensing casinos, approve gaming devices and equipment, collect lottery and gaming tax, approve games available in casinos, approve and set standards for the supply of gaming equipment, protect citizens from adverse effects of betting.²⁴⁴

The board has the following powers; to carry out investigations, control and manage the boards assets, conduct any inspection and examination of books of accounts of licensed persons, levy express fines, designate an inspector of the board, direct closure of non compliant betting business.²⁴⁵

2.12 TAX APPEALS TRIBUNAL

The tax appeals tribunal is established under the Tax Appeals Tribunal Act and shall be composed of a chairperson and other eight members.²⁴⁶ The minister in consultation with the chairperson of the judicial service commission shall appoint the

²⁴⁰ Section 2, Lotteries and Gaming Act

²⁴¹ Section 6, Lotteries and Gaming Act

²⁴² Section 7, Lotteries and Gaming Act

²⁴³ Section 2, Lotteries and Gaming Act

²⁴⁴ Section 4, Lotteries and Gaming Act

²⁴⁵ Section 5, Lotteries and Gaming Act

²⁴⁶ Section 2, Tax Appeals Tribunals Act

chairperson of the tribunal.²⁴⁷ The chairperson shall hold office for a term of three years and may be re appointed.²⁴⁸ The person appointed may take an oath before taking over their duties in office.²⁴⁹ The qualifications for appointment are good moral character, proven integrity, never been convicted of any offence involving moral turpitude.²⁵⁰ A member of the tribunal shall be qualified in finance, taxation or law.²⁵¹

The other members of the tribunal will be appointed by the tribunal.²⁵²

The office of appointed members may be terminated for inability to perform the functions of the office.²⁵³ The Tribunal shall have the following powers; take evidence on oath, proceed in the absence of the party who has had reasonable notice of the proceeding and adjourn the hearing of the proceeding.

2.13 CONCLUSION.

Uganda's tax system is governed by a comprehensive legal framework primarily established through the constitution of the Republic of Uganda, Income Tax Act, Value Added Tax Act, Stamp Duty Act, Excise Duty Act, Tax Procedures Act and Lotteries and Gaming Act. The Uganda Revenue Authority (URA) serves as the main institutional body responsible for tax administration, collection, and enforcement. It is aided by Ministry of Finance Planning and Development, Tax Appeals Tribunal and the National Lotteries and Gaming Board. The legal framework ensures compliance and transparency, providing mechanisms for taxpayer rights and dispute resolution. Additionally, government policies and international agreements influence taxation laws, aiming to promote economic growth and fairness. Overall, this legal and institutional setup forms the backbone of Uganda's regulatory compass.

²⁴⁷ Section 3, Tax Appeals Tribunal Act

²⁴⁸ Section 6, Tax Appeals Tribunal Act

²⁴⁹ Section 8, Tax Appeals Tribunal Act

²⁵⁰ section

²⁵¹ *ibid*

²⁵² Section 4, Tax Appeals Tribunal Act

²⁵³ Section 9, Tax Appeals Tribunal Act

CHAPTER 3

EFFECT OF DIGITAL TECHNOLOGY ON TAXATION OF ONLINE BUSINESSES

3.1 INTRODUCTION

Digital Technology has had a positive impact on the taxation of online businesses because of its fast, convenient, accurate, efficient and easily accessible modes of tax payment like the Electronic fiscal receipting system and mobile money tax payments. Although it has had great impact many administrators still struggle to use it efficiently because of limited education in use of digital tools, poor internet penetration and logistics as I have discovered in the data collected from various URA employees carrying out roles in different departments of URA like tax academy and domestic taxes department. The solution of technology integration has come as a double edged sword that requires responsible stake holders to rise up to the challenge of mitigating the disadvantages that come with technology integration in order to realize its full benefits. The challenges can be overcome through digital education mechanisms and other recommendations as I have outlined in chapter 5.

In this chapter I focused on the effect of digital technology on the tax collection of online SMEs and its administration under the responsible stakeholders and institutions.

Uganda, like many developing nations, faces persistent challenges in mobilizing sufficient domestic revenue, particularly through taxation. The country's tax revenue to GDP ratio, currently at 12.2 percent, remains significantly below the Sub-Saharan Africa average of approximately 18.5 percent and lags behind East African Community neighbors like Kenya (15.1 percent) and Rwanda (14.6 percent)²⁵⁴. This low tax effort is partly attributed to widespread tax evasion and non-compliance across the business community. Addressing socioeconomic development needs a

²⁵⁴ UNCTAD United Nations Conference on Trade and Development, 2020.

framework that aims towards debt sustainability and creating a self sufficient economy that is supported by the taxes collected (Corti Paul, L). The advent of the COVID-19 pandemic further increased the already present challenge of non compliance leading to economic shocks and deterioration in taxes collected. The pandemic only brought to light the challenges that were present and had been ignored. In such a time is when digital technology was embraced to solve new problems. It is evident that although it was being used before there were challenges as to implementation in the administration and collection of taxes (Ibrahim, M).

