



## Digital Tax Stamps & e-Invoicing



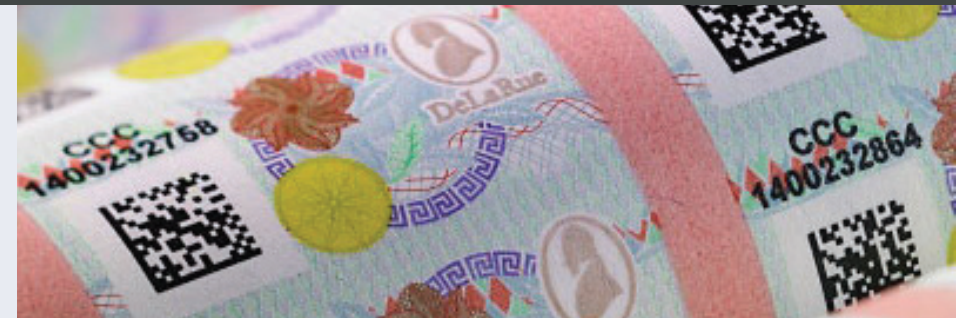
# 1. Introducing Kakasa

Kakasa is a set of government world-class certified smart business solutions introduced to ease doing of business in Uganda, enable compliance and ultimately increase Uganda's attractiveness as an investment destination. Kakasa comprises of two business solutions namely:

## a) Digital Tax Stamps

These are tamper-proof physical paper or numerical markings with security features and codes that are applied to goods or their packaging to prevent counterfeiting. Digital stamps enable;

- Manufacturers' to track their products' movement
- Government to monitor compliance of these manufactures
- Consumers to trace the origin and authenticity of these products.



6 excisable products are gazetted for initial implementation of these Digital Tax Stamps namely wines, mineral water, beers, spirits, soda and tobacco products.



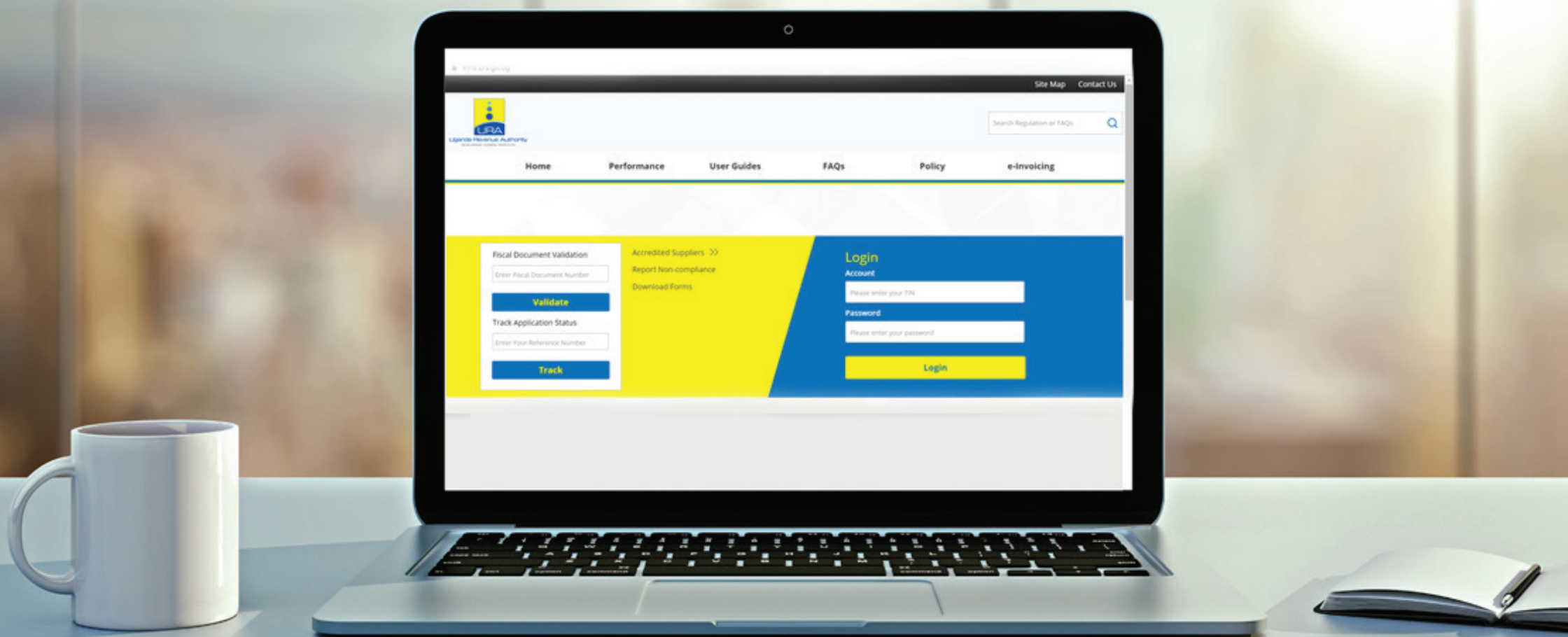
## b) e-Invoicing

This is a process of formatting, sending and receiving of transactional details into fiscal data and fiscal documents (electronic invoices and e-receipts), storing of fiscal information and generating of fiscal documents in an electronic format which is printable on a need basis.

This is enabled by a software intermediary commonly known as Application Protocol Interface (API) specifying how the software components shall interact

to allow the exchange of transactional information using the channels below;

- System to System connection.
- Client applications to be installed on a computer. (For taxpayers with or without system) and AskURA mobile application for taxpayers with mobile gadgets.
- Web portal. (For taxpayers with or without system)
- Send transaction details through USSD for the different mobile network suppliers.



