FAIR TAX MONITOR STUDY

Uganda

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Acknowledgements

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Fair Tax Monitor

The Fair Tax Monitor (FTM) is an evidence-based tool identifying the main bottlenecks in tax systems while providing evidence for advocacy. The standardized methodology allows for comparisons of tax policies and practices across countries. In the later stages of the project, it will be used to monitor progress over time.

The degree of fairness in tax systems is determined by considering:

- their structures;
- distribution of the tax burden;
- revenue sufficiency;
- tax exemptions;
- effectiveness of the tax administration;
- government spending priorities; plus
- Transparency and accountability in the system.

The expected impact of providing such analysis is to see:

- citizens demanding accountability from their governments;
- civil societies using information to strengthen awareness and advocacy campaigns and influence their tax systems for the better; and
- relevant stakeholders, including in government agencies, having a solid understanding of tax and expenditure gaps to develop pro-poor fiscal policies

The Fair Tax Monitor project was started in December 2014 by Oxfam Novib and Tax Justice Network—Africa (TJN-A), in collaboration with partners from Bangladesh (SUPRO), Pakistan (Indus Consortium), Senegal (Forum Civil) and Uganda (SEATINI). The Common Research Framework (CRF) for the FTM was developed during the pilot phase in 2015/2016 and implemented in 4 pilot countries: Bangladesh, Pakistan, Uganda and Senegal.

The 2017 CRF was used during the 2017 country research in 9 countries: Senegal, Tunisia, Nigeria, Uganda, Occupied Palestinian Territory (OPT), Pakistan, Bangladesh, Vietnam, and Cambodia. The CRF can be used to gather qualitative and quantitative information in a standardized manner. The collected data is categorized, evaluated and entered into the FTM online tool (www.maketaxfair.net). 'Make Tax Fair' provides an overview of the main issues in this report and compares them with other focus countries.[1]

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List of Abbreviations

AAU	Action Aid Uganda
ARVs	Antiretrovirals
ATAF	African Tax Administration Forum
Bn	Billion
BoU	Bank of Uganda
BPO	Business Process Outsourcing
CDPC	Central Document Processing Centre
CEDAW	Convention of the elimination of All Forms of Discrimination against Women
CEWIT	Citizen Watch—IT
CIT	Corporate Income Tax
COMESA	Common Market for East and Southern Africa
CCA	Cooperative Comparative Approach
CRF	Common Research Framework
CSBAG	Civil Society Budget Advocacy Group
CSOs	Civil Society Organisations
DAES	Directorate of Agricultural Extension Services
DFID	Department for International Development
DTT	Double Taxation Treaty
EAC	East African Community
EOC	Equal Opportunities Commission
FTA	Free Trade Agreement or Financial Intelligence Authority
FTM	Fair Tax Monitor
FY	Financial year
GDP	Gross Domestic Product
GoU	Government of Uganda
HNWIs	High Net-worth Individuals
HSSP	Health Sector Strategic Plan
IBP	International Budget Partnership
IFFs	Illicit Financial Flows
IGG	Inspectorate of Government
IMF	International Monetary Fund
ISER	Initiative for Social and Economic Rights
ITA	Income Tax Act
ITU	International Taxation Unit
IUTNF	Inter-University Tax Justice Network Forum
KACITA	Kampala City Traders Associations
KCCA	Kampala City Council Authority
LGFC	Local Government Finance Commission
LGHT	Local Government Hotel Tax
LGs	Local Governments
LST	Local Service Tax
MAAIF	Ministry of Agriculture Animal Industry and Fisheries
MDAs	Ministry, Departments and Agencies

MNCs	Multinational Corporations
MoES	Ministry of Education and Sports
MoFPED	Ministry of Finance, Planning and Economic Development
MoH	Ministry of Health
MPS	Ministerial Policy Statement
MTEF	Medium Term Expenditure Framework
MTIC	Ministry of Trade, Industry and Cooperatives
NAADS	National Agricultural Advisory Services
NAEP	National Agriculture Extension Policy
NARO	National Agricultural Research Organisation
NDP	National Development Plan
NHIS	National Health Insurance Scheme
NPA	National Planning Authority
NSSF	National Social Security Fund
NTR	Non-Tax Revenue
OAG	Office of the Auditor General
OBI	Open Budget Index
OECD	Organisation for Economic Co-operation and Development
OTT	Over the Top Service
PAYE	Pay As You Earn
PIT	Personal Income Tax
PFMA	Public Finance Management Act
PSA	Production Sharing Agreement
RADEX	Regional Authorities Digital Data Exchange System
SACCOs	Savings and Credit Cooperative Organisations
SADC	Southern Africa Development Cooperation
SEATINI	Southern and Eastern African Trade, Information and Negotiations Institute
TADAT	Tax Administration Diagnostic and Assessment Tool
TAT	Tax Appeals Tribunal
TFA	Tripartite Free Trade Area
TIN	Tax Identification Numbers
TJN-A	Tax Justice Network-Africa
Tn	Trillion
TREP	Taxpayer Register Expansion Project
TTR	Total Tax Revenue
UBOS	Uganda Bureau of Statistics
UDN	Uganda Debt Network
UGX	Ugandan shillings
UHCO	Uganda Health Consumers Organisation
UPE	Universal Primary Education
URA	Uganda Revenue Authority
URSB	Uganda Registration Services Bureau
USAID	United States Agency for International Development
VAT	Value Added Tax
WEGCDA	Women and Girl Child Development Association
WGI	Water Governance Institute
WHT	Withholding Tax

Glossary

Beneficial Ownership: Refers to an individual or entity with ownership of a property or stock whose legal title is in another entity's names. A beneficial owner of an equity is the ultimate owner and beneficiary of generated income.

Base erosion and profit shifting: According to the OECD (2013), base erosion and profit shifting refers to tax planning strategies that exploit gaps and mismatches in tax rules to make profits 'disappear.' This is done to shift profits to locations where there is little or no activity but the tax rates are low. This results in little or no corporate tax being paid.

The base erosion and profit shifting project coordinated by the OECD, originally requested by the G20, seeks to reform international tax standards that have become open to exploitation by multinational firms.

Direct taxes: Taxes imposed (levied) on income, wealth and property, such as Personal Income Tax, Corporate Income Tax, Property Tax and Capital Gains Tax. The tax burden is always on an individual or entity and can't be shifted by the taxpayer to someone else.

Double Taxation Treaties (DTTs): DTTs are meant to regulate taxation in multiple jurisdictions to avoid double taxation and double non-taxation. In general, DTTs tend to among others: determine which country has taxation rights over a certain income; define which taxes are covered in the treaty; determine who is a resident and eligible for benefits on each state; and reduce the amounts of tax withheld from interest, dividends, and royalties paid by a resident of one country to residents of the other country.

Equity/fairness: Making people with greater ability (i.e. wealthy people and large corporations) pay more taxes (vertical equity), and establish that taxpayers in similar circumstances pay similar amounts of tax (horizontal equity).

Fair Tax Index: A tool that measures tax fairness and compares the levels and trends of tax injustice across country tax systems.

Fair tax system: A tax system that has the following characteristics:
progressive, serving as a mechanism to redistribute income in a gender-sensitive way;
raises sufficient revenue to perform government functions and provide essential services;
avoids tax exemptions and incentives for the rich; and tackles the causes of illicit capital flight and tax evasion by multinational corporations and the wealthy.

Illicit financial flows (IFFs): Money that is illegally earned, transferred or utilized. These funds originate from three sources: commercial tax evasion, trade mis-invoicing and abusive transfer pricing; criminal activities including the drug trade, human trafficking, illegal arms dealing, smuggling contraband; bribery and theft by corrupt government officials.

Indirect taxes: Taxes on consumption, such as value added tax/sales taxes, goods and services taxes, customs duties and excise duties. They are more regressive than direct taxes.
Informal sector: Economic activities and the income derived thereof, that circumvent or avoid government regulation or taxation. This research focuses on informal sector businesses, instead of informal sector workers.

Progressive tax: A tax placing the greatest burden on the rich. Most often applied in form of an income tax with a rate that rises alongside income levels, so that those who earn high income pay a greater proportion as tax.

Public spending: Expenditure by the government on public infrastructure/goods and social amenities, such as education and healthcare.

Regressive tax: A regressive tax, in contrast to a progressive tax, is one where everyone pays the same amount of tax despite their income or ability to pay. Here, the tax rates decrease as the taxable amount increases, resulting in a greater tax burden for the poor compared to the rich. Indirect taxes are often regressive.

Tax avoidance: The legal practice of minimizing a tax bill by taking advantage of a loophole to tax regulations or adopting an unintended interpretation of the tax code.

Tax evasion: Actions by a taxpayer to escape a tax liability by hiding income on which the tax liability has arisen from the revenue authority.

Thin Capitalisation: A state of a business entity's financing structure where debt is significantly higher compared to equity. With Uganda's Domestic Tax law allowing interest deductions on debts acquired, an entity may choose to have high debt in the capital structure to increase expenditures; thereby, reducing the taxable income.

Trade Mis-invoicing: Trade mis-invoicing is defined by Global Financial Integrity (GFI) as a method for moving money illicitly across borders, which involves misreporting the value of a commercial transaction on an invoice submitted to customs. The GFI report (2014) identifies four basic categories of trade mis-invoicing: import under-invoicing, import over-invoicing, export under-invoicing and export over-invoicing.

Transfer pricing: Price charged in transactions entered into by related companies which are part of the same economic group for goods, services or intangible property. Abusive transfer pricing occurs when prices are manipulated so that income and expenses are improperly allocated to reduce taxable income in specific countries.

Value Added Tax (VAT): Specific type of turnover tax levied at each stage of the production and distribution process. VAT is a tax on all final consumption of goods and services. VAT is a tax on final consumption as the suppliers of goods or services are liable to remit it to the tax authorities. VAT is a percentage of the price each supplier charges to his customer.

Wealth tax: It is a tax based on the market value of assets owned by individuals. These assets include, but are not limited to, cash, bank deposits, shares, fixed assets, private cars, assessed value of real property, pension plans, money funds, owner occupied housing and trusts. An ad valorem tax on real estate and an intangible tax on financial assets are both examples of a wealth tax. Not all countries have this type of a tax. Although many developed countries choose to tax wealth, the United States has favoured taxing income and property taxes. In this study, property, land and capital gains tax represent wealth taxes.

Exchange rate: The exchange rates between Ugandan Shillings (UGX) and US dollars (US$) used in this study are:

FY	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Average	2,588.95	2,538.34	2,823.22	3,442.96	3,528.30	3,659.1

Source: Bank of Uganda (https://www.bou.or.ug/bou/rates_statistics/statistics.html)

N.B. The convention from UGX to USD was done using the average exchange rate during that financial year.

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Executive Summary

The Fair Tax Monitor project was started in December 2014 by Oxfam Novib and Tax Justice Network—Africa (TJN-A), in collaboration with partners from Bangladesh (SUPRO), Pakistan (Indus Consortium), Senegal (Forum Civil) and Uganda (SEATINI). The Fair Tax Monitor (FTM) is an evidence-based tool identifying key bottlenecks in tax systems while providing evidence for advocacy. Its standardized methodology allows for comparisons of tax policies and practices across countries. The study relied mainly on a literature review of relevant documents and analysis of secondary data guided by the Common Research Framework (CRF) methodology. Several research questions guided the CRF review and analysis of data from which this report was generated. This report mainly covers FYs 2014/15 - 2017/18, although in some sections FY 2018/19 is included.

Major Findings:

Uganda's Tax System

Tax administration is governed by a number of laws such as: the Constitution of the Republic of Uganda, 1995; Income Tax Act, Value Added Tax Act, Tax Procedures Code Act, 2014; The East African Excise Management Act, Excise Management Act; Uganda Revenue Authority (URA) Act and Local Government Act; among others. In addition, there are a range of institutions at national and local/district levels, which include: Ministry of Finance, Planning and Economic Development (MoFPED), URA, Parliament of the Republic of Uganda, Ministry of Local Government (MoLG), Ministry of Trade and Industry, and Local Governments (LGs), among others.

The recent legal reforms are expected to establish an "efficient" mode of collecting taxes, with less efforts being directed at the principles of equity and progressivity. There are continuous yearly increments on duties and taxes on basic goods and services, placing a heavier tax burden on low income earners.

Although citizens are not yet engaged, civil society organisations and the other non-state actors' participation in shaping revenue policies at the national level is improving. Many organisations engage government on shaping revenue policies at the national level. For instance, every financial year, the Tax Justice Alliance Uganda develops a civil society position paper on tax and revenue proposals which is presented to the Parliament of Uganda during the debate and approval of the national Budget. But in most instances, civil society proposals are not taken seriously by government. A case in point is Parliament's passing of the 1% tax on mobile money transactions and the Over-The-Top (OTT) tax on social media access charging UGX 200 daily from individual users in the 2018/19 Budget, despite resistance by CSOs.

Perceptions amongst citizens on the transparency and fairness of the tax system has a strong linkage to taxpayers' compliance and responsiveness to pay takes. Although some studies on the public perception of the country's tax systems have been done, few studies have showed that the majority of citizens were not aware of how most of the taxes are calculated or assessed. Most Ugandans do not adequately understand the functions and mandates of institutions responsible for taxation in Uganda. There is also confusion between the taxes collected by the URA and by LGs.

Tax Burden and Progressivity

Uganda is not performing well in reducing inequality through tax policy. Uganda performs poorly in terms of the impact of tax on inequality. The country has regressive tax systems, with high dependence on indirect taxes (for example, excise duty, VAT, and customs), which contribute about two-thirds of total tax revenues. Indirect taxes are more regressive since they are based on the value of goods, services and assets, rather than the ability of people to pay. Indirect taxation also affects women more because they spend a higher proportion of their income on consumer goods for their families. Women tend to spend more of the income on goods that contribute to the social reproduction of labour, including healthcare, education, food, child care and the elderly.

Direct taxes are viewed as progressive, as they affect those with greater earnings more as a proportion of income than those with less.

However, due since a smaller proportion of the taxable base is available to the tax authorities, few people especially those engaged in formal businesses and salaried employees are taxed. This means the few taxpayers shoulder the biggest tax burden.

Effectiveness of Tax policy and administration

Uganda has seen a significant increase in Total Tax Revenue (TTR) in Uganda has increased during the last 5 years from UGX 8.38 Tn (US$ 3.3 Bn) in 2013/14 to UGX 14.66 Tn (US$ 4.01 Bn) in 2017/18. However, Uganda performs poorly on actual collection of tax compared with the potential levels that could be collected. While the URA year-on-year revenue collections growth rate averaged 15% during the last five years (2013/14 – 2018/19), the collections were below the target for three FYs 2013/14, 2016/17 & 2017/18. For instance, according to the annual URA Revenue Performance Reports, Corporate Income Tax (CIT) and Value Added Tax (VAT) collections posted on average a deficit of UGX 68 Bn (US$ 24 Mn) and UGX 122 Bn (US$ 29 Mn) between 2013/14 and 2017/18 respectively. A study by the International Monetary Fund (IMF) in 2014 found that VAT compliance levels in Uganda were below that of countries at a similar level of development. Consequently, Uganda has not raised its tax-to-GDP ratio to the level of other EAC countries. While Uganda's revenue-to-GDP ratio stood at 13.8% in 2015/16, Kenya's was at 15.9% and Rwanda's at 14.9%. The low revenue is attributed to revenue mobilisation challenges which range from inefficiencies in tax collection both by URA and local governments to losses in revenue due to numerous tax incentives and exemptions.

Since there is no clear policy on tax incentives and exemptions, Uganda is losing a lot of revenue. According to the URA, Uganda's lost revenue from tax incentives and exemptions alone amounted to UGX 8,440 Bn (US$ 3,073 Mn) from 2010/11 to 2016/17, an equivalent of16% of the total tax revenue. The amount of revenue lost in 2016/17 was nearly equal to the agriculture budget (which was UGX 823.4 Bn US$ 234 Mn- in 2016/17). Although the main beneficiaries of tax exemptions are mainly Multinational Corporations (MNCs), there are no incentives for smaller businesses which is unfair. Unfortunately, information about beneficiaries of tax exemptions is not publicly available and the procedure for granting them is not transparent.

Government Spending

Despite the increase in government revenue from UGX 10.6 Tn (US$3.76 Bn) in 2014/15 to UGX 27.4 Tn (US$7.50 Bn) in 2018/19 of which 65% were tax revenues, spending still outstrips revenue, a situation that escalates the annual budget deficit. The budget deficit increased from UGX 3.37 Tn (US$ 1.2 Bn) in 2014/15 to UGX 7.4 Tn (US$2.0 Bn) in 2018/19, which is nearly half of total tax revenue. To finance the deficit, the government has continued borrowing, resulting into an increase in the public debt. Uganda's public debt stood at US$ 10.53 billion (equivalent to 38.1% of GDP) as at March 2018.