Technology has emerged as a trans-formative addition capable of reshaping the landscape of tax administration in Uganda (Olara,O). By digitizing transactions, automating compliance processes, and leveraging data, the Uganda Revenue Authority can minimize tax leakages, plug holes for tax evasion, and enhance transparency as discussed by (Olara, O). This chapter explores the impact of different forms of technology on improving tax administration in Uganda, with reference to relevant available information from governing bodies and data collected from Uganda Revenue Authority staff. There has been an increase in online businesses providing different goods and services with the coming of the social media era to increase advertisement and sales. This group needs to be taxed as some do not have physical locations hence tax evasion of income tax.

I also examine the role of technology across the tax administration continuum, which includes taxpayer registration, education services, filing of declarations, audit and enforcement, and tax dispute resolution. The following are the ways in which digital technology has had an impact on taxation of online SMEs ;

3.2 Taxpayer Registration

It has improved tax payer registration where more people have registered to acquire TIN numbers with introduction of digital technology. This is supported by my findings and relevant literature. The taxpayer register is fundamental to effective tax administration.²⁵⁵ Its accuracy, reliability, and credibility are vital for undertaking compliance functions such as collecting taxes when returns are filed and managing tax arrears (Manabu Nose). Use of digital technology in tax payer registration leads to

²⁵⁵ Section 3, Tax Procedures Act

accurate collection of tax payer information since digital tools are used to check authenticity of information being provided by tax payers. It also reduces errors made by humans during physical registration as incorrect data can not be added to the system. All this promotes increased registration of tax payers, focusing on online SME owners which broadens tax base leading to increased revenue collected.

However, Uganda faced challenges with its taxpayer register before introduction of E-registration like few registrants who file or pay taxes, and the register was small relative to the scale of business and commerce in the economy. This is because many income earners are not registered which makes it hard to track them and hold them accountable to their tax obligations. Serious inaccuracies existed regarding taxpayer information provided at registration, with email addresses and telephone numbers frequently duplicated. The E-registration system has to a larger extent solved all these challenges but more effort is required from the administration to mitigate present challenges in order to realize its full effects and increase number of tax payers registered that would increase the tax base (Corti Paul, L). This information is backed up by data acquired from the customs supervisor in Uganda Revenue Authority.

The use of E-registration has shown success in various countries like Panama and Chile. Data integration from various stakeholders, like the Registrar of Companies and City Councils, and the use of data matching and audit software have been pivotal in expanding the tax base and verifying data accuracy in countries like Zimbabwe (Corti Paul, L). This is something that has been implemented to realize a broader tax base according to the supervisor of the domestic taxes department. Tax record cleansing, identifying and tracking inactive registrants using third-party information, has also been done with introduction of the E-registration to remove dormant registrants and encourage filing. This has improved number of registered tax payers hence broadening tax base and increasing revenue collected.

3.3 Taxpayer Education

There has been significant improvement in tax payer education among online SME business owners conducted by the Administration (Nyende, F).

Facilitating efficient administration requires improving the efficiency and quality of taxpayer services. In this case case the focus is on online SME owners education on how this group of people can effectively use available digital tools in fulfilling their tax obligations. This means that the administration has to provide available information to educate the tax payers on how to fulfill their tax obligations . But before they do this they themselves have to have a good understanding of the available tax digital tools in order to have capacity to teach and educate their fellow staff and tax payers on how to fulfill their tax obligations. Technology plays a crucial role in disseminating information and enhancing service delivery.

URA has undertaken reforms to provide information on the automation of tax services to simplify registration, filing, and payments, and strengthening information management.²⁵⁶ This beneficial technology can not be used unless information is properly disseminated on its existence and how to use it. All the URA staff interviewed revealed that they have undergone in house training on the new technologies introduced and how to use them. The tax agents are able to avail the information through the URA helpline accessible on whatsapp. A tax agent is connected to the tax payer to provide information and instructions on resetting TIN password and tracking payment status.²⁵⁷

They have also enhanced taxpayer education through campaigns, various media outlets, and educational institutions provided by URA staff. However, despite digitization, various online SME owners report the current system remains difficult to use.²⁵⁸ This has improved tax payer knowledge and made it easy to use the available digital tools according to my findings. Despite the success of the agent to tax payer connection through the URA helpline there needs to be more agents to satisfy the needs of the ever growing online business community.

²⁵⁶ <https://www.ura.go.ug>

²⁵⁷ <https://www.ura.go.ug>

²⁵⁸ Is EFRIS a necessary evil,PWC Uganda

Aside from the use of whatsapp to connect tax agents to taxpayers other methods have also been employed to foster taxpayer education. Awareness programs have been conducted through virtual workshops, and public notices posted online URA and Customs education portals Information conveying use of electronic tax tools.²⁵⁹

The URA has conducted taxpayer engagements using other social media platforms like twitter according to my findings. Mobile applications have also been launched in Uganda to provide taxpayers with access to tax information, calculators, and news updates, empowering them and enabling URA to deliver services more effectively like the URA application that can be downloaded on Google play store and apple store (AskURA App, 2025)

3.4 Tax Enforcement

Digital technology has enhanced audit and enforcement of taxes against online businesses by the administration. The digital age significantly affects tax audits by converting paper-based information into digital format and collection of digital receipts and invoices which allows for faster, cheaper, and more effective storage and use of information. Information from tax payers is described as the raw material for tax administrations, and digital technology assists in obtaining and managing this information efficiently (Enrique Sanchez, B).