## 1.1 Key features of the Kakasa Solutions include;-

- a. Track and trace capabilities.
- b. Real-time exchange of production and transaction data.
- c. Simplified book keeping to enhance business monitoring.
- d. Quick access to information spanning years at the click of a button.
- e. Comprehensive view of the business from inputs to the outputs.



Taxpayers	Consumer
<ul style="list-style-type: none"><li>▪ Protection of the legitimate economy by guaranteeing fair competition through curbing illicit trade practices.</li><li>▪ Enhanced facilitation of taxpayers compliance through real time access of their production/ imports details which in turn enables auto filled return filing.</li><li>▪ Improved business operational efficiency.</li><li>▪ Expedited tax disputes and tax refunds process.</li><li>▪ Simplified tax declaration process because of an available data base to support the use of pre-populated tax returns.</li><li>▪ A platform and tool for proper record keeping with full details of real time business transactions.</li><li>▪ Lower compliance costs</li><li>▪ Simplified processes (returns declaration, refunds management, registration etc.)</li></ul>	<ul style="list-style-type: none"><li>▪ Enhanced public health by mitigating potential health risks caused by substandard/counterfeit goods.</li><li>▪ Empowered consumers make better choices prior to consuming products through use of smart tools.</li><li>▪ Improved Fiscal-Social contract as citizen's perception of taxation is improved because of raised visibility of Uganda's tax system.</li><li>▪ Increased ease of business formalization which opens up more business opportunities.</li><li>▪ Increased promotion of fair competition and equitable taxation as counterfeits and illicit traders are cleansed from the Ugandan market.</li></ul>

## 2. Why Kakasa?

Kakasa is borne out of government's desire to resolve the following taxpayer complaints;

1. Lengthy and complicated tax administration processes.
2. Complicated and lengthy declaration process.
3. Inconsistencies in tax assessments and ledger positions.
4. The requirement to store physical documents for not less than 5 years.
5. Lack of proper book keeping knowledge and skills given the illiteracy levels in Uganda.
6. Loss of transaction records.
7. lack of clarity on what to expect at different intervals of consuming similar services by the same clients
8. Inadequate information on the rights, roles and obligations of taxpayers as well the knowledge and skills to use the systems and procedures
9. Uneven playing field among taxpayers rising from counterfeits and illicit trade.

## 3. Who is to use the Kakasa Solutions?

### a) Digital Tax Stamps

The use of this solution shall apply to every person in the business of manufacturing and importing of products gazetted for the application of these Digital Tax Stamps. Initially, these are the manufacturers and importers of the 6 excisable products under gazette.

### b) e-Invoicing

The use of this solution shall apply to every person carrying on business in Uganda under business models Business to Business (B2B), Business to Government (B2G), and Business to Consumer (B2C). However, the solution shall be piloted and rolled out in a phased approach as per the commissioners' gazette.





## 3.1 What is the Legal Framework supporting the implementation of these Kakasa Solutions?

### a) Digital Tax Stamps

The Tax Procedure Code Act 2014 section 19A (1), 'a person dealing in goods, whether locally manufactured or imported shall affix a tax stamp on any goods locally manufactured or imported as prescribed by the minister under subsection (3).'

Furthermore, section 19A (2), 'the commissioner shall prescribe the manner in which a tax stamp is to be affixed to goods.



### b) e-Invoicing

The Tax Procedure Code Act 2014 section 73A (1) introduces the use of Electronic Receipting and Invoicing. "A taxpayer may issue an e-invoice or e-receipt, or employ an electronic fiscal device which shall be linked to the centralised invoicing and receipting system or a device authenticated by Uganda Revenue Authority."

Furthermore, as per section 73A (2), "the commissioner shall, by notice in the gazette, specify taxpayers for whom it shall be mandatory to issue e-invoices or e-receipts or employ Electronic Fiscal Devices (EFDs) which shall be linked to the centralized invoicing and receipting system or devices authenticated by the Uganda Revenue Authority."



## 4. Kakasa business solutions installation.

### **a) Digital Tax Stamps**

A set of digital machines are installed at the manufacturer's premises. These include the applicator, the scanner that checks to see whether the product has a stamp affixed, the encoder that puts codes on digital imprints, the line enable, a server to store production data and enable exchange of information to URA and cabinets that store ink, spare parts among other things.

### **b) e-Invoicing**

The components that enable e-Invoicing are virtually installed at the business premises. This shall be in the virtual IT network or on the gadgets such as a computer used by the business to generate e-receipts or e-invoices. System to system shall be installed in the virtual IT network, the client application shall be installed on a computer and the askURA mobile application and a link embedded on the URA portal that can be accessed by businesses from anywhere as long as there is an internet connection.





## 5. How the solutions work.

### a) Digital Tax Stamps

A stamp is affixed to every item manufactured in Uganda or imported. For the items manufactured in Uganda, the process is both;

- Manual: the stamp is put by hand on each item or packaging unit and then manually activated.
- Automated: stamps are affixed on the unit product while still on the production line after the unit product packaging.

For imports, a stamp is affixed in the country of export or at any place designated by URA. Upon activation,

the stamps relay data to URA in real-time or near real-time. The stamp has a track and trace capability from the point of production to the point of distribution.

### b) e-Invoicing

Once a transaction is initiated using any of the solution components, transaction details are transmitted to URA's back end system for fiscalization and thereafter produce e-invoices or e-receipts with special features that are sent back to the solution component at the business premise for issuance to a customer in real time.