Uganda's total budget allocations increased from UGX 14.97 Tn (US$ 5.3 Bn) in 2014/15 to UGX 25.1 Tn (US$ 6.9 Bn) in 2018/19. The government's total budgetary allocation in nominal terms to the social sectors (education, health, social development) and agriculture increased over the last five years from UGX 3.85 Tn (US$ 1.4 Mn), in 2014/15 to UGX 6.20 Tn (US$ 1.7 Mn) in 2018/19. However, the high spending on interest payments, public administration and the military sectors impact negatively on government spending in social sectors and agriculture. But is the money allocated to social sectors and agriculture has remained stagnant at a quarter of the national Budget. Consequently, Uganda is also unable to meet her international and regional commitments which include allocating at least 15%, 10% and 15% of the annual Budget to health, agriculture and education sectors, respectively.

All government MDAs and LGs are supposed to integrate gender and equity in their development / investment plans and Budget Framework papers. The Equal Opportunities Commission (EOC) noted that there was improvement in the way the various votes appreciate gender and equity issues. However, there was a decline in compliance to gender and equity requirements of the Ministerial Policy Statements (MPSs) from 53% in the FY 2016/2017 to 48% in FY 2017/2018.

Transparency and Accountability

Information on the tax system (tax rates and tax collections) is publicly available. Such information is published by both MoFPED and URA through several documents and websites (www.ura.go.ug, www.finance.go.ug, and www.budget.go.ug). However, most of the information is in English, yet most taxpayers cannot easily read and write English.

Although the URA tried countering corruption among its staff, the vice is still rampant.

Recommendations

The study recommends the following:

a. Parliament should amend Section 77(1)-(2) of the Public Finance Management Act (PFMA), 2015 which accords the Minister to award tax exemptions, report and justify the award to parliament

b. Parliament should repeal Section 21 (q), (t), (s), (v) of Income Tax Law to provide tax holidays up to a maximum of five (5) years which can only be extended after an independent cost-benefit analysis.

c. MoFPED should analyse the impact of any proposed tax reforms and base the decisions on the potential impact on reducing inequality before introducing any new measures.

d. MoFPED should ensure full autonomy of URA and hold the Authority accountable to an agreed set of performance measures.

e. The Ministry of Local Government and MoFPED should strengthen the capacity of LG tax administrations.

f. MoFPED should publish on annual basis a cost-benefit analysis of all tax expenditures and incentives with a view to reduce or remove some

g. MoFPED should use oil and gas revenues to increase overall public spending on social sectors, especially education and health, by allocating more funds to meet the international and regional commitments

h. URA should produce disaggregated data on taxpayers

i. URA should collect VAT and CIT which are currently underperforming through conducting effective tax gap analysis by working with a broad range of experts.

j. MoFPED should use oil and gas revenues to increase overall public spending on social sectors, especially education and health

k. CSOs should continue to build public awareness on taxation, the need to pay taxes and influence government affairs (including demanding quality services).

l. CSOs should simplify all tax laws and policies and translate them into local languages. At local levels, CSOs can work with citizens' groups and traders/ vendors' associations to provide simplified information about taxation.

m. CSOs should carry out more advocacy on ensuring tax administration is transparent and accountable.

n. CSOs should undertake more empirical studies to establish the impact of tax on various categories of people.

o. CSOs could conduct gender audits of taxes and demand that government implements gender-sensitive tax policies.

SECTION 1: INTRODUCTION

1.1 Background

The Fair Tax Monitor (FTM) project was started in December 2014 by Oxfam Novib and Tax Justice Network–Africa in collaboration with partners and Oxfam country offices.

The Fair Tax Monitor's overall goal is to strengthen advocacy activities locally and globally. It provides an overview of national tax systems and identifies their main challenges. It provides evidence for the advocacy and lobby work for partners, which strengthens their position, increases their credibility and influencing power. Furthermore, the FTM compares key elements of tax systems and complements the activities of Oxfam's Global Even it up! Campaign and TJN-A's activities realized at the African level. The project's focus is on tax policies and practices, and pays limited attention to public expenditure issues.

The Common Research Framework (CRF) is divided into six thematic categories: Progressive Tax System; Sufficient Revenues; Well Governed Tax Exemptions; Effective Tax Administration; Pro-Poor Government Spending; and Accountable Public Finances. These categories are meant to cover key issues that tax systems in developing countries face today while reflecting a fair tax system. To compare the data between countries, each category is divided into several topics for which a series of scoring questions are designed.

1.2 Rationale for the Research

The research was undertaken to give citizens, Civil Society Organisations (CSOs), government and other key stakeholders information to influence tax processes. Uganda is currently implementing measures to generate domestic revenue to finance service delivery and other development projects. In the 2017/18 Budget, the Minister of Finance, Planning and Economic Development, noted that Uganda Revenue Authority (URA) would be allocated an additional UGX 90 Bn (US$ 24.8 Mn) to enforce compliance; and all Non-Tax Revenue (NTR) and Appropriation in Aid (AIA) would be collected by the URA, and be remitted directly to the Consolidated Fund. These measures would lead to domestic revenue collections of UGX 15,062 Bn (US$ 4.2 Bn) of which UGX 14,686 Bn (US$ 4.1 Bn) will be collected by URA as tax revenue and UGX 376 Bn (US$ 103.7 Mn) as NTR.[2]

Citizens are obliged by law to pay taxes and the government is required to let them know how their taxes are being used. However, most Ugandans do not demand such accountability from the government because they do not know how to engage their representatives and leaders.

1.3 Research objectives

The main objectives of this research were to:

- Examine Uganda's current tax systems and assess their fairness;
- Identify the main bottlenecks in Uganda's tax systems;
- Provide a strong evidence base for country-level advocacy;
- Generate comparative information for assessing selected countries over time; and
- Contribute to global-level advocacy on taxation.

The findings of this study will feed into policy dialogues through which the government can harness fair tax contributions from individuals and companies. It is anticipated that citizens will also benefit from these insights to help their engagement with decision makers.

1.4 Research methodology

Research relied mainly on a literature review of relevant documents and analysis of secondary data guided by the CRF methodology. This involved collecting and reviewing relevant documents, databases and publications from government agencies (such as URA, MoFPED, LGFC, MDAs), donor agencies (such as the World Bank and IMF), CSOs (such as Oxfam, TJNA, SEATINI, CSBAG, UDN, IBP), academic and research institutions (locally and internationally).

In addition, the report was peer reviewed by FTM team and selected experts - Mr. Jason Braganza, Mr. Ivan Nikolic, Ms. Miranda Evans, Ms. Ilse Balstra, Mr. Henrique Alencar, and Mr. Gerald Namoma - to verify the correctness and accuracy of information provided. Furthermore, a validation workshop on 24th August, 2018 - with representatives of civil society, academia and the government, plus independent consultants - was held in Uganda to provide input and feedback on the findings.

1.5 Limitations of the study

Although the study provides some interesting findings and makes important contributions to the fair taxation literature, several potential limitations are worth noting. This study was not based on empirical data to analyse fairness and equity taxation, but was based on the Common Research Framework (CRF). In addition, the study was largely quantitative in nature and data collection was done at a single point in time which does not allow for changes in behaviour over time. Qualitative longitudinal studies with in-depth interviews could provide more insights.

1.6 Structure of the report

The report has seven sections. Section 1 gives the background, and methodology of the study; section 2 provides a brief description of Uganda's tax system; Section 3 describes the distribution of the tax burden and the progressivity of the system; section 4 discusses the effectiveness of the tax administration including revenue sufficiency and tax leakages; section 5 discusses government spending; section 6 elaborates on transparency and accountability; and section 7 provides the conclusions and recommendations.

SECTION 2: BRIEF DESCRIPTION OF UGANDA'S TAX SYSTEM

2.1 Legal Framework

Tax administration in Uganda is governed by a number of laws as illustrated in Table 1:

Table 1: Legal framework on taxation in Uganda

	Law	Provisions on taxation
a	Constitution of the Republic of Uganda, 1995	Article 152, (1) which vests power to impose taxes in Parliament and empowers it in Chapter 3 to make laws to establish tax tribunals to settle tax disputes. Articles 191 (1) and (2)) empower LGs to levy, charge and collect appropriate fees and taxes. Article 192 entrusts Parliament to allocate the collection of certain taxes to local governments or on behalf of the Government for payment into the Consolidated Fund. Article 196 (a) instructs Parliament to make laws requiring each LG to periodically draw up a comprehensive list of all its internal revenue sources and to maintain data on total potential collectable revenues.
b	The Income Tax Act (ITA) (Cap 340)	Provides a basis for levying tax on a residence basis, ensuring simplicity and promoting a flat tax rate scale. The ITA is amended every financial year to address any gaps and any inequalities: for instance, the Pay aA You Earn (PAYE) threshold was raised from UGX 130,000 (US$ 50) to UGX 235,000 (US$ 91) in 2012.
c	Value Added Tax (Cap 349)	Introduced in 1996, the VAT at a rate of 17%, replacing the sales tax and commercial transaction levy (CTL). The VAT Act is amended regularly: for instance, the standard rate of VAT was increased to 18% in 2005/06. The VAT Act contains provision for zero-rated[3], exempt[4] and standard-rated goods and services.
d	Tax Procedures Code Act, 2014	Regulates procedures for administering specific tax laws in Uganda and consolidating tax procedures under the existing laws. It established: the adoption of uniform procedures for the registration, assessment and collection of all domestic taxes; promotion of efficiency in domestic tax administration by consolidating and regulating tax procedures in a single law; and simplifying tax administration and collection[5]. A Tax Agent registration committee was established to regulate the operation of tax agents.

	Law	Provisions on taxation
e	The East African Excise Management Act (EACCMA) (Amendment) Act, 2012	The Act is a regulatory framework for the EAC Customs Union protocol where all member states of the EAC become signatory and party to - Uganda, Tanzania, Kenya, Burundi, Rwanda and South Sudan all benefit from the provisions.
f	The Excise Management Act (Cap 335)	The Act regulates the excise duties. The taxation principle for excise duties focused on goods. But it has been gradually imposed on services to include financial services (bank charges), mobile money services and others.
g	The Uganda Revenue Authority (Cap 196).	The Act established the URA as the central body for assessing and collecting specific revenue, administering and enforcing the laws relating to such revenue.
h	The Local Government Act (Cap 243)	The Act empowers LGs to levy, charge and collect fees and taxes, including rates, rents, royalties, stamp duties, personal graduated tax, registration and licensing fees and taxes in the Fifth Schedule
i	Other Laws governing taxation at LG levels	The LG (Rating) Act (Cap 242) ; The Physical Planning Act, 2010; The Trade Licensing Act (Cap 101); The Public Health Act (Cap 281); Mining Act (Cap 148) (Section 98); Forests Act (Cap 146); Water Act 1997 (Cap 152); Uganda Wild Life Act, 1996 (Cap 200); Electricity Act, 1999 (Cap 145); Traffic and Road Safety Act (Chap 361); Market Act (Cap 94); Public Finance Management Act, 2014; Registration Act (Cap 309)

Source: Republic of Uganda ( ), Laws of Uganda

2.2 Institutional Framework

Uganda's tax administration is coordinated by several institutions at national and local/district level including: Ministry of Finance, Planning and Economic Development (MoFPED); Uganda Revenue Authority (URA); Parliament of the Republic of Uganda; Local Government Finance Commission (LGFC); Bank of Uganda; Ministry of Local Government (MoLG); Ministry of Trade, Industry and Cooperatives; and Local Governments (LGs). Figure 1 shows the institutional framework for tax administration in Uganda.

Figure 1: Tax Administration in Uganda and Entities Involved

Central Government Tax Administration	Local Government Tax Administration	Policy Formulation	Dispute management
• **MoFPED:** Advises Goverment and crafts tax-laws • **URA:** Assesses & collects tax-revenues and non-tax revenues • **BoU:** Custodian of consolidated fund or treasury	• **LGFC**: Guides and regulates Local Government taxes (advisory and strategic/planning arm) • **Local Government:** Assesses and collects within juridisctions, may sub-contract third party to collect	• **Parliament:** Moves motions & formulates for close gaps in tax-laws. Documents tax-bills • **President:** Ascents to tax-bills that become law	• **Tax Appeals Tribunals:** Settles tax disputes between taxpayers and URA • **Higher Appeals:** Other legalislative arms could engaged to resolve disputes if rulings by TAT are not satsficatory to petitioners

Source: Edited by Authors based on SEATINI et al (2017[6])

The **Uganda Revenue Authority (URA)** is a semi- autonomous agency established in 1991 by the URA Act 1991 (Cap 196). URA serves as the central body for assessing and collecting specific tax revenues. The URA identifies, informs and assesses taxpayers. The URA is headed by a Commissioner-General who is appointed by the Minister of Finance, Planning and Economic Development. The organisation comprises of seven departments (each headed by a Commissioner) namely: Corporate Affairs; Domestic Taxes; Tax Investigations; Customs; Internal Audit and Compliance; Legal Services and Board Affairs; and the Commissioner-General's office.

URA has over 75 stations and 10 liaison offices available across the country. Although the URA is a quasi-autonomous institution, for budgetary purposes it is regarded as a department under MoFPED and is subject to the same financial rules and discipline as other departments[7].

Since its inception, URA had its organisational structure and operational departments revised to strengthen its performance, especially in domestic and international revenue mobilization. URA has segmented taxpayers according to turnover. The Large Taxpayers Office has two specialized units: the International Taxation Unit (ITU) and the Natural Resource and Minerals Unit. The ITU is being expanded following a phased approach over a period of three years and will have about 25 staff by the year 2019/2020. The unit will also commence issuing advanced pricing agreements in the year 2018/2019[8].

Uganda Revenue Authority digitised and modernized its revenue services to ease registration, filing and payments of taxes. Taxpayers can easily access the services via the URA web portal (www.ura.go.ug) and additional support can be provided through certified agents.

The **Ministry of Finance, Planning and Economic Development (MoFPED)** is responsible for formulating policies aimed at generating domestic revenue and promoting investment, consumption and savings. Broad tax policy objectives are contained in annual Budget speeches which are presented by the ministry of finance to parliament for approval.

The **Parliament of the Republic of Uganda** is mandated by the Constitution of the Republic of Uganda to impose taxes. In addition, Parliament is required to make laws requiring each local government to draw up a comprehensive list of all its internal revenue sources and maintain data on total potential collectable revenues. The Parliament works through committees to scrutinize, analyze and consult on tax matters. The parliamentary committees responsible for tax issues are: Budget; National Economy; and Finance, Planning and Economic Development. The Committee on Finance, Planning and Economic Development (CFPED) oversees, monitors and evaluates the performance of the MoFPED and the URA. The bills considered by the CFPED are mostly related to revenue collection and the relevant institutions9. During parliamentary discussions, stakeholders such as private sector actors, civil society and taxpayers present their views on the tax proposals[10].

The **Bank of Uganda** is a central bank whose mandate is to advise on monetary policy, foster price stability and a sound financial system. In the tax administration structure, the Bank of Uganda plays a custodian role of all revenue collected. BoU systems are linked to the URA tax accounting databases where all collected revenues are transferred to the consolidated fund. As such, there is always proper accountability after reconciliation of taxes collected. The Permanent Secretary of the Ministry of Finance is also the Secretary to the Treasuries (Bank of Uganda), the virtue of this governance Ministry of finance holds the right to allocate to expenditure streams all the revenue collected[11].

The **Local Government Finance Commission (LGFC)** recommends to the President of the Republic of Uganda potential revenue sources for local governments and advises about appropriate taxes to levy; mediate and advise the local government minister in financial disputes between local governments; and analyses local governments' budgets for compliance with legal provisions.
The Ministry of Local Government (MoLG) provides legal and policy guidance for local revenue administration; supervises and monitors the collection of revenue; and mentors local governments on collection procedures.

The **Ministry of Trade, Industry and Cooperatives** formulates and review, where necessary, appropriate policies, legislation, regulations and standards for sustainable development of trade.

At **Local Government** level, taxes and non-tax proceeds are managed by revenue offices. Some generic processes and activities should be undertaken by LGs in revenue mobilization, including:

i) Registration and Enumeration, which involves revenue mapping, identification and listing of taxpayers;

ii) Assessment, which involves determining the tax/revenue payable;

iii) developing and updating the tax register and taxpayer databases;

iv) Billing and Collection;

v) Enforcement, which involves following up defaulters, prosecution and penalizing processes;

vi) Accounting and record keeping; and v) Monitoring and supervision of tax collection process. These activities may vary depending on the type of revenue and stage in its development[12].

There are major challenges in the current institutional framework related to minimal collaboration among institutions, inadequate staffing, limited funding, inadequate capacity, low motivation of staff (especially at LG levels), lack of autonomy by URA, and corruption. URA and LGs use different systems of tax collection, which are not consonant with each other[13]. This has hampered joint efforts to penetrate untapped taxable areas and broaden the national tax base. In addition, these institutions currently operate under independent legal frameworks, resulting in duplication of work and unnecessary bureaucracy. To some extent, this challenge is being addressed through the Taxpayer Register Expansion Project (TREP). However, this project is only limited to Kampala City and large towns in Uganda.

2.3 Categories of Taxes collected

The taxes levied or collected in Uganda are based on gainful income from both individuals and business establishments, operational within and outside the jurisdiction of Uganda. Annex 1 shows the tax and non-tax revenues collected at different levels.