The following show the impact of digital technology on tax audits by administrative stakeholders according to my findings and associated literature;

Digital technology has enhanced efficiency and accuracy of tax audit operations. This can lead to reduced processing times and fewer human errors (Dr.Nedal K.A). It has improved Data Analysis and Risk Management. Digital transformation allows tax administrations to turn data into a valuable asset that can predict, improve, aid in investigations and analysis, which helps in simplifying compliance and preventing errors and fraud leading to efficient administration. Technology tools are used in risk-assessment of taxpayers. Other advanced analytical tools, including artificial intelligence and machine learning are used for risk assessment and fraud detection. Risk assessment is the identification, analysis and evaluation of potential risks that could impact reliability and accuracy of financial statements (Paul.B).

²⁵⁹ <https://www.ura.go.ug>

Digital technology enables auditors to identify tax violations and fraud more effectively. Machine learning algorithms can perform precise detection of fraud and predict taxpayer behaviour, flagging cases of suspected fraud and tax evasion. This gives a chance to responsible stakeholders and institutions to hold culprits accountable. Electronic tax audits have shown a statistically significant impact in diminishing tax evasion and tax fraud in countries like Jordan (Dr.Nedal K.A).

There is Cost and Operational Efficiency when digital tools are implemented. Digital transformation helps optimize operations and ensure cost and operating efficiency. It reduces operational times and decreases costs for tax administrators according to my findings. This allows staff to focus on implementing other Technology that can help cut costs in a day to day tax administration.

Digital technology empowers URA employees to do their best work because it takes them a shorter time to complete tasks that promotes a healthy work life balance according to my findings.

However, the implementation of technological developments in tax auditing and collection also faces challenges, which, based on my findings and studies by (Dr.Nedal K.A) in Jordan, can include integration difficulties with existing systems, cybersecurity threats, staff resistance to new technologies, and high implementation costs.

3.5 Dispute Resolution

Tax Dispute Resolution among Online SME owners has been improved by integration of digital technology. An independent, accessible, and efficient tax dispute resolution mechanism is crucial to protect taxpayer rights. Uganda has a systematic mechanism starting from the Tax Appeals Tribunal (TAT) established under Tax Appeals Tribunal Act,²⁶⁰ and appeals can be made in the Courts but it is perceived as slow and favoring the tax authority, and the administrative review process is not uniform as reported by tax payers with ongoing tax disputes. The electronic receipts and invoices serve as easily attainable and accurate evidence that can be produced to help hold tax payers or stake holders to support their dispute in the tribunal.Easy access to evidence

²⁶⁰ Section 2, Tax Appeals Tribunal Act

leads to faster determination of tax disputes. Amendments to the Tax Appeals Tribunal (TAT) Act have been introduced to include alternative dispute resolution systems like mediation and arbitration. The increased number of tribunal members has also helped reduce case backlog but the amount of tax trapped in disputes remains large (Corti Paul, L) requiring a more rigorous system to integrate digital technology in solving tax disputes.

3.6 CONCLUSION

Conclusively the chapter summarizes my findings from data collection on the effect of digital technology on tax collection and administration supported by relevant literature. It has facilitated easier compliance, improved record keeping, and most importantly broadened the tax base by capturing previously elusive streams of income. However It depicts the challenges being faced like low internet penetration and inadequate tax payer education on use of digital tools to pay taxes. As the digital technology and e-commerce continue to evolve , policy makers must develop an adaptive tax framework that balances innovation with revenue integrity ensuring sustainable growth for online businesses within a fair taxation system.

CHAPTER 4

EFFECT OF DIGITAL TECHNOLOGY ON TAX COMPLIANCE AMONG ONLINE BUSINESSES

4.1 INTRODUCTION.

In the rapidly evolving digital era, where various digital technologies are being introduced to automate tasks, improve communication, provide access to information with aims to create more efficient and productive systems that use less use of resources online businesses have become a significant component of Uganda's economy, transforming traditional commercial activities and reshaping how transactions are conducted.²⁶¹ As digital technologies in taxation like E-filing, EBMs, EFRIS and automated accounting systems become increasingly prevalent,²⁶² they also influence various aspects of tax collection from specific groups like online SME business owners tax compliance.

From a taxpayer's perspective, digital technology presents itself as double edged sword with both opportunities and challenges. While it can streamline compliance processes, improve transparency, and facilitate timely reporting, it also raises concerns related to data security, digital literacy, and evolving regulatory frameworks. This chapter explores the multifaceted impact of digital technological advancements on the tax compliance behaviors of online business operators, shedding light on how these innovations shape tax payer attitudes towards fulfilling tax obligations and the potential implications for tax authorities and policy development.

²⁶¹ <https://taxsummaries.pwc.com>. Changes to URA's E-tax system

²⁶² Taxation Handbook 7th Edition FY 2024/2025

The following show a detailed account of the effect of digital technology on tax compliance on online businesses supported by data collected and relevant literature on the subject showing reasons that put tax payers in a position to comply with their tax obligations as influenced by digital technology;

4.2 Transparency and Accuracy

There is increased transparency and accuracy in use of digital tax payment systems which creates a system trusted by tax payers making them more willing to fulfill their tax obligations.

Digital technology enhances transparency in business transactions, thereby reducing opportunities for tax fraud. In Uganda, systems like the Electronic Fiscal Reception and Invoicing System (EFRIS) and Electronic Billing Machines (EBMs) are designed to automate the generation, validation, and transmission of tax invoices and receipts in real-time.²⁶³ EFRIS is a mandatory digital system in Uganda implemented by the Uganda Revenue Authority to track and manage Value added tax and other taxable transaction.²⁶⁴ EBM is an electronic billing machine.²⁶⁵

EFRIS aims to demonstrate all business transactions over a reliable digital record and caters for issues regarding tax evasion and inaccurate reporting. This is achieved through the identification of profits and losses which determine the deductions and rightful tax payable leading to improved levels of compliance by creating a reliable digital record. These systems enable tax payers to effectively track business transactions which makes it easier to file returns and pay required tax removing the opportunity for unreported taxable sales that might occur with manual systems characterized by less efficient record keeping. Digital technologies improve compliance because they provide a system that is trusted by the tax payers. This is because they participate in the assessment of tax payable and ensure they are not paying more tax than they should. EBMs log sales dealings and promptly transmit electronic fiscal receipts to the revenue bodies which reduces engagement of middle men who would sometimes fraudulently demanded extra money from taxpayers as some of the respondents shared with me. The introduction of these systems in Uganda

²⁶³ Taxation Handbook 7th Edition FY 2024/2025

²⁶⁴ <https://www.pwc.com> Is EFRIS a necessary evil?

²⁶⁵ <http://dr.ur.ac.ug> Tax payers perception on electronic billing machine

has been considered a pivotal innovation for advancing fiscal duties, particularly for online small medium enterprises.

4.3 Tax Filings

There is improvement in timeliness of Tax Filings when using available digital tax payment tools (Nakitende, M). This has been evidenced by less costs incurred to pay tax by tax payers. Digital tax systems are designed to streamline tax processes and activities, reduce costs, time, and enable taxpayers to fulfil their obligations efficiently. Online filing systems, electronic tax registers, and automated assessment systems enable tax payers pay taxes on time, enhance accuracy leading to efficiency in fulfilling tax obligations.

Easy payments are achieved through mobile payment systems, widely used in Uganda due to widespread mobile adoption and limited traditional banking access which is costly and time consuming. This contributes to compliance by enhancing efficiency because there is less cost and time involved. Many respondents reported during interviews in the data collection process. Mobile payment systems include mobile money, mobile banking (Nakitende, M 2019). They enable taxpayers to conduct monetary transactions electronically from the comfort of their home or business premises, providing a convenient and efficient way for online SMEs to handle transactions and maintain accurate financial records because of the available automated systems. Accurate records enable tax payers to file returns faster which saves time and money. They are time saving which makes it easy for more people to use them to pay their taxes which in the long run improves tax compliance as discussed by (Emilia, S 2023).

Similarly, in Kenya, the Tax system enables online systems of returns and payment systems, which has promoted tax compliance (Corti Paul, L). Digital tools are the key towards ensuring timely tax payment and accurate assessment. Automated assessment systems can identify any mismatch or inconsistencies in transactions and enable assessment of non-compliance. For online small and medium enterprises (SMEs), digital systems make it easier to comply with tax regulations. By automating record keeping through systems like EFRIS and EBMs, businesses can maintain accurate financial records that help them file accurate returns. This structured recording

process helps minimize reporting errors. The prompt updating of tax information due to the usage of digital platforms has minimized unnecessary delays. Digitized tax services positively influence compliance levels, with some businesses filing returns ahead of deadlines. Respondents in this study felt more confident about the accuracy of their tax filings when using an online tax system. Improved accuracy in tax filings is a noted effect of electronic tax systems.

The easy use of digital systems is a significant factor influencing willingness to comply. While challenges exist, digital platforms aim to be user-friendly, offering convenience for remote access and faster processing compared to traditional manual methods. The potential for costs reductions associated with digital platforms has also been noted to improve compliance rates among businesses by (Emilia, S 2023) and this has laid foundation for some of my recommendations in chapter 5 because it is not being done in Uganda. This efficiency and reduced burden has encouraged online businesses to file timely, accurate returns according to my findings. This in the long run creates a compliant culture.

4.4 Tax Burden

Digitization of tax administration aims to reduce administrative burdens, and improve efficiency for taxpayers. Tax payment through filing returns to effect payment is described as a tedious process involving a great deal of information that, if done without the right information would lead to wastage of resources like time and money as discussed by (Mascagani and Santoro).

Digital platforms, such as online tax filing systems and mobile applications, are instrumental in enabling taxpayers to fulfil their obligations efficiently. For businesses, particularly online SMEs, digital systems can lead to significant relief in tax payment burden by minimizing costs and time spent.. Online tax systems are designed to automate tax-related procedures such as registration, filing, payment, and record keeping. Advantages include reduced paperwork and faster processing for tax payers. Digital platforms can increase accessibility and enhance flexibility. The use of digital platforms has been noted to improve compliance rates among online SMEs due to costs reductions that characterize the platforms (Lees, A 2025). This is because such entities are geared towards reduction of cost of doing business in order to maximize

profit. By using advanced technology, businesses can reduce costs of generating revenue and fulfilling legal requirements such as tax payments. While digital systems offer the potential for cost savings and efficiency, the sources also highlight challenges. The cost of acquiring and maintaining electronic tax registers may not always be manageable for small businesses. Mobile payment systems can involve transaction and connectivity fees. However, the overall goal of digital tax administration is to make the process lean and efficient, reducing time and resource usage for taxpayers. For online businesses, which are already operating in a digital space, integrating with digital tax systems is less burdensome than for traditional businesses, potentially leading to greater cost and time saving in managing their tax obligations. This streamlined process is envisioned to promote tax compliance.