Direct taxes are levied on individuals, companies or entities whose burden cannot be shifted to another party. These include: Personal Income Tax (PIT) which can also be collected through the Pay as You Earn (PAYE) method or directly from owners of businesses; Corporate Income Taxes (CIT); Rental Income Tax (RIT); Presumptive Tax for small businesses; Withholding tax; and Lottery or Casino tax. Annex 2 shows the types of Direct taxes and their rates.

Indirect taxes are directly born by the final consumers and can easily be transferred from the companies or individuals in the consumption chain, including Excise Duty and Value Added Taxes. Annex 3 shows the types of Indirect taxes and their rates.

Non-Tax Revenues (NTR) – to ensure efficiency in the collection of NTR and to increase transparency and accountability, all NTR are collected by the URA since July 1, 2017 and are remitted directly to the Consolidated Fund.[14] URA provides a payment platform for other governmental entities to register fees, licences and penalties due and all payments are made through the bank. Fees, licences and penalties so far being paid through the URA platform include: traffic penalties, trading licences for LGs, driving permits, passports, road user fees, environmental levy and others.

Local Government taxes and levies – Taxes and levies by LGs include: Local Service Tax (LST); LG Hotel Tax (LGHT); Property rates and land-based charges like premium, building plan approval fees, land fees, etc; Ground rent; Business licences; User fees (include market dues, parking fees), user charges and permits; Royalties from electricity generation, mineral mining and exploration of resources in protected areas; and other revenues (forest fees, veterinary fees, registration of births, marriages and deaths, fines, etc)[15].

The tax laws, policies and institutions currently focus on establishing a more “efficient” collection of taxes, with less efforts being directed at the principles of equity and progressivity. The URA has become more aggressive in collecting tax from noncompliant taxpayers due to tax shortfalls from its small tax base. There are continuous yearly increments on duties and taxes on basic goods and services such as fuel, salt, sugar, cement and others, placing a heavier tax burden on low income earners who form the biggest proportion of these commodity consumers. Some research has unearthed revenue potentials that exist among High Net-worth Individuals (HNWIs). However, no specific regime has been constitutionalized to guide taxation of their wealth. Consequently, most HNWIs are not paying their fair portion of taxes.

2.4 Tax Reforms and potential impact

a. Revision of tax laws

Tax laws are annually amended mainly to increase tax revenue. The major tax amendments evolve around VAT, Income tax, Excise duty, Customs and Non-tax revenues. Annex 4 shows the recent tax reforms for the past three years. However, apart from tracking the growth in revenue, no assessment is made by the government to ascertain the impact of tax amendments on the poor.

b. Tax amendments for FY 2018/19

Numerous tax-reforms and administrative measures were passed to mobilize revenues of more than UGX 16.662 Tn (US4 4.55 Bn) in FY2018/19. The government agenda in crafting these tax-reforms is intended to address gaps geared towards protection of society, attracting foreign direct investment, promoting exports through value addition and to expand job opportunities. However, there is no fairness and equity. Table 2 shows some of the tax reforms and observations. The detailed tax amendments and reforms for FY 2018/19 are presented in Annex 4.

Table 2: Comments on some of the tax amendments and reforms d for FY 2018/19

Category	Amendments and Reforms	Observations
Income Tax	Investments made in established free-zones or industrial zones within and outside Kampala of above US$200 million are granted 10 years income exemptions and those of less than US$ 30Million (by foreign investors) and US$10million (local investors) are granted 5 years.	Such additional exemptions create loop-holes on the tax-systems that already have extravagant exemptions. Previous experiences reveal minimal increase in job opportunities. The 10-year income exemption for developers is too long and will lead to revenue loss.
	Section 25(3), the interest cap of 30%. Limits the deductibility of interest by a taxpayer who is a member of a group to 30% of the tax earnings before interest, tax, depreciation and amortisation (EBITDA). The excess can be carried forward for three years maximum.	The amendment limits tax planning efforts that are commonly practised by multinationals and associated companies.
Withholding tax	Amended Section 118[c] of the ITA to apply Withholding Tax on all winnings of Gaming, Sports and Pool betting payments. To prevent minors from engaging in gambling, the minimum age was raised from eighteen to twenty five years	The scope of betting and gaming types was widened to include anything that can qualify as betting or gaming. This will increase the number of persons to file returns (small times lot machine owners may also be required to pay tax) which will generate UGX.15 billion. In addition, young people are prevented from gambling.

Category	Amendments and Reforms	Observations
	10% final withholding tax on commissions by telecommunication companies to mobile money and airtime agents as a final tax.	Agents are likely to push the tax to final users by increasing fees as already in practice.
Excise Duty	Increased excise duty on diesel and petrol (UGX. 100 per litre).	This will increase the cost of transport, with a huge multiplier effect on all goods and services, affecting mainly the poor.
	Levying % on value of mobile-money being transferred.	This will increase the cost of transaction, contradicting the principle of having all citizens included in the access to financial services. Originally the 1% charge applied to all mobile money transactions including receiving money, making payments and withdrawals. However, this has been vehemently opposed by the public, pushing government to assent to the 0.5% tax on withdrawals only. Nonetheless, this tax is regressive; it doesn't consider the different income differences in the population and will hinder financial inclusion.
	Increased excise duty on mobile money and bank charges from 10% to 15%.	This will make it more costly to transact through financial institutions and will discourage citizens from using mobile money and consequently discourage people from joining the formal finance system.
	Introduced daily levy of UGX 200 user per day on over the top services (OTT) supplied by telecom providers which include voice or messages over the internet (specifically at social media).	This contradicts government policy on information sharing, e-commerce and freedom of speech, since most social media users will not be able to afford the daily fees. This proposed tax will perpetuate inequality especially to low-income earners who will feel the pinch more.
Value Added Taxes	Streamlined carry forward of VAT Offsets and ensuring foreign based service providers to account for VAT in Uganda.	Concentration of tax reform to focus on MNCs provides leverage to minimize revenue leakages; thereby reducing the tax-burden on local companies

Category	Amendments and Reforms	Observations
Non-Tax-Revenue	Banned imports of motor-vehicle that are 15 years older than the current year of importation.	This will reduce the tendency of using Uganda as a dumping ground for old cars. However, the CIF values used by URA are very high consequently making the purchase of new cars costly for most Ugandans.
Customs	Reduced import duties for a year for high-tonnage vehicles; passenger vehicles; mama-kits; motor-cycle kits for assembling; base-oil' soap noodles; barley; gas cylinders and materials for mattress manufacturing)	Reductions on import duties for commodities such as Mama-kits16 promotes equity in gender-taxation by reducing the burden of acquiring items needed in women journeys.

Source: URA, FY2018/19 Tax Amendments[17] and Author's for observations

2.5 Tax Disputes

Uganda Revenue Authority's Taxpayers' Charter (2009) spells out rights and obligations of taxpayers and guides URA in enforcing them. The charter is a reference point for the taxpayers' interacting with URA and provides the tax body with the necessary benchmark for its Client Service Standards[18]. Any person can channel their complaints, compliments, queries or questions by; speaking to a Client Service Officer; writing to URA on P.O. BOX 7279, Kampala; calling on the URA Toll free lines; or using the different feedback tools available at URA service points. URA endeavours to respond expeditiously to every taxpayer's enquiry, complaint or request.

Uganda has tiered tax dispute resolution system consisting of:

(i) a single review procedure within the URA Appeals and Objections Committee,
(ii) a specialist Tax Tribunal (TAT), and
(iii) either the High Court or the Court of Appeal.

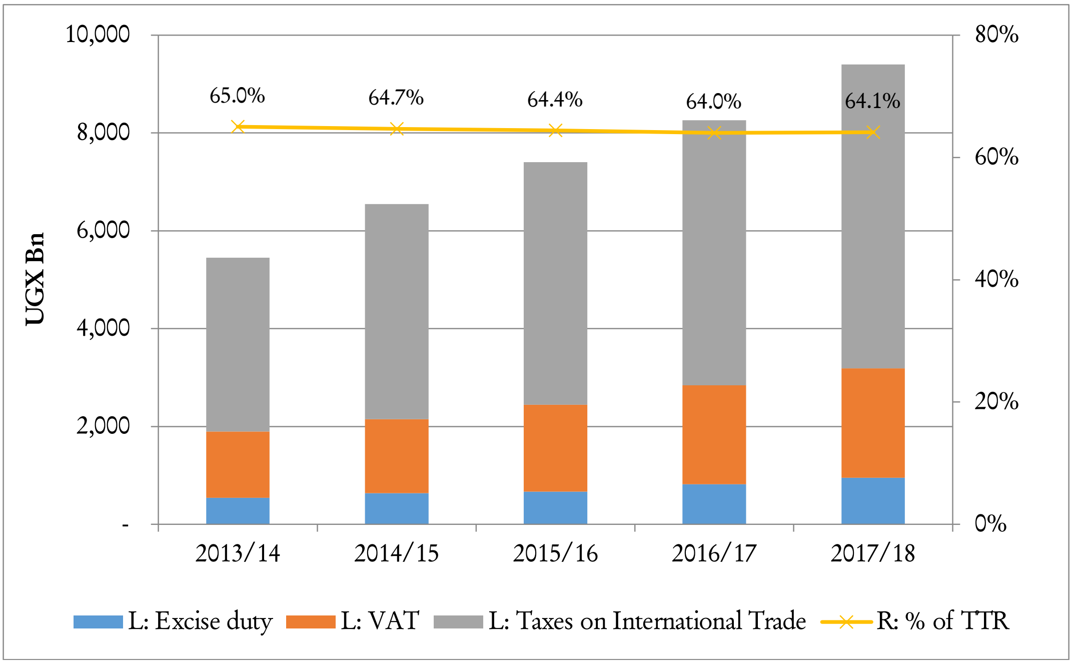
The Appeals and Objections Committee's decisions are binding on the URA (URA, 2017[19]). The Tax Appeals Tribunal (TAT)[20] is a specialist tax tribunal external to URA. The tribunal settles taxpayers' disagreements with the URA. The TAT has a wide jurisdiction covering every tax. However, taxpayers have to pay 30% of the tax assessed or that part of the tax assessed not in dispute, whichever is greater, upon appealing to the TAT. Before a taxpayer exercises their right to apply for review to the tribunal, all channels of objections available in the relevant tax Act must first be exhausted. If a taxpayer is dissatisfied with the decision of the TAT, then the taxpayer may make an appeal to the High Court without payment of additional tax. The taxpayer may decide to appeal directly to the High Court (and not to the TAT), in which case the Court of Appeal acts as the final judicial body reviewing decisions of the High Court.

SECTION 3: DISTRIBUTION OF TAX BURDEN AND PROGRESSIVITY

3.1 Allocation of the tax burden

Uganda's tax revenue is largely from indirect taxes, including: excise duty, Value Added Tax (VAT) and taxes on international trade. Indirect taxes make up the majority of Uganda's TTR, although its share has marginally reduced from 65% in 2013/14 to 64% in 2017/18 (see Figure 2).

Figure 2: Trends in Indirect Taxes

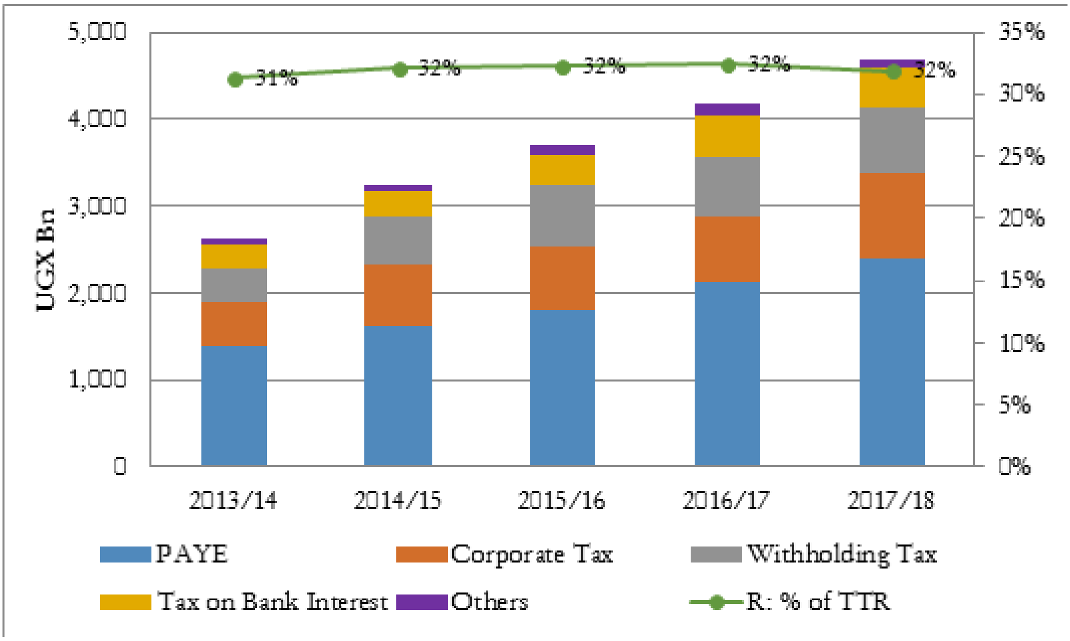


Source: Author's calculations based on URA Statistics[21]

Based on the value of goods, services and assets, rather than people's ability to pay, indirect taxes are regressive[22]. Indirect taxes are more burdensome on poor people (even if some goods and services VAT exempted). In their study, Jon Jellema et al, 2016[23] noted that VAT and Excise taxes were widespread – over 95% of households pay at least one of the indirect taxes and the burden they create is approximately neutral with respect to consumption expenditure.

Uganda's direct domestic taxes include: Personal Income Tax (especially through PAYE), corporate tax, presumptive tax, rental tax, withholding tax, tax on bank interest, casino and lottery tax and tax on agricultural products. Direct taxes are viewed as progressive, as they affect those with greater earnings more as a proportion of income than those with less.[24] The share of direct domestic taxes in TTR has oscillated around 32% over the last financial years (see Figure 3).

Figure 3: Trends in Direct Taxes



Source: Author's calculations based on URA Statistics[25]

3.2 Personal Income Tax (PIT)

Person Income Tax is levied on both residents and non-residents employment income (wages and salaries), and personal other incomes (from business and property ownership). In Uganda, PIT is mainly collected using the Pay As You Earn (PAYE) method where salaried employees are taxed based on the amount of their salary and allowances, as shown in Table 3. PAYE has a threshold of UGX 235,000 (US$ 67) for residents and UGX 335,000 (US$ 95) for non-residents, where anyone earning below that amount is exempt. Business owners and directors are charged at 30%.

In terms of performance, in nominal amounts PIT collections increased from UGX 1,451 Bn (US$ 572 Mn) in 2013/14 to UGX 2,451 Bn (US$ 670 Mn) in 2017/18, and according to the annual URA Revenue Performance Reports[26], PIT collections posted on average a surplus of UGX 33 Bn (US$ 10 Mn) between 2013/14 and 2017/18. However, as share of the total tax revenue, the collections stagnated at an average of 16.7% during the same period.

The PAYE mode of assessment applies to employees and business owners regardless of the sector. No preferential rates or exemptions are provided in the law for particular professions. However, armed force employees (Uganda Police Force, Uganda Prisons, Uganda People's

Defence Force), Internal and External Security Organisation, the President, Members of Parliament (MPs) and Judges are exempted from the PAYE. However, such exemptions, especially for MPs, violate the principle of equity.

Amendments into the PAYE structure were last made in FY 2012/13. During the review of the PAYE structure, Government referred to poverty line or the bare minimum that a household need to survive on as US$1.8 per day. However, due to inflation and exchange rate appreciation, the cost of living has increased tremendously. The average household income was estimated at UGX 351,600 (US$ 99.7) in 2016/17[27]. This means that the PAYE threshold is too low to accord employees a relief from paying income taxes.

Table 3: Uganda's PAYE Structure

Tax type	Tax base	Tax rates
Residents	Under UGX 235,000 (US$ 66.6)	Nil
	UGX 235,000–335,000 (US$ 94.9)	10% of income over UGX 235,000
	UGX 335,000–410,000 (US$ 116.2)	20% of income over UGX 335,000, plus UGX 10,000 (US$ 2.8)
	Over UGX 410,000	30% of income over UGX 410,000, plus UGX 25,000 (US$ 7.1)
	Over UGX 10,000,000 (US$ 2,834.2)	40% of income over UGX 10,000,000
Non-Residents	Under UGX 335,000	10%
	UGX 335,000–410,000	20% of income over UGX 335,000, plus UGX 33,500 (US$ 9.5).
	Over UGX 410,000	30% of income over UGX 410,000, plus UGX 48,500 (US$ 13.7).
	Over UGX 10,000,000	40% of income

Source: Okuja J.O (2016)[28]

3.3 Corporate Income Tax (CIT)

Corporate income tax (CIT) is collected from companies, based on their net income. Companies in Uganda are taxable on their worldwide income and gains, while non-resident companies are taxed on income sourced in Uganda. The income tax rate is 30%, with the exception of: mining companies[29]; non-resident air transport[30], shipping, and some telecommunication services; and resident companies with a turnover below UGX 150 Mn (US$ 42,513)[31]. A rate of 1.5% of turnover is used to determine income tax payable by resident companies with turnover between UGX 50 Mn (US$ 14,171) and UGX 150 Mn (US$ 42,523). However, on application to the Commissioner General of URA, a resident company with a turnover of less than UGX 150 Mn (US$ 42,523) may be taxed at 30% after reducing the expenses. This category excludes professionals, public entertainment services, public utility services or construction services[32].

In terms of performance, in nominal amounts CIT collections increased from UGX 487Bn (US$ 192 Mn) in 2013/14 to UGX 986 Bn (US$ 270 Mn) in 2017/18. However, according to the annual URA Revenue Performance Reports[33], CIT collections posted on average a deficit of UGX 68 Bn (US$ 24 Mn) between 2013/14 and 2017/18. As share of the total tax revenue, the collections stagnated at an average of 6.4% during the same period. The low performance is blamed on several issues. First, the effective rate of tax is lower than what is stated in the law (30%). Although in this paper does not measure the effective tax rates directly, as the data is not available, looking at how much income taxes are being paid can to some extent can give show that the effective tax rates are much lower than the rates stated in the law.

Secondly, inefficiencies in the collection can be seen from the performance of CIT collections. Also, non-transparent provision of tax incentives and exemptions, exploitation of Double Taxation Treaties by Multinational Corporations (MNCs), and inadequate implementation of punitive sanctions on tax dodging and avoidance leads to reduced collection[34].

The International Taxation Unit within the Large Taxpayers' Office at URA, to manage transfer pricing issues, will address revenue leakages from intercompany transactions. In addition, operations of the Financial Intelligence Authority to oversee and reverse money laundering schemes and the implementation of the Base Erosion and Profit Shifting (BEPS) actions (like limitation on benefits and mutual exchange of information between tax administrations) have all contributed to the performance of the revenue collection under the CIT regime.

To encourage the employment of persons with disability in the formal sector, the Income Tax (Amendment) Act 2008 under Section 22(1) (e) allows a deduction on 2% of the income tax payable by private employers who prove to URA that 5% of their employees are on full time basis are persons with disabilities[35].

3.4 Value Added Tax (VAT)

VAT is borne by final consumers of goods and services, including those imported. The standard VAT rate is 18%. However, many goods and services are VAT-exempt (i.e. zero-rated[36] or exempted[37]) (see Annex 5)– such as unprocessed foodstuffs, medication, contraceptives, sanitary towels and tampons, inputs for the manufacture and supply of seeds, fertilizers, pesticides, and hoes. This provides some progressivity into the VAT since most of the exempt goods and services are consumed mainly by the poor households. In addition, the annual turnover threshold for VAT registration is UGX 150 Mn (US$ 42,513). This means a broader range of small businesses are excluded from registering for VAT.

In terms of performance, in nominal amounts VAT collections increased from UGX 2,758 Bn (US$ 1,087 Mn) in 2013/14 to UGX 4,651 Bn (US$ 1,271 Mn) in 2017/18. However, according to the annual URA Revenue Performance Reports[38], VAT collections posted on average a deficit of UGX 122 Bn (US$ 29 Mn) between 2013/14 and 2017/18. As a share of the total tax revenue, the collections stagnated at an average of 32% during the same period. The main factors contributing to this are inefficiencies to collections and low VAT compliance. For instance, a revenue administration gap analysis by the IMF (2014)[39] found that VAT compliance levels in Uganda were below that of countries at a similar level of development. While the Value Added Tax (VAT) tax base had grown, the compliance gap as a percentage of potential VAT had remained constant at 60% between 2003/4 and 2012/13. Another study by the IGC (2015[40]) found that 87% of seller firms declared amounts lower than those declared by the buyer. The study estimated the tax compliance gap of about UGX 747 Bn (US $ 217 Mn).

Government has made efforts to address the root-causes of low performance on the VAT through; increasing import-duties for importable substitute commodities while lowering local duties for domestically produced products; penetrating into the telecommunication sector by introducing new-tax structure, agency-taxes for agents on commissions; establishing streamlined structures to manage VAT offset and deemed VAT.

3.5 Wealth Taxes

Wealth and property taxes under Uganda's tax system are divided into three categories:

i) Property tax collected by local governments, based on property value and location;
ii) Rental tax at 20% for individual landlords and 30% for companies owning rental properties;41 and
iii) Capital gains tax charged at 15% when a capital asset is sold by an individual or company.

Property taxes are levied by the LGs and the tax base is the rateable value of the property (which takes into account the nature of the property concerned and value of improvements). The tax rates are determined by the local authorities but at a maximum of 2%. A stamp duty (1.5% on value of land) at transfer or purchase of land is charged by URA.

Rental tax and capital gains are collected by URA and the rates levied are highly dependent on the taxpaying entities (non-individual and individual) and nationality thereof. For resident individuals, the rental income tax rate is at 20%, however UGX 2,820,000 (US$ 799) is deducted off from the gross earnings as an allowable expense42. A non-resident person who derives income from renting of property in Uganda is charged withholding tax at a rate of 15% on gross rent received.

There have been varied inconsistencies in the administration of rental income tax and for the period FY 2012/11 to FY2013/14, rental income was declared under the general gross income category. Effective July 2014, rental income, expenditure and losses generated by a taxable individual or company are required to be declared in a rental income tax return, separate from the usual business income tax return43. This partly contributed to the increase in the rental income tax from UGX 27.6 (US $ 9.79 Mn) in 2014/15 to UGX 88.7 (US $ 24.47 Mn) in 2017/1844.

Since the majority of rich Ugandans are investing in real estates and collect rent from poorer Ugandans that cannot afford to purchase their own apartments/houses, this market trend actually serves to concentrate wealth in the hand of the wealthier property-owning Ugandans – which is a factor that increases inequality and does not assist in the re-distribution of income to poorer citizens. Government initiative to collect from VIPs and Wealth individuals could provide an avenue to re-distribute income proportionately.

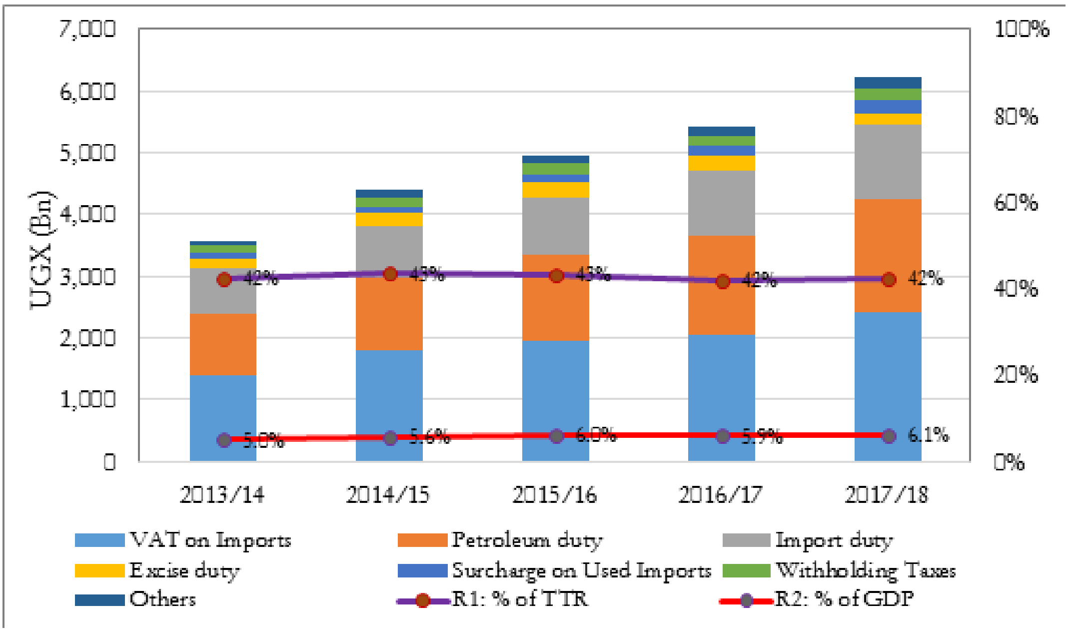
Civil society organisations45 have been advocating for introduction of taxes on idle land and farms46 in the capital city and other urban centres, to help bolster revenue collection. However, this has not been taken on government since most of the idle land and farms are owned by government officials or politicians47.

There is no separate capital gains tax legislation in Uganda, with capital gains from business taxable under the provisions of the Income Tax Act, together with other business income at 30%. Capital gains for individuals are taxed using the relevant individual tax rates (0-40%)48. The levying of capital gain tax on exchange of ownership for immovable properties has encountered bottlenecks occasioned by a fragmented land management system, which is highly cash-based and focused on corporate entities, while purchases are mostly made by individuals.

3.6 International Trade Taxes

Uganda's International Trade Taxes include: import duty (range from 0% to 25%), environmental levy (0 – 50%), excise duty (10%), VAT on imports 49(18%), infrastructure levy (6%), and withholding tax (10%). Detailed tax rates on international trade are shown in Annex 4. Custom duties are collected through URA and are levied based on classification of commodity and country of origin. For the last five years (2013/14 - 2017/18), international trade taxes contributed an average of 43% to the TTRs and 5.7% of GDP (see Figure 4).

Figure 4: Trends in International Trade Taxes



Source: Author's calculations based on URA Statistics[50]

Although there has been a stagnation in international trade taxes to gross revenue collections during the last five FYs, there has been proportionate growth in collection as a percentage of GDP. The stable performance is partly attributed to improvements in customs processes and systems (ASYCUDA World[51]), centralized tax valuation database, improved management of bonded warehouse, implementation of the single customs territory (which has reduced clearance times), improvement in the appointment of clearing agents, and annual amendments of customs schedule.

International trade taxes are often influenced by changes in the global market, plus the country's membership of trade blocs. Uganda is a member of the East African Community (EAC) which adopted a Common External Tariff (CET). The impact of implementing the customs union under the EAC regional integration, and the potential inter-regional integration that was accompanied by reductions in import duty rates for commodities originating from the partner states, has not necessarily translated into revenue– although the import volumes have significantly grown. For instance, the increase in the volumes and value of imports from UGX 5.56 Tn (US$ 3,280 Mn) in FY 2007/08 to UGX 13.93 Tn (US$ 3,947 Mn) in FY 2016/17[52] has not yielded revenue contributions. On average, 15% of the value of the imports are from goods originating from the

COMESA trade block. By default, the customs union protocol provides lower tax rates on this therefore minimal revenues would be expected. About 47% of commodities originated from Japan, China, Indonesia and India which have heavy exemptions and bilateral agreements. In terms of composition, an average 44% of the commodities are either machinery equipment, vehicles, accessories, chemicals or related products or even petroleum product that are used in government funded projects or companies that are heavily exempted.[53]

In June 2015, Uganda signed the agreement to create a Tripartite Free Trade Area (FTA) consisting of the East African Community (EAC), COMESA and the Southern Africa Development Cooperation (SADC).[54] But recent developments on trade integration have focused on the continental trade area to which Uganda is a signatory and part of the steering committee. The multiplicity of overlapping memberships has can influence the distribution of gains from regional agreements, raising concerns about losses to tax revenues.

3.7 Presumptive/Turnover Taxes

The presumptive tax is intended to bring people in the informal sector into the tax net and nurture compliance among small businesses. In July 2015, the Income Tax Act was amended to increase the threshold for presumptive tax from UGX 50 Mn (US$ 14,522) to 150 Mn (US$ 43,567), while halving the base tax rate from 3% to 1.5%. Presumptive revenue used to be classified in the URA official statistics under other categories of income. However, this changed in FY 2017/18, when data on presumptive tax was recorded to be UGX 5.32Bn (US$ 1.45Mn).

For businesses whose turnover is below UGX 50 Mn (US$ 13,665), the assessment of presumptive tax is based on the nature of business activity and geographical scope of each entity, with some businesses being taxed lower than others (see Annex 6). The Subsistence, Micro, Small and Medium Enterprises (SMSMEs), whose gross turnover falls below UGX 10 Mn (US$ 2,733), are exempted on the justification that such households may be pushed below the poverty line due to taxation.

3.8 Public perception of the tax system

U. A couple of studies have been done by SEATINI et al (2013)[55] and SEATINI & Oxfam (2017[56]). Both studies showed the majority of citizens were not aware how most of the taxes were calculated or assessed. The studies noted that the tax assessment process done by the tax authorities (URA and LGs) did not provide sufficient information to the taxpayers and the assessors do not seek the involvement of the taxpayer. Therefore, most taxpayers considered the current taxation system not fair.

The SEATINI & Oxfam (2017[57]) study found that most taxpayers in Uganda did not understand the functions and mandates of institutions responsible for taxation in Uganda, with confusion between the URA taxes and LGs taxes. Most taxpayers complained of double taxation –they pay taxes to URA and LG taxes. Citizens' compliance is highly interlinked to provision of quality public services which continue deteriorating; thus, affecting compliance levels.

According to an URA TADAT report of September, 2017[58], a variety of methods are used by URA to obtain performance feedback from taxpayers, including perception survey. The Independent third party survey was last conducted in 2010. URA uses client surveys, social media platforms such as Facebook and Twitter to obtain performance feedback from taxpayers. URA carried out its own taxpayer perception survey in 2016. However, the results are not publically available.

3.9 Gender and Taxation

A gender analysis of tax policy in Uganda is hampered by lack of disaggregated data on taxpayers. This is worsened by the large proportion of women working in the informal sector outside the tax net. Uganda has not conducted regular analysis of the impact of tax policies on gender. Consequently, there is no data to assess the impact of tax policies on gender inequality.

In Uganda, income taxes are imposed on the basis of income only, irrespective of gender. Personal Income Tax returns do not inquire the gender of the person filing the return. For Corporate Income Taxes, the name of the business, rather than the identity of the owner, is registered in URA's database. While directors and trustees are also registered, their gender is not isolated, making it more complex to ascertain the gender statistics.

Although the tax structure appears to treat men and women equally, it has an unequal impact. For instance:

- Uganda collects more income from indirect taxes (such as exercise duties, VAT and custom duties) which has the potential to tax women more heavily because they spend a higher proportion of their income on consumer goods for their families59. Women tend to spend more of the income under their control on goods that contribute to the social reproduction of labour, including healthcare, education, food, child care and the elderly. Changes in the price of these goods (due to tax policies) can lead to a reduction in consumption, or substitution of better quality goods by inferior ones.60 This has been mitigated by VAT exemptions of some goods and services61 (see Annex 5). However, taxes on utilities (such as water) seem to fall disproportionately on female majority households, perhaps because women spend more on utilities to save time from household tasks (e.g. collecting water) 62.

- Due to exemptions and avoidance by multinationals, small women-owned businesses are more heavily taxed, while larger male-owned enterprises are taxed less heavily.

- Inequalities which relate to personal income taxes are not very significant in Uganda because few people, particularly women, pay personal income taxes. The proportion of women who are in formal employment (estimated by UBOS at 37.3% in 2012/1363) and earn enough to be liable for personal income tax is very small for instance. UBOS estimated that the nominal median wages for females was UGX 66,000 (US$ 25) in 2012/1364.

- Rates of presumptive taxes used for taxation of the informal economy differ by sector (e.g. hair and beauty/salons separately from carpentry/metal), and sectors dominated by women may result in differential rates. For example, hair and beauty/salons (usually dominated by women) pay more [UGX 300,000 (US$ 82] than carpentry/metal (usually dominated by men) who pay [UGX 250,000 (US$ 68)] for turnover between UGX 10 Mn (US$ 2,733 – UGX 20 Mn (US$ 5,466) [See Annex 6].

- Most of the taxes levied by LGs affect women more than men. A study by SEATINI & Oxfam in 201765 found that women bear more burden in paying taxes and levies since they deal in small items (such as vegetables, foodstuffs, household items), which attract the same fees like those of men who deal in bigger items (such as livestock). These findings are reinforced by a study by Bahiigwa G. et al (200466), which found that larger quantities or sizes of products (bags, sacks, and larger animals) attracted lower tax rates than smaller quantities (tins and small stock).

For instance, the effective tax rate on a chicken was 10 times the rate on a head of cattle.

Tax policies can benefit young people or unfairly discriminate against them. Young people are more likely to run small businesses and consume a higher share of their income so indirect taxes like VAT hit them harder. Young women are particularly affected, often facing direct and indirect discrimination on the basis of both age and gender. Tax can also be used to benefit young people, for example, giving companies credits for taking on apprentices, or exempting small companies from corporate tax[67].

Although there are supportive legal, policy and institutional frameworks for the participation of women and women's organisations in tax and revenue policies, the participation of women-focused organisations in influencing tax and revenue policies in Uganda is minimal. This can partly be attributed to the fact that tax issues are often seen as technical and complicated[68].