4.5 Tax Morale

Furthermore, using digital platforms to build taxpayers' trust in the government is crucial as corruption and misuse of money in URA has proven to be a reason most people give for not fulfilling their tax obligation as discussed by (Maria, A).

Digital platforms introduced by URA have improved tax payer trust in the system because of their automatic tax digital tools that ensure transparency and accuracy. Taxpayer trust in the digital system and the tax authority is a crucial factor influencing the adoption and effective use of online tax systems, and consequently, tax compliance behaviour. Skepticism toward digital platforms and resistance to change can restrict their full adoption. Skepticism is a questioning or doubtful attitude towards claims, beliefs(Carl, S 1997).

Resistance to digital integration in the tax system can limit its effectiveness as many will not embrace its use to realize the advantages (Naphtal,H 2023). Change has been identified as a key behavioral barrier to the adoption of digital tax services because of bias among tax payers. Conducting behavioral campaigns to emphasize the benefits of digital platforms and highlighting success stories can help address this skepticism and build trust. Concerns about data security and privacy, particularly related to cyber threats, data leaks negatively impact user engagement and are key barriers to voluntary compliance. Nearly half of respondents in my study expressed concern over cyber threats when using online tax systems. Trust and data security are major barriers

to adoption. Trust in the system significantly influences the intention to use online tax services. Without sufficient trust in the reliability and security of digital platforms, taxpayers may be reluctant to submit sensitive financial information online and fulfill their tax obligations as discussed by (Maria, J). The perceived lack of accuracy of the system also plays a role in the limited confidence in system accuracy is identified as a barrier to tax compliance. Cultivating a culture of compliance through sustained education and information campaigns about use of tax digital tools builds trust and demonstrates the advantages of digital systems like their transparency. Addressing behavioral barriers, such as resistance to change and system usability issues, is essential. Leveraging behavioral insights to encourage adoption can provide innovative solutions for increasing voluntary compliance. For online businesses, building trust is paramount, as they operate entirely in the digital sphere. If taxpayers do not trust the security and accuracy of the digital tax systems, it undermines the potential benefits of digitization and can hinder voluntary compliance, even if the system offers convenience and efficiency. Encouraging compliance requires bridging the digital divide and fostering trust in digital platforms as my study has established supported by published research by (Naphtal,H 2023).

4.6 CONCLUSION

In summary, while digital tax systems offer significant potential to benefit taxpayers by streamlining tax processes and making compliance easier, their successful implementation depends heavily on addressing the practical challenges we face. These include overcoming digital literacy and infrastructure gaps, building trust, ensuring system security, and providing adequate, tailored support and education. Continued efforts in these areas are vital for widespread adoption and to foster greater voluntary compliance.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSIONS

The conclusions below are as a result of my analysis on relevant research on the topic, data collected with consideration of the objectives of the study.

Digital technology has significantly empowered online SMEs in Uganda by enhancing operational efficiency, digital marketing, expanding target market, easy access to mobile payment systems and facilitating access to digital taxation tools. This transformation has enabled SMEs to grow their businesses, increase sales, and improve overall competitiveness in a computerized economy.

The adoption of mobile payment systems like use of mobile money and agent/mobile banking has positively influenced tax compliance among online SMEs because it has proved to be time and cost saving. These digital tools foster transparency and make it easier for SMEs to fulfill their tax regulations, leading to increased revenue collection.

Despite technological advancements, challenges such as limited digital literacy, inadequate infrastructure, limited internet penetration, high cost of implementation and maintenance, awareness gaps still hinder the full integration of online SMEs into the digital tax system. Many online SMEs are yet to find solutions to such inadequacies in order to realize the full benefits of the available digital tools, which affects the government's ability to optimize tax collection and provide public services to the citizens.

Government efforts to leverage digital technology for tax administration are a step in the right direction and this is evidenced by the introduction of technology integration in administration of taxes and their collection coupled with AI integration currently being pursued by URA to improve its technology integration programme. However, there is a need for more direct policies relating to technology integration, capacity building, and the development of digital infrastructure tailored to online SMEs' needs.

Such initiatives will help bridge the gap between digital transformation and effective tax enforcement.

Overall, while digital technology presents valuable opportunities to enhance the tax collection among online SMEs and improve tax administration, sustainable benefits depend on comprehensive strategies that promote digital inclusion, secure digital transactions, and educate SMEs on use of available digital tools to fulfill their tax obligations. Future initiatives should focus on fostering this environment to maximize economic and fiscal benefits for Uganda's tax system in order to increase revenue collection.

5.2 RECCOMENDATIONS

To allow sustainable development and easy use of digital tools there has to be rigorous education improvement to meet the ever growing digital transformations like AI integration and information technology in order to prepare individuals to be in position to use available digital tools to improve tax compliance and administration.

The responsible institutions like URA and MOFPED should offer thorough instructions on how to use electronic platforms including EFRIS by improving access to tax payment information (Siamand, H). This can be done through capacity building and training by the responsible institutions targeting online SME owners through training programs on how to use the available tax payment digital tools to pay their taxes by filing returns and fulfilling payments online. Although education and training on these new developments has been undertaken by URA and MOFPED many SME owners report that the resources to educate them are limited and more resources need to be provided to cater for all online SME owners interested in educating themselves on the new available digital tax payment tools like EFRIS, mobile tax payments and so many others. It will provide the necessary information and skills tax payers need to effectively use the tools and improve compliance. The education programs should provide benefits of using the tax digital tools to encourage tax payer participation (Naphtal, H).

There should be stringent methods and developments introduced and implemented to ensure data protection and cybersecurity with the ever growing leaking of peoples personal data and growing cyber crime activity as discussed by (Victoria, W). This will enable URA to cultivate trust among online SMEs taxpayers since compliance

and continuous usage of these systems rely on it. This is because a lot of sensitive data is collection during tax payer registration and it is important to ensure that the right to privacy,²⁶⁶ is maintained to maintain dignity of tax payers.

There is a need for improved policy frameworks to improve tax payer participation in use of online digital platforms like EFRIS and EBMs. The electronic billing management system is an innovative tool that allows automation and improvement in the flow of information among tax authorities, businesses and consumers.²⁶⁷ The study shows that the law is not evolving at the same rate with the ever growing technology and this is the problem that needs to be addressed.

Incentives including tax exemptions and subsidies for utilizing EFRIS,EBMs and mobile payments could motivate participation. Emerging technologies need to be met with laws that facilitate their implementation (Naphtal,H). It is important to note that improved tax payer participation in tax payment as a result of good relationship between tax payers and tax collectors in government initiatives increases tax base and revenue collected It is something the government has to invest in because compliance and efficient administration can easily be achieved when tax payers are more willing to fulfill their tax obligations. This positive relationship towards tax payment will ensure that less resources are spent on enforcement and punishing culprits that do not fulfill their tax obligations. This has been seen in Rwanda where less cost is incurred by government to enforce tax laws because citizens willingly fulfill their tax obligations (Naphtal,H).

There has to be rigorous investment to improve infrastructure and connectivity in terms of access to mobile data and electricity that enables tax payers to access the tax digital tools to pay taxes, education and information needed through social media platforms like whats app and twitter to pay their taxes (Timothy, K). Electricity outages have become a frequent problem because many Ugandans reported constant power outages limit their access to the tax digital tools. This can be achieved by working hand in hand with service providers of electricity in this case being UEDCL and telecommunication companies like MTN and Airtel to ensure all the round access

²⁶⁶ Article 27, 1995 Constitution of Uganda

²⁶⁷ <http://www.ura.go.ug>

to electricity and mobile data services with notice of unavailability allowing tax payers to prepare ahead and avoid missing deadlines of tax payment.

There should be policy changes in our tax laws to introduce new Tax Identification Numbers (TINs) linked to national identification numbers issued by the National Identification Registration Authority (NIRA) for individuals and registration numbers from URSB for non-individuals.²⁶⁸ Linking VAT registration details to national identification numbers would also help prevent fraudulent refund claims. This would broaden tax base and increase revenue collected.

5.3 AREAS OF FURTHER RESEARCH.

Although the current study demonstrates various and comprehensive literature on the effect of taxation digital tools in ensuring compliance and effective administration, there are still areas that need to be researched on in order to find solutions. Future research is required to explore whether the available digital tools like EFRIS and E-filing systems can be effectively used by the tax payers. It is important to ascertain the relationship between the tax payers and available digital tools to find out how they can be tailored to enable all tax payers to use them effectively. This should be emphasized for further research because digital tools that exclude some groups of tax payers lead to a smaller tax base, low compliance and high costs of implementing tax obligations.

The research gap in this case is the issue of cyber security which many people are concerned about since registration for tax payment requires personal data. There is need for more research to make sure that mechanisms for data protection and cyber security are put in place to improve protection of personal data of tax payers. In the data collected various respondents showed dissatisfaction in how the personal data submitted was being protected.

There is limited longitudinal empirical evidence in specific jurisdictions which prevents formulation of sustainable solutions to challenges faced by tax payers. Many researchers have focused on more developed countries leaving behind less developed countries that equally need available resources of research and recommendation to improve their tax system. The research I made on the existing relevant literature

²⁶⁸ Actionable Tax Compliance in Uganda; Lessons from other Countries.

showed that many researchers were more concerned with developed countries less than developing countries like Uganda.

Another gap in the research is on integration of Artificial intelligence into tax collection and administration. Although research is being done on AI integration a lot is being left out like who to hold accountable in case of mistakes and inconsistencies since the service provided by the system to the tax payer will be automated and done by a non living thing. There are a lot of ethical concerns that are yet to be addressed through further research.

There is limited research on impact of specific Digital Technologies like block chain technology and data analytics on tax compliance and efficient administration. Block chain technology is an advanced database mechanism that allows transparent information sharing within a business network. A block chain database stores data in blocks that are linked together to form a chain,²⁶⁹ resources should be directed to find out how such technologies can ease automatic execution of tax obligations, reduce compliance costs, facilitate improved cross border coordination allowing tax authorities from different jurisdiction to share information seamlessly (Kehinde, O 2024).