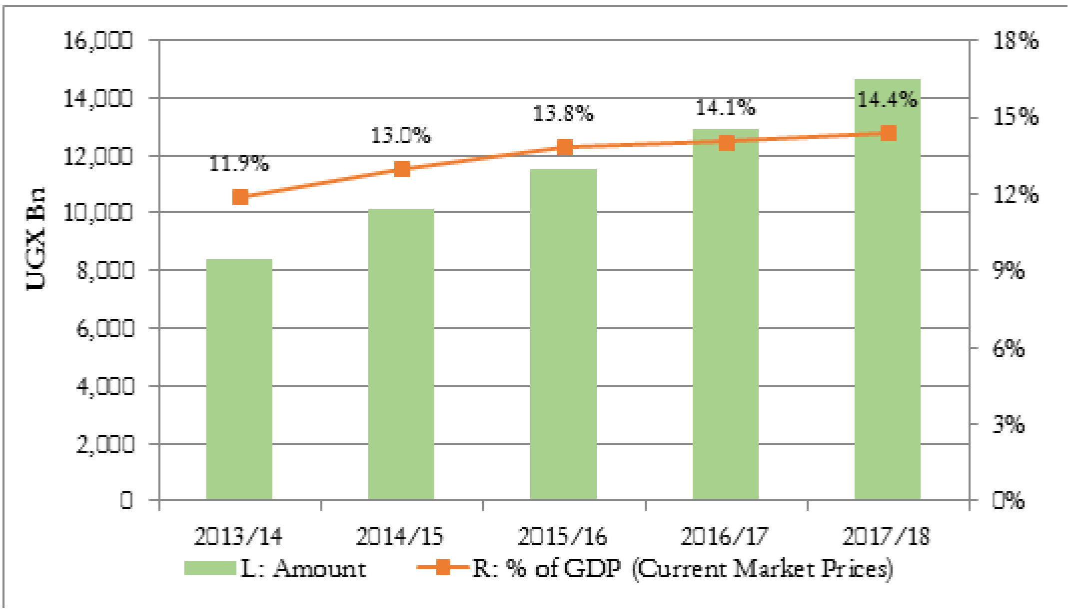
SECTION 4: EFFECTIVENESS OF TAX ADMINISTRATION

4.1 Revenue Sufficiency

4.1.1 Total Tax Revenues

Uganda has seen a significant increase in Total Tax Revenue (TTR69) during the last 5 years (2013/14 – 2017/18). Gross revenue increased by 75% from UGX 8.38 Tn (US$ 3.3 Bn) in 2013/14 to UGX 14.66 Tn (US$ 4.01 Bn) in 2017/18 (see Figure 5). It is important to note that TTR in this paper only includes revenues collected by the URA. Currently, there is no credible data on revenues collected by various MDAs and LGs.

Figure 5: Trends in Total Tax Revenues



Source: Author's calculations based on URA statistics[70]

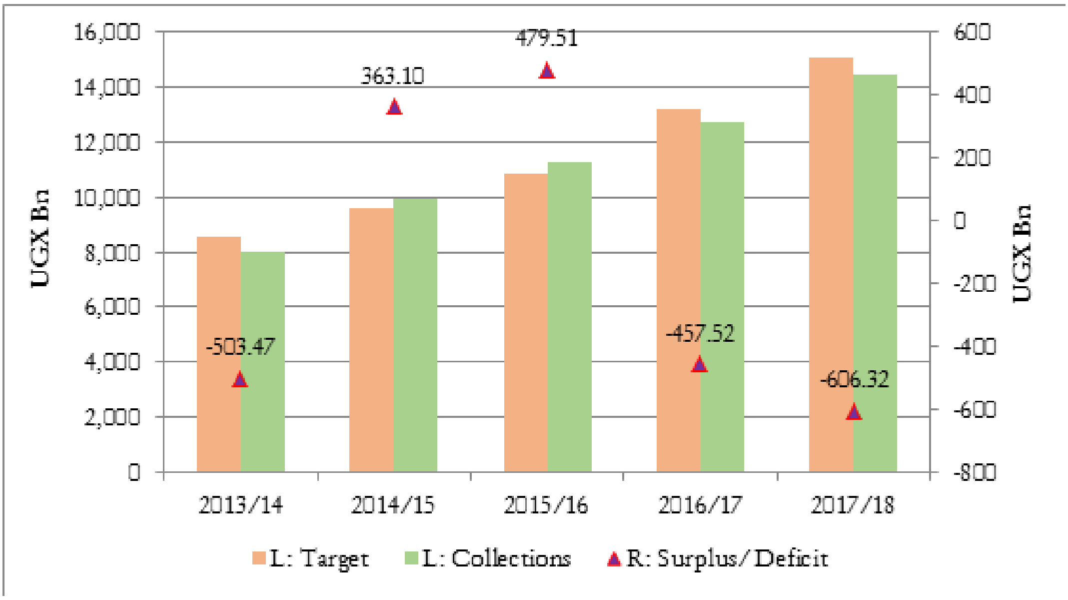
Gross revenue collections as a percentage of gross domestic product (GDP) have been increasing during the last five FYs from 11.9% in 2013/14 to 14.4% in 2017/18, though at a slow pace. Uganda's tax-to-GDP ratio is among the lowest in the East African Community (EAC) and below the Sub-Sahara average. While Uganda's revenue-to-GDP ratio stood at 13.8% in

2015/16, Kenya's was at 15.9% and Rwanda's at 14.9%. Uganda also has the lowest efficiency of VAT tax collection (28.6%) compared to other EAC countries (average of 48.4%)[71]. Several reasons account for Uganda's relatively poor performance when it comes to revenue collection. Some of these are discussed in sub-section 2.4.

4.1.2 Revenue collection performance

While the URA year-on-year revenue collections growth rate is averaged at 15% during the last five years (2013/14 – 2018/19), the collections were below the target during three FYs (2013/14, 2016/17) & 2017/18) [see Figure 6].

Figure 6: Trends on URA Revenue Collection Performance



Source: Authors' calculations based on URA Statistics

Failure to meet annual revenue collection targets means Uganda can't raise its tax to GDP ratio of 16% by 2019/20 set in the National Development Plan (NDP) II[72], and close the gap with other EAC countries. There are also concerns that while setting tax revenue targets by MoFPED, more focus is put on increasing revenue collections instead of addressing inefficiencies in tax administration.

4.1.3 Cost of tax collection

Between 2013/14 and 2017/18, the cost of tax collection averaged 2.4% - i.e. for every UGX 1 (US$ 3,659) that was allocated to URA, UGX 39.5 Bn (US$ 10.8 Mn) was collected during FY 2017/18 (see Table 4). This fits within the sub-Saharan average of 2–3%, but is much higher than the OECD average of 1%.

Table 4: Cost of tax collection

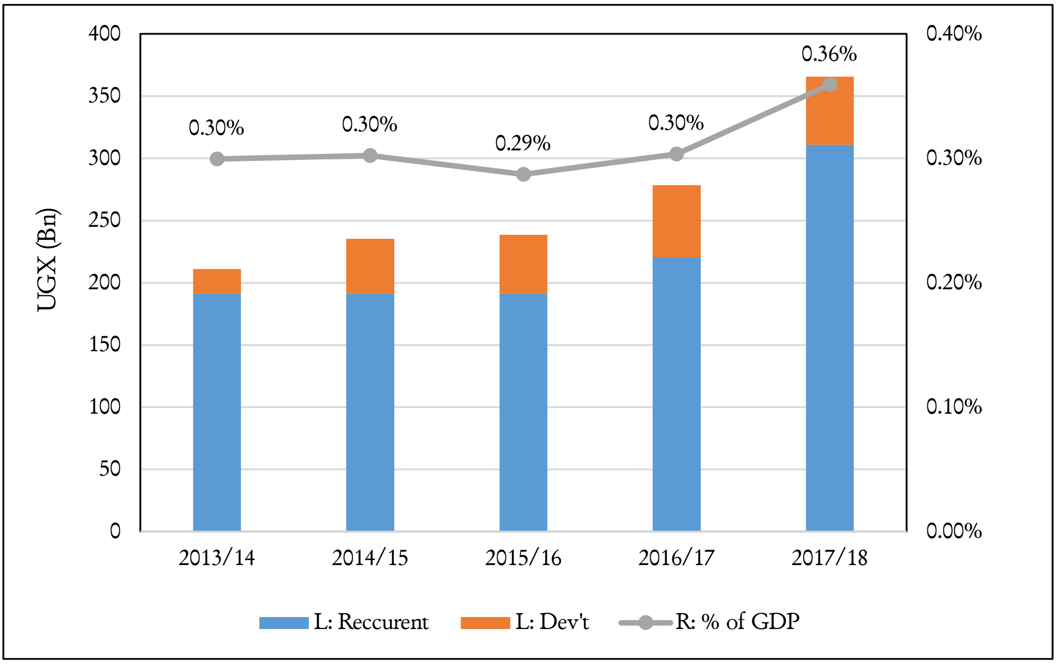
	2013/14	2014/15	2015/16	2016/17	2017/18
URA budget (UGX Bn)	211.1	235.3	238.5	278.4	365.8
US$ (Mn)	83.1	83.4	69.3	78.9	100.0
Net URA collections (UGX Bn)	8,031	9,940	11,294	12,720	14,456
US$ (Mn)	3,164	3,521	3,280	3,605	3,951
Cost of Tax Collection	2.6%	2.4%	2.1%	2.2%	2.5%

Source: Author's calculations based on URA Statistics73, and MoFPED (approved budgets)

4.1.4 Funding of URA

Between 2013/14 and 2017/18, the Budget allocation to URA increased on a yearly average by 13%. A big chunk of the URA budget is current in nature, with current expenditures constituting over 83% of the total authority budget. As a share of GDP, the URA budget oscillated between 0.29% to 0.36% between 2013/14 and 2017/18 (see Figure 7).

Figure 7: Trends in URA funding



Source: Author's calculations based on MoFPED (Approved Budgets) and UBOS statistics

URA has inadequate funding to effectively perform its mandate. URA has no autonomy over its budgets; the authority is under the MoFPED. Nevertheless, the Authority has tried to expand its resource envelope beyond the budget provided by MoFPED. The authority is implementing initiatives funded by World Bank, USAID, IMF and other development partners.

4.1.5 Staffing of URA

In FY 2017/18, the URA employed 2,408 staff, of which 1,965 were operational staff. The URA staff–to-Taxpayer ratio has been increasing over the last five years from 1:148 in 2012/13 to 1:672 in 2017/18 (see Table 5). This is mainly due to the expansion of the taxpayer register and minimal recruitment of staff. The URA staff–to-Taxpayer ratio is comparable with other EAC countries; during 2016/17, Kenya stood at 1:86l; Rwanda stood at 1:233; Tanzania stood at 1:814 and Burundi stood at 1:993. Nevertheless, the number of URA staff does not tally with the nature and heavy workload at URA main service centres. A large taxpayer-staff ratio has implications on service delivery and constrains revenue administration.

Table 5: URA staff numbers and taxpayer-staff ratios

Fiscal year	Taxpayer Register	URA Staff (Total)	Operation Departments	Taxpayer-to-Operations Staff
2012/13	272,789	2,274	1,839	148
2013/14	632,379	2,253	1,798	352
2014/15	763,150	2,366	1,761	433
2015/16	902,339	2,416	1,981	455
2016/17	1,030,000	2,366	1,922	536
2017/18	1,320,691	2,408	1,965	672

Source: URA Annual Revenue Reports

Although URA claims to uphold the equal opportunities principles in its recruitment policy, remuneration and deployment of employees, the proportion of female staff has been at an average of only 33% over the last five years. URA's senior management team is made of 26 Assistant Commissioners and Commissioners, and about 45% of these are female.

4.1.6 Staffing at Local Governments

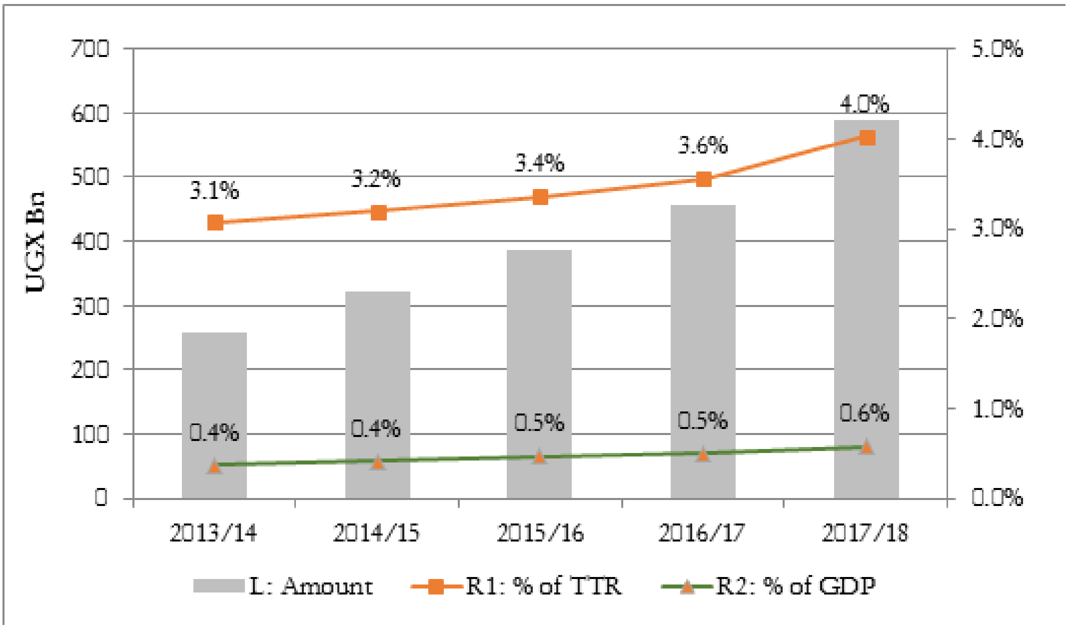
A 2017 study by SEATINI & Oxfam[74] found that the Department of Finance - which is responsible for local revenue - in most district local governments does not have professional revenue officers. Those in post are professional accountants and just assigned the duties of this function but have no technical knowledge on how to advise the LG to generate local revenues. The challenges of low staffing are largely due to government's ban on staff recruitment and the high levels of qualifications required by the government for the position of revenue officers, despite a very low remuneration. Additional challenges include: poor facilitation of officials involved in local revenue mobilization; lack of basic transport means to effectively reach the taxpayers; lack of the requisite capacity; and skills in taxation, especially assessment of taxpayers.

4.2 Factors contributing to insufficient tax collections (tax leakages)

a. Non-tax Revenues (NTRs)

Non-Tax Revenues (NTRs) are government revenues from sources other than taxes. NTRs are collected by various MDAs and LGs, as well as the URA. NTRs mainly include: migration fees, passport fees, land transfer fees, company regulation fees, high court fees, mining fees, royalties, traffic act, drivers permits, stamp duty & embossing fees, among others. Although still insufficient, the performance of NTRs has been improving over the years mainly due to involvement of URA in its collection. Share of NTR to TTR increased from 3.1% in 203/14 to 4.0% in 2017/18 (see Figure 8).

Figure 8: Trends in Non-Tax Revenues



Source: Author's calculations based on URA Statistics[75] and MoFPED (BTTB - Various years)

The NTRs accounted for above are exclusive of royalties on extractives, profits from government-owned enterprises and sale of government assets. The Production Sharing Agreements (PSAs)[76] for those in extractive industry provide proper taxation guidelines that include payment of royalties and signatures. However, limited information on the PSAs makes it difficult to know how much Uganda is or will collect from the extractive industries, especially oil and gas. Nevertheless, in 2014/15, the GoU earned some revenue in form of capital gains tax of UGX 360.44 Bn (US$ 142.4 Mn)[77]. This after Tullow sold up to 66.6% of its Uganda licenses to Total and China National Offshore Oil Corporation (CNOOC) in February 2012 for a consideration of UGX 7.5 Tn (US$2.9 Bn). A pre-tax profit on disposal of UGX 1.78 Tn (US$ 701 Mn) and a post-tax profit on disposal of UGX 1.45Tn (U$572 Mn) was recognised in respect of this transaction. Consequently, URA issued an initial assessment for UGX 1.2 Tn (US $473 Mn) in respect of capital gains tax on the transaction. However, Tullow appealed and had to pay UGX 360.44Bn (US$142 Mn) to the URA, being 30% of the tax assessed as legally required for an appeal.[78] After protracted court battles in and outside Uganda, Tullow agreed to pay USD 250 million (UGX 860.7 Bn) in full and final settlement of its capital gains tax liability in 2015.[1]

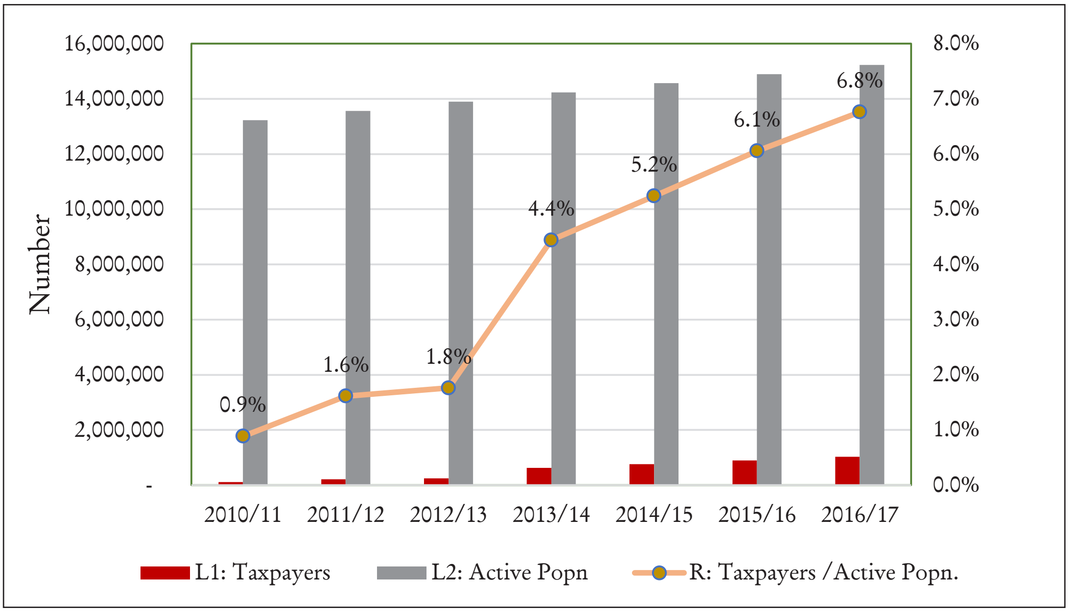
The Oil and Gas Revenue Management Policy, 2012[79] covers collection and administration of government revenues from oil and gas activities. The policy provides for a mechanism for the sharing of royalty revenues with the LGs within the oil producing region. While the exact amount of royalties is yet to be confirmed, the policy provides the principles to be used in allocating the royalties to LGs. According to the policy, royalties will be shared between the Central government and the directly affected local governments in the ratio of 93% and 7%, respectively. The sharing of royalties amongst the affected local governments will take into consideration the population and production levels in these local governments.

1 https://www.tullowoil.com/media/press-releases/tullow-settles-capital-gains-tax-dispute-in-uganda

b. Limited number of Taxpayers

The percentage of the active population (those engaged in productive work) that are registered for taxes[80] is still very low at only 6.8%, though the share has been increasing during the last five (FYs 2012/13 -2016/17) [see Figure 9]. Despite some increment over the past five years, the percentage of established and operational business entities registered with URA for taxes is still very low at only 7.1%. This means the tax burden is concentrated within a few people and businesses. Uganda has one of the lowest taxpayer to labour force ratio for income tax of 0.09%, compared to Kenya at 37.30% and Tanzania at 5.88%, whereas that of VAT is 0.10% compared to that of Kenya at 2.31%[81].

Figure 9: Trends in Uganda Taxpayers



Source: Author's calculations based on URA & UBOS Statistics

c. Large Informal Sector

The informal sector contributes to 43% of Gross Domestic Product (GDP). The Uganda National Household Survey 2009/2010 showed that out of the estimated 6.2 million households covered, 1.2 million (21%) had an informal business. Most informal businesses were in the agricultural sector (27%) followed by trade and services (24 %) while mining and quarrying (1 %) as well as fishing (1 %) accounted for only two percent of the total number of businesses[82]. Failure to tax the informal sector costs government an average of UGX 1 Tn (US$ 273 Mn) per annum in revenue foregone from over 1.2 million unregistered businesses, 1.57 million households with unknown businesses, and estimated 897 High-Net worth Individuals (HNWI)[83].

d. Tax incentives and exemptions

Uganda has over the years offered generous tax holidays to selected companies (see Annex 7), preferential tax-rates and several exemptions on selected tax-heads such as Value Added Tax (VAT), Withholding Tax (WHT) and import duties. In so doing, the government either pays on behalf of the beneficiary individuals or companies in the form of tax expenditures or foregoes such taxes[84]. Annex 9 shows a list of tax incentives in Uganda.

Tax incentives such as income tax exemptions on Savings and Credit Cooperative Organisations (SACCOs), employees of the Uganda People's Defence Forces, Uganda Police Force, Uganda Prisons Service, Judges, Members of Parliament[85], international organisations affiliated institutions, as well as VAT incentives in oil sector, all contribute to increased government expenditures and foregone revenues. Such exemptions not only violate the principle of equity, but also lower the tax revenues. Annex 9 international trade tax exemptions.

Tax incentives for foreign investments not only enable foreign firms to avoid taxation but in turn give rise to illegal tax evasion activities of domestic companies e.g. by re-labelling domestic investments as FDI (round-tripping) or selling businesses to subsidiaries disguised as new investors as a means to become eligible for tax holidays that are exclusively granted to new investors (double dipping)[86].

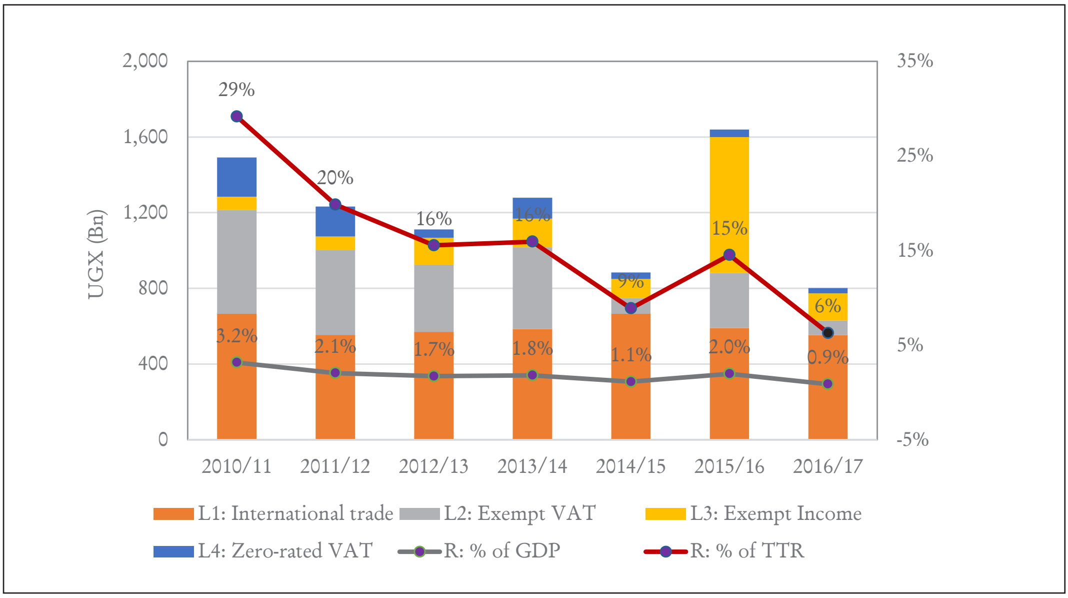
Currently, there is no clear policy about tax incentives and exemptions in Uganda[87]. The Minister of Finance has power to grant tax and non-tax incentives. These powers are granted under the Investment Code Act, Income Tax Act, (1997) under section 162 and the Value Added Tax Act (1996) under section 67 and Stamp Duty Act 1915 (amended in 2002). The Minister may waive the tax depending on the reasons and evidence of failure to recover furnished by the Commissioner General of URA. This leads to inconsistent application of waivers and exemptions based on favouritism and intense lobbying by some investors (especially MNCs).

Uganda's Constitution (Article 152(2)) obliges the Minister of Finance to provide information on how much tax the government directly paid on behalf of some taxpayers. This is emphasised by the Public Finance Management Act (2015)[88], Section 77, which requires that information related to entities exempted from payment of tax, reasons for the exemption, amount of tax foregone by Government and benefits to the Government are made available each Financial Year on or before 30th September, 31st December, 31st March and 30th June to the Parliament. Although the Minister of Finance, Planning and Economic Development presents this report to Parliament, this has not been fully practised as per the provisions of the PFM Act. The Minister only reports to Parliament when reading the national Budget in June. Despite being informed by the Minister of Finance on tax exemptions, Parliament cannot legally reverse the Minister's decisions. Therefore, the use of these broad discretionary powers is open to abuse[89].

The annual report by the Minister of Finance, Planning and Economic Development submitted to Parliament and published covers only the tax exemptions issued by the MoFPED. These exemptions formed 2.5% of the total estimated tax expenditures in 2014/15[90]. However, these exemptions form a small percentage of the total estimated tax expenditures.

A more comprehensive report – Report on Revenue foregone due to Tax Exemptions/Incentives – which also provides estimates by sector and policy area is produced by URA. However, it's for internal circulation only[91]. URA estimated that Uganda's lost revenue from tax incentives and exemptions average 15.7% of total revenue from 2010/11 to 2016/17, amounting to UGX 8,440 Bn (US$ 3,073 Mn) which amounted to 16% of the total tax revenues [see Figure 10]. The amount of revenue foregone in 2016/17 was nearly equal to the agriculture budget (which was UGX 823.4 Bn -US$ 234 Mn- in 2016/17)[92]. Majority of foregone revenues is under exemptions on taxes in international trade (due to tax deductions and the carry forward of corporate losses) and VAT exemptions. The sharp increase in forgone revenues in 2015/16 was due to the income taxes exemptions for SACCOs.

Figure 10: Trends in value of Incentives and Exemptions



Source: Author's computations based on URA Annual Revenue Performance Reports[93]

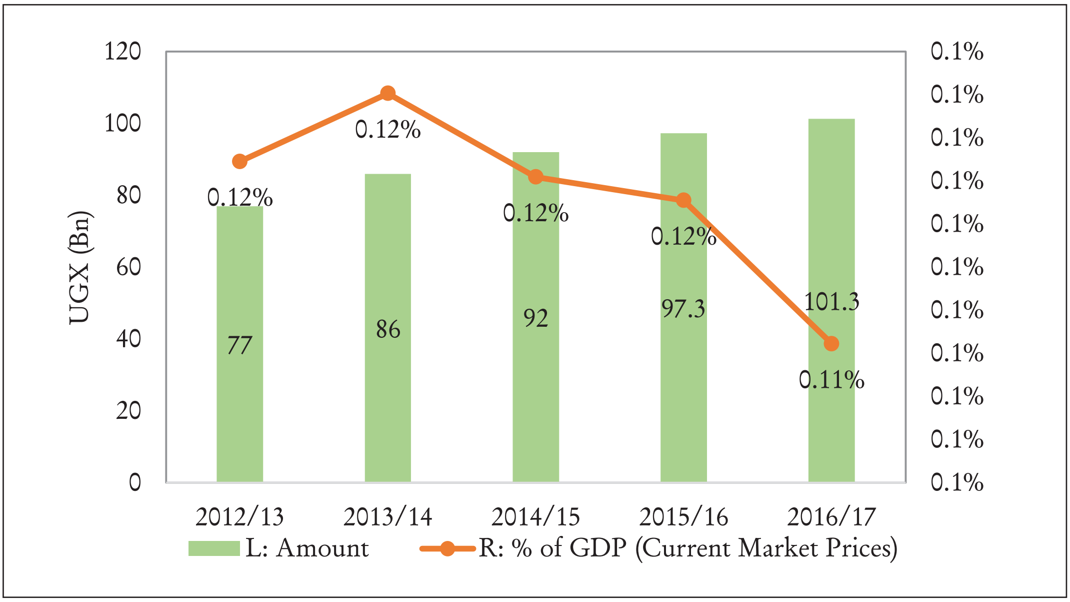
e. Tax Expenditures

Tax expenditures are provisions within the tax laws that either allow taxpayers to exclude or deduct certain legally acceptable expenses as stipulated by tax laws. In other cases, the government can allow deferment, credits and introduce preferential rates for certain activities of key taxpayers.

The ITA allows companies to deduct in their taxable income declaration expenses related to: entity expenses for deriving income; meals, refreshments and entertainment; bad debts; interest; repairs and minor capital equipment; depreciable assets; initial allowances; industrial buildings; start-up costs; costs of intangible assets; scientific research expenditure; training expenditure; charitable donations; farming; carry forward losses; and apportionment of deductions. The revenue foregone from the credits, allowable deductions and exempted VAT/ Income tax are provided in the tax exemption section. However, the government may make payments on behalf of the investor, company or individuals under compelling scenarios. For example, on the basis that industrialization, manufacture of Antiretrovirals (ARVs) and jobs would be created for majority of youth, the government could commit to pay taxes for and on behalf of several companies[94]. However, no specific law spells out that government ought to commit public resources to honouring tax liabilities of private-sector players. The government often uses public resources collected to pay for and on behalf of companies who are exempted. The commitment of such resources is further occasioned by anomalies in providing incentives to some companies.

Tax expenditure averaged 0.1% of GDP over the last five FYs (2012/13 – 2016/17) [see Figure 11]. Government has mainly spent on income taxes for companies who were recipients of tax holidays, cultural leaders, agri-business players (especially in horticulture), hotel developers, NGOs engaged in the provision of educational services and relief agencies involved in delivering humanitarian aid to organisations[95].

Figure 11: Tax Expenditures to GDP



Source: Author's calculations based on URA Statistics and MoFPED reports

f. Illicit financial flows (IFFs)

Despite the fact that there is scanty data on much Uganda loses to illicit financial flows, during a regional dialogue on Curbing Illicit Financial Flows from Africa which was held in March 2018 in Kigali, Rwanda, it was noted that Uganda is estimated to be losing in the excess of UGX 2 trillion (USD 547 Mn) annually due to illicit financial flows. This could get worse once commercial production of oil and gas begins[96]. Mostly, IFFs are being perpetuated by the multinational companies, which through illegal and immoral actions, through tax evasion, money laundering and false declaration. Other illegal methods used include overpricing, transfer pricing, tax evasion, money laundering, corruption and false declarations[97].

g. Double Taxation Treaties (DTTs)

DTTs are intended to promote international commerce by eliminating double taxation and double non-taxation on the cross-border flow of goods, services and income. However, DTTs are open to abuse especially if the design is not well-structured. Although Uganda has enacted several amendments to its tax laws to close the loopholes used by Multinational Corporations (MNCs) and individuals to evade or dodge taxes, there are still challenges with exploitating DTTs by MNCs: detecting mispricing, mis-invoicing, transfer pricing abuse; fighting corruption; and inadequate capacity to detect and prosecute tax evasion[98].

h. Local Governments

The Local Government Act was amended in 2008/09 to introduce Local Service Tax (LST) and Local Government Hotel Tax (LGHT). However, the collection of the LST and LGHT, which were introduced after the abolition of Graduated Tax, is very dismal. The major bottlenecks include: restrictive legal requirements which limit the amount of revenue LGs can collect; small tax base due to high levels of poverty and informal businesses; limited support from the central government towards local revenue generation; poor attitudes of citizens towards paying taxes due to inadequate sensitization; absence of tax appeal tribunals, which would enhance compliance; and leakage of revenues collected[99].

LGs which still rely on manual service delivery mechanisms lack the resources and technology to collect revenue in an era of electronic transactions –. The study by SEATINI & Oxfam (2017)[100] noted that even if citizens wanted to pay their taxes and duties, the bureaucratic behaviour of LGs officials discourages them. For instance, in most LGs, the process of acquiring a licence is not yet computerized; hence it is still a long and tedious process.

4.3 Strategies to address insufficient tax collections

a. Medium Term Revenue Strategy (MTRS)

Government of Uganda is developing the MTRS framework that will establish an inter-sectoral committee to coordinate initiatives geared towards closing revenue leakages, like including the informal sector in tax bracket, and improving on the policy/legal framework. Other initiatives include: removal of tax exemptions or limiting the period awarded to taxpayers; encouraging implementation of BEPS actions in the Double Tax Treaties, limitation of benefits, provisions and exchange of information to minimize treaty shopping; maximizing on increased consumption of non-essential and luxurious goods by levying high excise duties; penetrating the informal sector through mass registration and single-tax model, among others.

b. Collection of NTRs

In the past, the Central Government and LG revenue departments worked in isolation. However, to ensure efficiency in the collection of NTR and to increase transparency and accountability, most of the NTRs are collected by the URA since July 1, 2017 and remitted directly to the Consolidated Fund in the Bank of Uganda. [101] Discussions are ongoing to have URA collect all NRTs, including tuition fees for public academic institutions. The funds are appropriated by Parliament through the budget and disbursed to all MDAs and LGs. However, tax and NTRs collected by LGs are appropriated within their jurisdiction.

c. Expansion of the Taxpayer register

Through the Taxpayer Register Expansion Project (TREP)[102], URA is collaborating with URSB, KCCA and LGs to register all businesses. The TREP provides one stop centres registration of taxpayers. This collaboration is expected to expand URA's tax register by 103,570 and generate UGX 12.9 Bn (US$ 45.7 Mn) in new revenue[103].

URA has been automated operations to ease access services. Through the URA website, potential taxpayers can register and acquire a Tax Identification Numbers (TINs). The web portal also allows taxpayers to register payments and file tax returns online. Taxpayers are required to declare their import value/quantities per transaction or taxable income electronically on an annual or monthly basis – a process referred to as a filing or making a return. Tax payments are made through banks via cheque, electronic funds transfer (EFT) or cash deposit. However, on rare circumstances, cash payments can be made at the URA station. Non-filing, non-declaration, late declaration or provision of false information in the returns often attract a fine/penalty and administrative assessments may be issued.