Conclusively this dissertation has explored the impact of digital technology on tax compliance and administration among online Small and Medium Enterprises (SMEs) shedding light on the available opportunities, challenges and potential solutions.

The findings indicate that while digital technology has the potential to significantly enhance tax compliance and streamline administrative processes, online SMEs in Kampala face several challenges. These include inadequate digital infrastructure, limited access to training and resources, a lack of awareness about digital tools, and concerns over data security coupled with regulatory obstacles.

However, solutions to these challenges are attainable through establishment of robust digital infrastructure, improving internet penetration coupled with targeted training and adaptation of Artificial intelligence and block chain technology as I have mentioned in my recommendation.

²⁶⁹ What is Block chain Technology? <https://aws.amazon.com>

REFERENCE LIST

- Dr Eamon Butler, An Introduction to Taxation.
- Dr Eamon Butler, An introduction to Taxation.
- Wealth of Nations book (Book 5, Chapter 2)
- Income Tax Act Cap 338
- 1995 Constitution of the Republic of Uganda
- Taxation Handbook, A guide to Taxation in Uganda 7th Edition 2024/2025
- Merima Ali and Odd Helge Fjeldstad (2021) Precolonial centralization and tax compliance norms in contemporary Uganda
- <https://thecitizenreport.ug>
- <https://thecitizenreport.ug>
- Taxation Handbook, A guide to Taxation in Uganda 7th Edition 2024/2025
- Tekalinga, K. Practice, Opportunities, and Challenges of Electronic Tax System from Taxpayers perspective: Evidence from Ethiopia
- What is an EFRIS: tally power solutions.com
- Uganda investment Authority profiling small and medium firms, 2020
- Kituyi, Diana. 2022 An analysis of business financing: a case study of small medium enterprises in Kampala, Uganda.
- UNU-WIDER Research brief; Simplifying the tax filing of small businesses in Uganda
- UNU-WIDER Research brief; Simplifying the tax filing of small businesses in Uganda.
- Nyende, F. Tax Compliance by Small and Medium-sized Corporations: A case study of Uganda.
- Asingwire, P Tax Compliance in Small and Medium Enterprises (SMEs) in Uganda: A case study of Kikubo Traders in Kampala Central Business District.
- Nyende, F. Tax Compliance by Small and Medium-sized Corporations: A case study of Uganda.
- Guma, D. Effects of electronic tax systems on tax compliance in Uganda.
- Sawadogo F. Does Mobile Money services adoption improve Tax revenue Mobilization in developing countries?
- Halden Wang C. Digitalising the Fiscal Contract; An Interdisciplinary Frame work for Empirical Enquiry.

Asingwire, P Tax Compliance in Small Medium Enterprises in Uganda : A case study of kikubo Traders in Kampala Central Business District.

Njuki, E. Daily Monitor Uganda.

Uganda Bureau of Statistics, statical Abstract Report 2022

Uganda Revenue Authority Annual Report 2021

Rudestam, K.E and Newton, R.R. (1992) Surviving your dissertation: A comprehensive guide to content and process.

Kiwanuka David 2022, Analysis of income tax compliance in Uganda: a case of Uganda Revenue Authority.

Advocates Coalition for Development and Environment. (2020). Fiscal Responses to Covid-19 Pandemic and Economic Recovery measures: A synthesis report of proceedings of the 10th Annual High level pre- budget Dialogue.

Manwaring, P and Regan, T (2024) Public Disclosure and Tax Compliance: Evidence from Uganda.

Taxation of SMEs in OECD and G20 Countries, OECD Tax Policy Studies N0. 23

URA, (2022) Uganda Revenue Authority, Annual Revenue Performance Report for FY 2021/2022

URA, (2020) Uganda Revenue Authority, Annual Revenue Performance Report for FY 2020/2021

URA, (2019) Uganda Revenue Authority, Annual Revenue Performance Report for FY 2018/2019

Dr Eamon Butler, An introduction to Taxation.

Mayega. S (2019) African Tax Administration Paper 12 Brighton: Institute of development studies

United Nations least developed countries, <https://unctad.org>

Ampumuza, D. 2022 Digitization of SMEs case study: Federation for Small and Medium Sized Enterprises in Uganda

The use of Digital Transformation by Small and medium Sized Businesses: Innovation Village in Collaboration with the federation of small and medium sized Enterprises of Uganda.

URA <https://www.ura.go.ug>

Guma, D. The Effect of Electronic tax systems on Tax Compliance Among Small and Medium Enterprises

Sawadogo, F. Does Mobile Money service adoption improve tax revenue mobilization in developing countries?

URA, (2022) Uganda Revenue Authority, Annual Revenue Performance Report for FY 2021/2022. Uganda Revenue Authority Hand Book 2024/2025.

Asingwire, P. (2019) Tax Compliance among SMEs: A case study of Kikubo Traders in Kampala Central Business District.