There has been an increase in tax return filing due to enhanced URA's communication and feedback through the following: taxpayers' days, tax clinics, annual taxpayers' appreciation week, annual client satisfaction surveys, and media publicity (see Table 6). The growth in the returns or filing attributed to URA's deliberate effort has seen the authority take strong steps in monitoring the compliance and filing ratios of VAT and PAYE, which are declared monthly.

Table 6: Returns filed, by tax type

SN	Category	FY2014/15	FY2016/17
	Income tax return form for individual taxpayers	6,869	10,226
	Income tax return form for non-individuals	22,311	25,341
	Income tax return form for Partnerships	560	626
	Income tax return form for individuals without businesses	10,922	13,622
	Income tax return for presumptive taxpayers	2,006	27,264
	PAYE return form	142,368	172,795
	VAT return form (incl. Diplomats)	158,687	178,452

Source: URA (2015104), & URA (2017105)

d. Taxation of the Informal sector

To tackle the challenges of taxing the informal sector, GoU has initiated a range of administrative and policy reforms such as: mass registration or formalization of unregistered businesses through the TREP; a sector-based taxpayer education module by URA; amending legal provisions of the presumptive tax rates and its assessment to allow the regime to take a jurisdiction and business classification based approach; investing in alternative payment options such as mobile money platforms, among others.

Other strategies government has devised to tax the informal sector in FY 2018/19 included, introducing taxes on mobile money transactions (1% on deposits withdrawals and any other payments) and UGX 200 per user per day on the over the top services (OTT) supplied by telecom providers. This catches voice or messages over the internet and is targeted specifically at social media. However, these taxes were condemned by the public as being unfair since they disproportionally affect low income earners. Consequently, government amended the 1% tax on mobile money transactions to 0.5% on only mobile money withdrawals.

e. Curbing Illicit financial flows

Uganda is among the countries that adopted the African Union /Economic Commission for Africa (ECA) report on illicit financial flows (IFFs) titled, 'Track it. Stop it. Get it' by a High-level Panel Chaired by President Thabo Mbeki from Africa at the 24th African Union Summit in Addis Ababa in January 2015. One of the recommendations of Mbeki's report was to establish or strengthen the independent institutions and agencies of government responsible for preventing IFFs[106]. The Uganda Financial Intelligence Authority (FIA) is the institution mandated with tackling IFFs in Uganda[107]. However, the authority was allocated only UGX 8.17 Bn (US$ 2.2 Mn) of which only UGX 1.63 Bn (US$ 0.45Mn)[108] was allocated for prevention of money laundering, prosecution and confiscation of proceeds of crime in FY 2017/18. This funding is inadequate to enable the authority fulfil its mandate of curbing Illicit financial flows. Nevertheless, due to government's compliance to strengthen its laws and institutions against IFFs in and outside Uganda, Uganda was moved out of the grouping of economies considered prone to IFFs by International Co-operation Review Group (ICRG)[109].

f. Double Taxation Treaties (DTTs)

In 2014, the Government of Uganda suspended negotiations on new tax treaties until clearer guidelines on how the country should benefit from such agreements were established. [110] According to interactions with URA government officials, it was noted that in FY 2016/17 the policy to guide DTTs negotiations was developed and endorsed. However, the policy is not publicly available. All future negotiations and reviews shall now follow the procedures stipulated by this newly developed policy.

c. Penalties for tax evasion

In 2014, GoU enacted a Tax Procedures Code Act to harmonise the administrative procedures of the current tax laws, and ease taxpayer compliance. The Act provides various penalties for default in furnishing tax returns, failing to maintain proper records, making false or misleading statements and understating provisional tax estimates. For example, the penalty for failing to furnish tax returns is 2% of the tax payable under return or 10 current points per month, whichever is higher. For failure to keep proper records, the penalty is double the amount of tax payable for the period to which the failure relates to. These penalties should deter tax evasion. But the challenge is their effective implementation.

d. Institutional reforms at URA

Some of the recent reforms at URA include[111][112][113]:

- URA has established a unit that manages tax affairs of the High Net Worth Individuals (HNWIs). The desk has been established to a Liaison office to coordinate the tax compliance of the wealthy citizens and VIPs, who also include Parliamentarians, Politicians and high-profile government officials.
- URA embarked on joint compliance audits for taxpayers with both customs and domestic taxes transactions being reviewed alongside warehouse inspections, an automated valuation of goods has been installed and a national targeting unit within Customs has been established. Tax investigations have also strengthened their intelligence arm and forensic audits. Customs has also introduced a Central Document Processing Centre (CPDC) unit located at the URA headquarters to boost trade facilitation – the CPDC works on the electronic clearances of goods even before the arrival of the physical goods.
- A Public sector office was instituted to support MDAs and LGs in paying PAYE, declaring VAT on procurements and WHT on supplies of services and goods.
- To bring revenue services closer to the clients/taxpayers, the Block Management system was introduced where taxpayers are supported within their localities, also called blocks.
- Numerous electronic platforms have been developed to support clients 24/7 hours. These include: an application (regional electronic cargo tracking system) to monitor movement of goods in transit to eliminate dumping; approximately 11 critical liaison offices have been opened in fast growing commercial towns like Nansana, Kyaliwajala, Nateete, Kyotera and Lyantonde to improve footprint; and several payment options that include mobile-money, point-of-sales and VISA payments have been opened up to ease payment without limitation of time.

e. Combating international tax evasion and avoidance schemes

- In 2011, GoU introduced transfer-pricing rules to ensure that transactions carried between related entities are priced fairly and reflect an arm's length fee.
- URA charges a non-reclaimable 18% VAT on the importation of IT and BPO services into Uganda, limiting the multinational's use of BPOs as tax avoidance conduits[114].
- As a measure to limit thin capitalization and excessive debt burden, under article 89 of the ITA, the government placed for foreign-controlled company a debt-to-equity ratio of 1.5:1, excluding financial institution. This was meant to reduce the revenue leakages due to the tax planning by foreign companies' utilization of debt and interest payment deduction.
- The international taxation unit has been further strengthened with skills to handle cross-border and intra-group transactions.

- Companies with international affiliations have been interested into a Cooperative Compliance Approach (CCA). The approach is founded on inter-company audits before final declarations are made to URA of tax liabilities, minimizing the tax planning schemes.

f. Collaboration with other regional tax bodies

Uganda engages with the African Tax Administration Forum, the East African Revenue Authorities Forums and the Kenya Revenue Authority to rethink taxation framework and administrative strategies that are tailored for the continent and regional revenue mobilization challenges. URA is sharing information with other revenue authorities in the region using the Regional Authorities Digital Data Exchange System (RADEX).

Uganda signed the Multilateral Mutual Administrative Assistance Convention (MAC) on Nov 04, 2015 and operationalized the African Tax Administration Forum (ATAF) Agreement on Mutual Assistance in Tax Matters (AMATM). This came into effect on 1st February 2017. This means Uganda can now legally obtain taxpayer information from 113 jurisdictions around the world to enforce tax compliance[115].

Uganda has an internationally accredited framework for Exchange of Information (EIO). Uganda is a member of the OECD Global Forum Peer Review Group (PRG) from 2016 to 2020. Uganda is chair of the ATAF Technical Committee on Exchange of information[116]. Uganda has been Peer Reviewed (1st and 2nd Peer reviews) by the Global Forum on Transparency and Exchange of Information for tax purposes. Uganda has received an international rating of largely being compliant in regard to the Exchange of Information (EoI) principles and practice[117].

Uganda joined the African Transparency Initiative, an initiative by the OECD Global Forum to encourage African countries to make use of their tax treaties for obtaining information on cross-border transactions to curb tax evasion and Illicit Financial Flows[118]. About nine (9) countries that are early adopters of the EoI mechanism have committed to implement 5 targets under the Africa Initiative. Uganda was the only country that met all the targets set for the review period 2015 – 2017[119,120]. Uganda hosted the regional training on the new international standard on Beneficial Ownership from 12 – 14 December 2016.

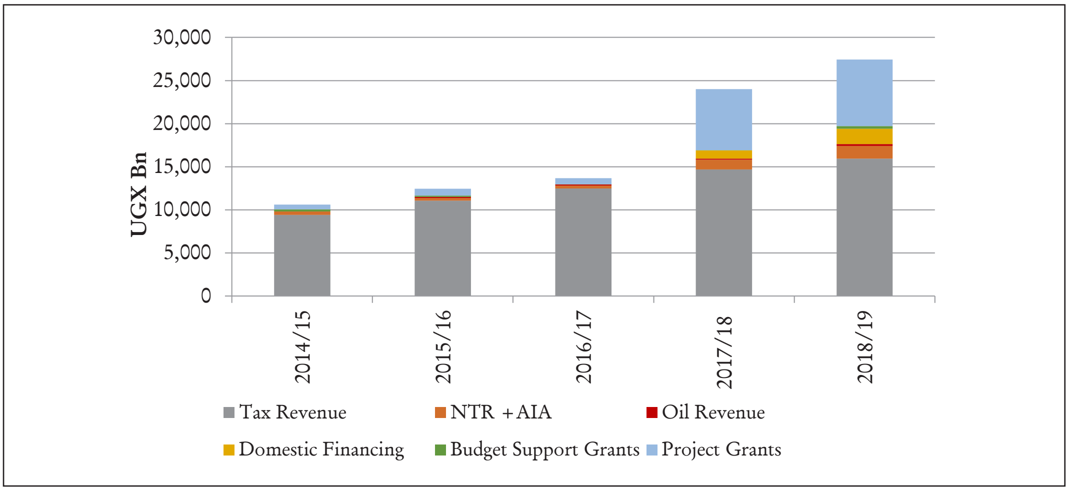
SECTION 5: GOVERNMENT SPENDING

This section gives an analysis of sources of government revenues spent to achieve its social economic and development objectives. Government revenues and spending are largely guided by the aspirations stated in the National Development Plan and the ruling government manifesto which are actualised through the annual budgets.

5.1 Sources of Government Revenue

Over the last decade, Government of Uganda has mobilised revenues to finance its social economic and development objectives. This led to an increase in total revenue from UGX 10.6 Tn (US$3.76 Bn) in 2014/15 to UGX 24.0 Tn (US$6.56 Bn) in 2016/17, and is expected to increase to UGX 27.4 Tn (US$7.50 Bn) in 2018/19. Over two-thirds are mobilised from domestic sources (through taxes, non-tax revenues, oil revenue and domestic borrowing). Due to high investment in infrastructure (mainly energy and roads), there has been a surge in external borrowing during the last two financial years [see Figure 12].

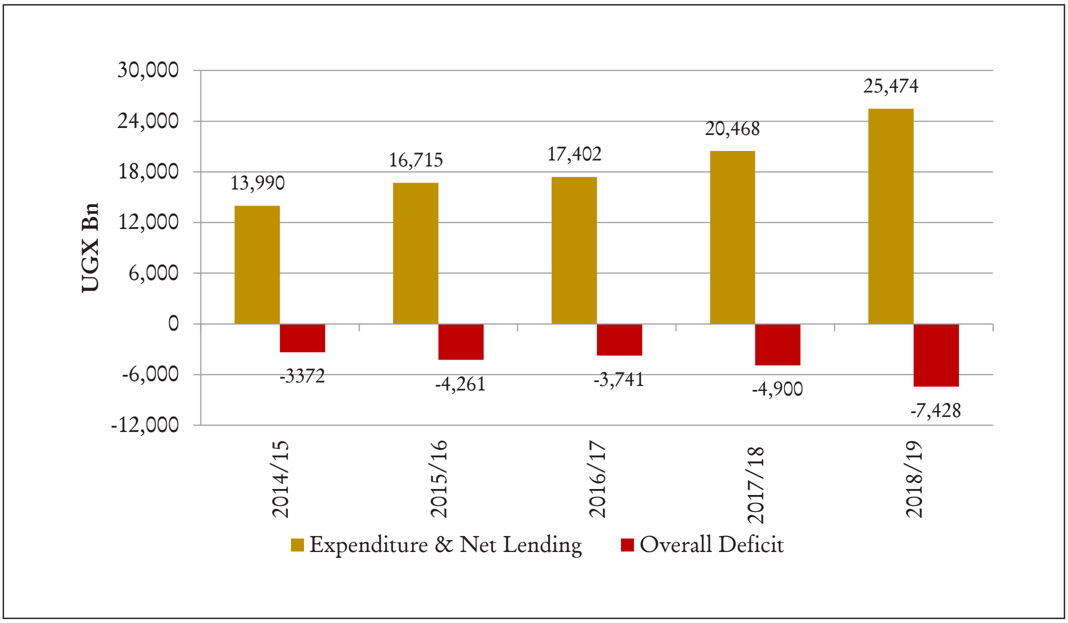
Figure 12: Trends in Sources of Government Revenue



Source: Author's computations based on MoFPED reports[121]

Despite the increase in government revenue, spending has continued outstripping it, leading to an increase in the annual budget deficit. The budget deficit increased from UGX 3.37 Tn (US$ 1.2 Bn) in 2014/15 to UGX 4.9 Tn (US$1.3 Bn) in 2016/17 and is expected to increase to UGX 7.4 Tn (US$2.0 Bn) in 2018/19 (see Figure 13).

Figure 13: Government Fiscal Operations



Source: Author's computations based on MoFPED reports[122]

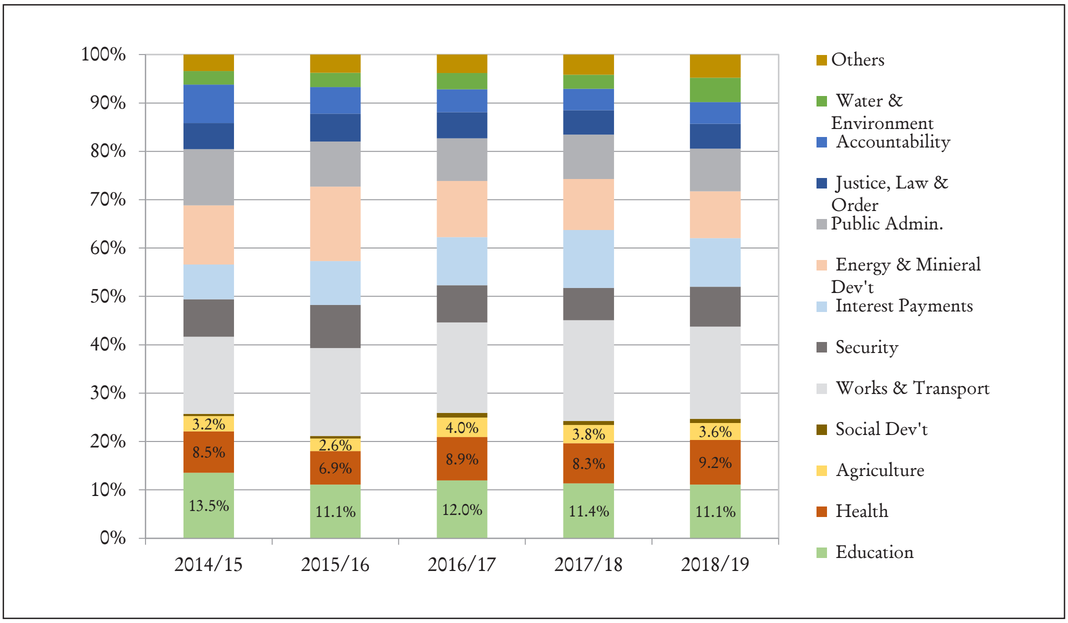
To finance the deficit, government has continued borrowing, resulting into increased public debt. According to the Minister of Finance, Planning and Economic Development, as at March 2018, Uganda's public debt stood at US$ 10.53 billion of which US$ 7.18 billion is external and US$ 3.35 billion is domestic. In nominal terms, this is equivalent to 38.1% of GDP (MoFPED, 2017[123]). Although the Minister believes Uganda's public sector debt is sustainable,[124] there are concerns over long-term sustainability, in light of Uganda's continued reliance on non-concessional financing for infrastructure investment needs.

5.2 Budget Allocations

Uganda's total budget allocations (excluding domestic debt re-financing) increased from UGX 14.97Tn (US$ 5.3bn) in 2014/15 to UGX 22Tn (US$ 6.0 Bn) in 2017/18, and is expected to increase to UGX 25.1Tn (US$ 690 Bn) in 2018/19. The biggest portion of the budget is allocated to Works and Transport; Education; and Energy in line with NDP II priorities.

Despite high budget allocations towards infrastructure development, there are concerns over weak public investment management. The 2014 IMF Public Investment Management Efficiency Index indicates Uganda has weaknesses in managing public investment characterized by under execution, poor planning and delays in procurement processes[125].