Nalukenge Z. (2022) Factors Influencing Digital Tax Compliance among SMEs in Kampala

Income Tax Act Cap 338

Value Added Tax Act 344

Excise Duty Act Cap 336

Stamps Duty Act Cap 339

Tax Procedures Code Act Cap 343

Lotteries and Gaming Act Cap 334

UNCTAD United Nations Conference on Trade and Development, 2020

Ibrahim Mike Okumu, Performance of Small and Medium sized Enterprises in Uganda: The role of Innovation

Olara Obbo J, Digital Transformation in Small and medium enterprises: Challenges and opportunities

Manabu Nose and Andualem Mengistu, 2023 Exploring the adoption of selected Digital Technologies in tax administration.

Corti Paul, L Actionable Tax Compliance in Uganda; Lessons from other Countries.

Nyende, F. Tax Compliance by Small and Medium-sized Corporations: A case study of Uganda.

<https://www.ura.go.ug>

<https://www.ura.go.ug>

Is EFRIS a necessary evil ?, PWC Uganda

Enrique Sanchez Blanco, Tax Audit in the digital Age

Dr. Nedal K.A Almaaitah on Tax auditing and collection in Jordan

Paul Brezina, The Future of Tax Audits? The Acceptance of Online based Automated tax audits.

<https://taxsummaries.pwc.com>. Changes to URA's E-tax system

Taxation Handbook 7th Edition FY 2024/2025

Taxation Handbook 7th Edition FY 2024/2025

<https://www.pwc.com> Is EFRIS a necessary evil?

<http://dr.ur.ac.ur> Tax payers perception on electronic billing machine

Nakitende, M. Electronic tax system and tax compliance in Uganda: A case study of Nakawa Division

Corti Paul, L Actionable Tax Compliance in Uganda; Lessons from other Countries.

Emilia, S 2023 The Digital Transformation of Tax Administrators

Mascagni, G and Santoro, F.(2018) What is the role of Tax payer Education in Africa?

Lees, A (2025) Beyond the Tax Bill: Measuring Tax Compliance Costs for Ugandan Firms, ICTD Working paper 223, Brighton Institute of Development studies

Uganda isn't bringing in enough revenue, but is targeting small business the answer?, Maria J.

Corti Paul,L Actionable Tax Compliance in Uganda; Lessons from other Countries.

Naphtal H,Technology Evolution and Tax Compliance: Evidence from Rwanda

Siamand H,Emerging digital technologies to improve tax compliance and administration efficiency: A systematic Literature review

Naphtal H, Technology Evolution and Tax Compliance: Evidence from Rwanda

Victoria W,Data Protection and tax payers rights: Challenges created by automatic exchange of information.

Article 27, 1995 Constitution of Uganda

<http://www.ura.go.ug>

Naphtal H, Technology Evolution and Tax Compliance: Evidence from Rwanda

Naphtal H, Technology Evolution and Tax Compliance: Evidence from Rwanda

Timothy K, Impact pf power outages: Unveiling their influence on micro, small, and medium sized enterprises and poverty in sub-Saharan Africa

What is Block chain Technology? <https://aws.amazon.com>

Kehinde, O 2024. The application of block chain technology to improve tax compliance and ensure transparency in global transactions.

RESEARCH QUESTIONNAIRES.

TAXATION REASEARCH QUESTIONNAIRE (FOR URA STAFF)

QUESTIONS

1. What digital tools and platforms does the IRA currently use to facilitate tax compliance and administration ?
1. What challenges have you encountered in implementing and maintaining your current digital tax systems?
2. How does the IRA utilize digital technology to enhance engagement and communication with tax payers
3. What measures are in place to ensure the security and privacy of tax payer's data within your digital systems ?
4. What is the adoption rate of your e-filing and online payment systems among taxpayers, and what strategies do u have to increase this rate?
5. What training resources or support does the URA provide to taxpayers to help them understand and use your digital services effectively ?
6. How does the URA collect feedback from taxpayers regarding their digital services, and how is this feedback utilized for improvements?
7. How does the URA integrate its digital tax systems with other government agencies and financial institutions to improve efficiency and compliance?
8. What plans does the URA have for future digital initiatives that could enhance tax compliance and administration?
9. Have you observed any measurable changes in tax compliance rates since the introduction of digital technologies and if so, what specific technologies have contributed to these changes ?

TAX RESEARCH QUESTIONNAIRE (FOR ONLINE SME OWNERS)

1. Do you why you pay taxes?
2. Do you know paying taxes is your responsibility to the state?
3. Do you find online tax platforms user friendly?
4. What are the challenges you face if its not user friendly?
5. Has the use of mobile money for tax payment eased the burden of tax payments?
6. How has the implementation of digital tax stamps affected your business operations and tax compliance?
7. How do understand how the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) work , and has it helped you in your tax obligations?
8. Has EFRIS increased accuracy of your tax records?
9. How often do you use online resources provided by the Uganda Revenue Authority (URA)for tax- related information?
10. Has access to digital information improved your understanding of Ugandan tax laws and regulations?
11. What kind of digital resources would help you better understand the tax system?
12. Do you believe that digital technology has increased transparency of the tax system?
13. Does access to online tax records and information increase your confidence in the fairness of the tax system?
14. Do you believe that digital systems make the URA more accountable?
15. Do you have concerns about the security and privacy of your tax information when using digital platforms?
16. Does the ability to track your tax transactions online increase your trust in the system?