Figure 14: Trends in Government Sectoral Budget Allocations (Share)



Source: Author's computations based on MoFPED reports[126]

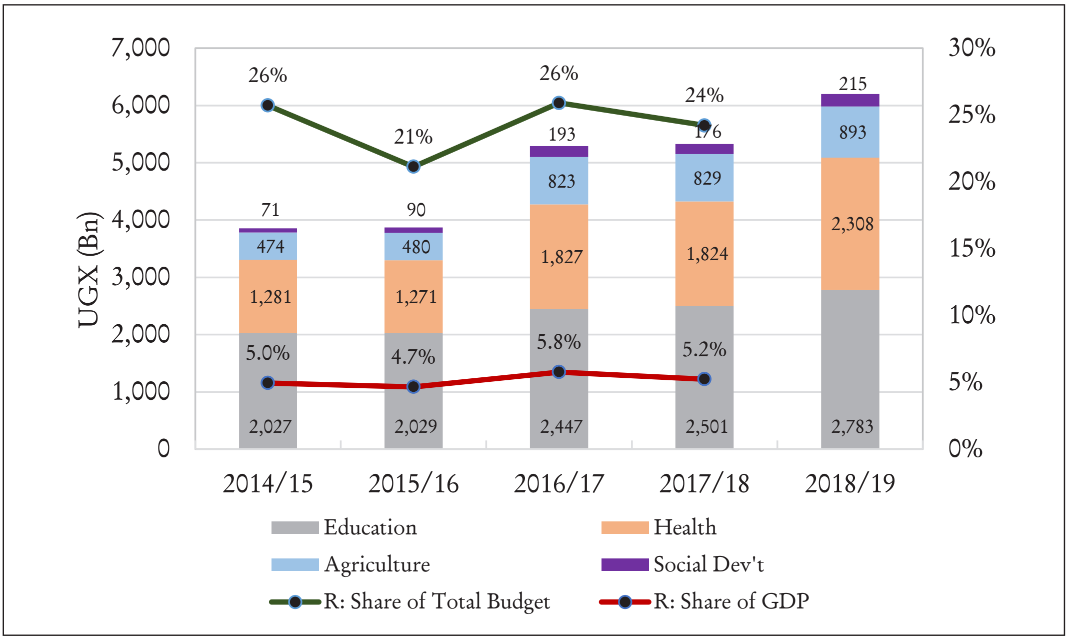
The high spending on interest payments, public administration, and military impact negatively on government spending in social sectors (such as health, education and social development) and productive sectors like agriculture. The share that is allocated to social sectors and agriculture has remained stagnant at a quarter of the national Budget. Consequently, Uganda was unable to meet the NDP II target of allocating 15.0%, 10.9%, 4.4%, and 0.3% to education, health, agriculture, and social development sectors, respectively for FY 2018/19. In addition, Uganda is also unable to meet international and regional commitments which include allocating at least: 15%[127], 10%[128], and 15%[129] of the annual budget to health, agriculture and education sectors respectively.

Despite the relatively stable country, Uganda's military spending (defence, External Security Organisation and Internal Security Organisation) is much higher than spending on agriculture and social development. In addition, the military sector has over time been known for over spending of its budget, for instance, in FY 2016/17, the sector over spent its budget by 8.1%[130], pointing to high levels of fiscal indiscipline by the sector actors.

5.3 Social Sectors and Agriculture spending

The government's total budgetary allocation in nominal terms to the social sectors (education, health, social development) and agriculture increased over the last five years from UGX 3.85 Tn (US$ 1.4 Mn), in 2014/15 to UGX 5.33Tn (US$ 1.5 Mn) in 2017/18 and is expected to increase to UGX 6.20 Tn (US$ 1.7 Mn) in 2018/19. As a share of the total national Budget, allocations to the social sectors and agriculture oscillated at 25% during the same period. This is partly attributable to a shift in government priority towards infrastructure development in energy and roads. However, the share of social sectors and agriculture spending to GDP increased from 5.0% in 2014/15 to 5.2% in 2017/18. Figure 15 shows the social sectors and agriculture budget allocations, their share of the total national Budget and GDP (at current market prices).

Figure 15: Trends in Social Sectors and Agriculture Budget Allocations



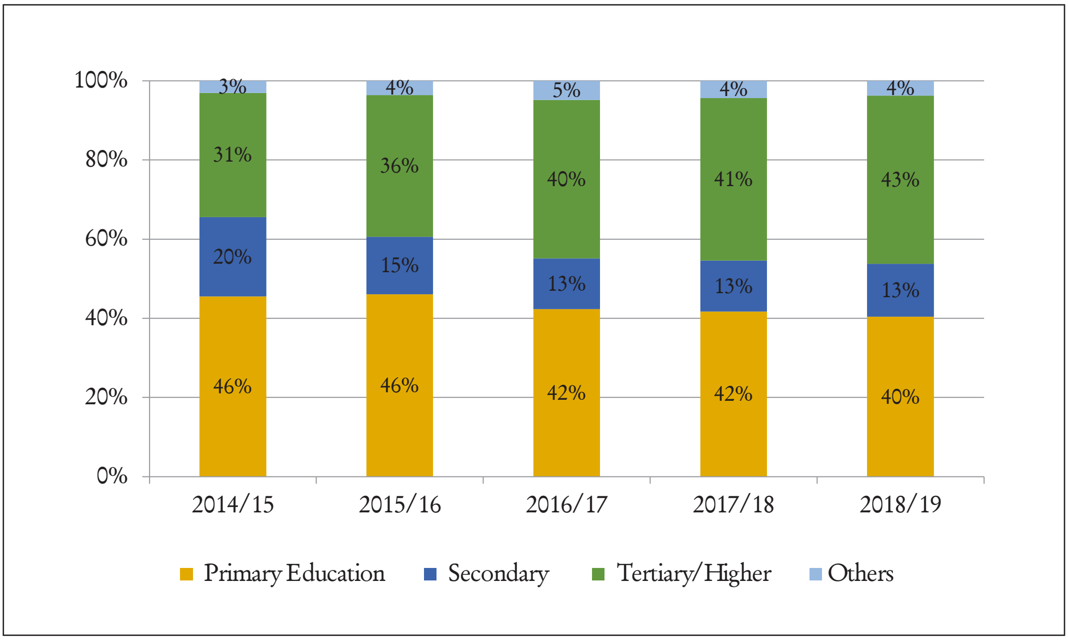
Source: Author's computations based on MoFPED reports[131]

5.4 Intra-sectoral Budget Allocations

5.4.1 Education Sector

The share of the tertiary and higher education budget has been increasing over the last five years, from 31% in 2014/15 to 43% in 2018/19, at the expense of spending on primary and secondary education. During the same period, the share of primary and secondary education declined from 46% and 20% to 40% and 13% respectively. The high spending on tertiary and higher education has been precipitated by increasing number of public universities and enhanced wages of university teaching staff. However, reduced share of spending on primary education is not pro-poor, since studies[132] have shown that primary school expansion is associated with improved access for poorer socio-economic groups to a greater extent than for wealthier groups. Figure 16 shows the breakdown of the education sector budget.

Figure 16: Trends in Education Intra-Sectoral Budget Allocations

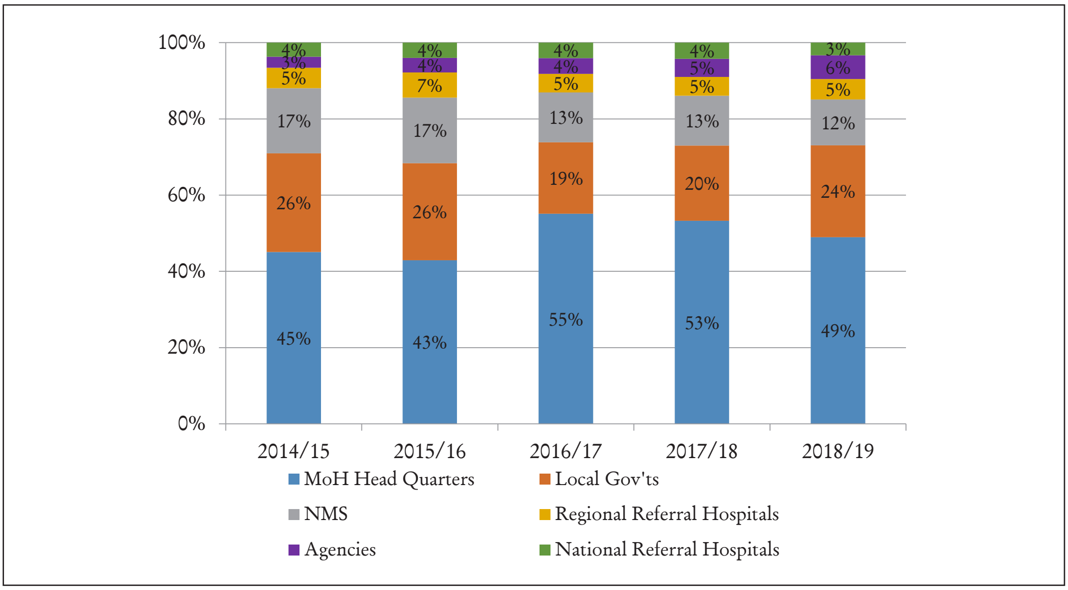


Source: Author's computations based on MoFPED reports[133]

5.4.2 Health Sector

The Ministry of Health Headquarters takes the lion's share of the education sector budget, averaging 49% during the last five FYs (2014/15 - 2018/19). The high allocation for the Ministry headquarters is partly attributed to the fact that most donor projects are implemented there. Despite the increasing disease burden in Uganda, budget allocation to NMS has remained stagnant averaging 14% during the same period. In addition, the share of the health sector budget to local governments remained relatively stagnant at less than 25% during the same period. This has impacted negatively the ability of LGs to deliver quality health care services. Figure 17 shows the breakdown of the health sector budget.

Figure 17: Trends in Health Intra-Sectoral Budget Allocations

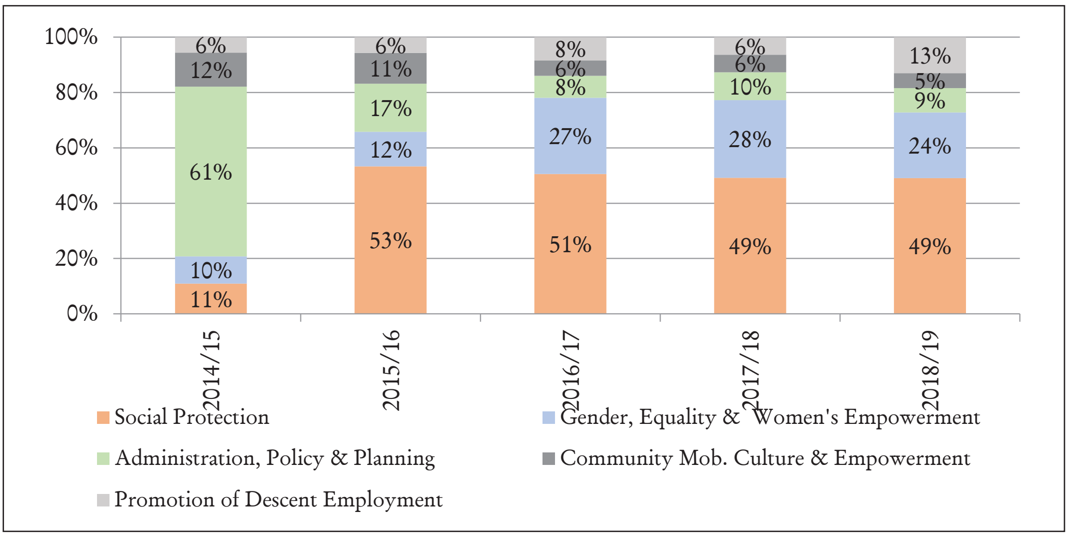


Source: Author's computations based on MoFPED reports[134]

5.4.3 Social Protection

Due to the low funding for social development, the budget for social protection is meagre. Over the last five FYs (2014/15 -2018/19), the share of the social protection for vulnerable groups budget to the total national budget averaged 0.32%. However, the share of the social protection budget to the total social development budget has been increasing over the last five FYs from 10.9% in 2014/15 to 49.1% in 2018/19. Figure 18 shows breaks down of the social development sector budget.

Figure 18: Trends in Social Development Intra-Sectoral Budget Allocations

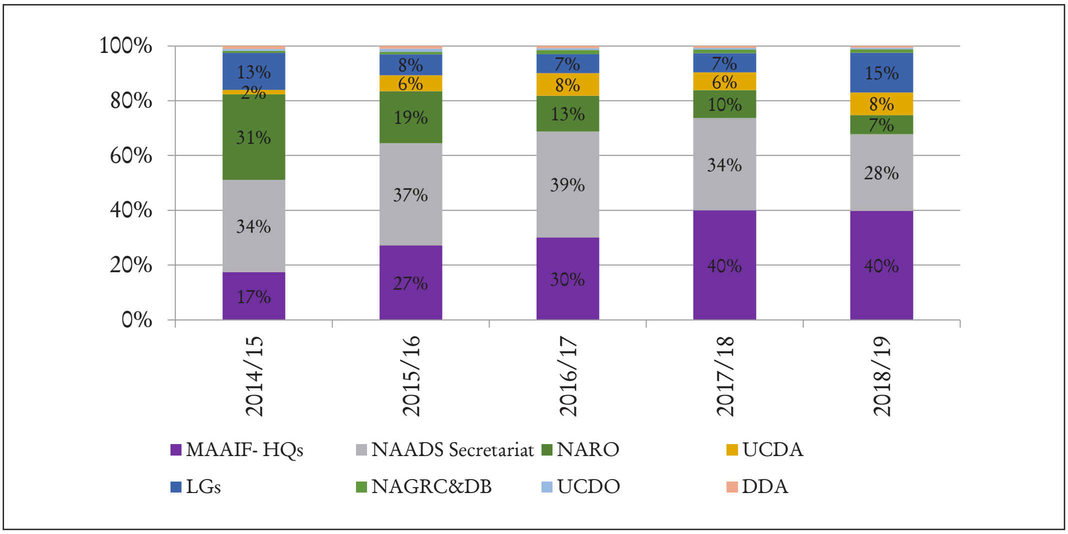


Source: Author's computations based on MoFPED reports[135]

5.4.4 Agriculture Sector

The Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) Headquarters and NAADS Secretariat take the lion's share of the agriculture sector budget. During the last five FYs, the share of Headquarters increased from 17% in 2014/15 to 40% in 2018/19. However, the share of local governments - which are mandated with the frontline agricultural delivery - has been declining from 13% in 2014/15 to 7% in 2017/18, but increased 15% in 2018/19, due to implementing the single spine agricultural extension services. The initials decline was mainly due to the centralisation[136] of NAADS activities (especially provision of inputs). Figure 19 shows the breakdown of the agriculture sector budget.

Figure 19: Trends in Agriculture Intra-Sectoral Budget Allocations



Source: Author's computations based on MoFPED reports[137]

5.5 Per capita Budget Allocations

Education spending per capita (spending per child[138]) increased from UGX 130,745 (US$ 46) in 2014/15 to UGX 148,763 (US$ 41) in 2017/18[2], averaging UGX 138,719 (US$ 41) during the last four years (2014/15 -2017/18). Despite the increase in Uganda shillings, however, in dollar terms it reduced during the same period.

Health spending per capita[139] increased from UGX 36,754 (US$ 13.0) in 2014/15 to UGX 48,417 (US$ 13.2) in 2017/18, averaging UGX 42,571 (US$ 12.7) during the last four years (2014/15 -2017/18). However, the current per capita health spending is below the Ministry of Health's Strategic Investment target of US$17[140] and US$34 recommended by Commission on Macroeconomics and Health (CMH) of the World Health Organisation[141].

Agriculture spending per capita[142] increased from UGX 18,876 (US$ 6.7) in 2014/15 to UGX 30,544 (US$ 8.3) in 2017/18, averaging UGX 24,772 (US$ 7.3) during the last four years (2014/15 -2017/18).

2 The dollar amount is a reduced to due to exchange rates changes

5.6 Quality of Spending

5.6.1 Education Sector

Limited capital investment. Three quarters of the education budget is allocated towards recurrent costs (wage and non-wage); development spending is only a quarter the education budget. However, the development budget is heavily oriented towards recurrent expenditures (such as allowances, consultancy services, maintenance of vehicles) rather than towards capital expenditures. For instance, the share of capital purchases in the 2016/17 Budget was only 15%, but it is expected to decline to 11% in 2017/18. Hence, less allocation towards capital investments is characterized by dilapidated and inadequate school infrastructure, teaching and learning environments. Persistent under-funding of the capital budget has resulted in a deficit of 45,371 classrooms nationwide (CSBAG, 2017[143]), severely impacting on children's wellbeing, particularly in rural areas.

Inadequate UPE capitation grant[144]. Despite the increase in primary school enrolment, the annual capitation per child in primary schools is a mere UGX 10,000/- (US$ 2.8), which has not changed significantly despite inflation and other increases to the cost of delivering education. The UPE capitation grant allocation per child per year is inadequate to deliver quality education especially towards providing instructional materials in schools. This is contributing to the poor quality of education being delivered. For instance, a report by UWEZO (2016)[145], showed that children in Uganda continue to acquire basic skills of literacy in English and of numeracy rather late. It is only in Primary Five (P5) and above that most pupils are fully successful at the Primary Two (P2) level reading and arithmetic tasks. Even at Primary Seven (P7), the final year of the primary education cycle, at least 2 out of 10 children are unable to complete reading and arithmetic tasks at P2 level.

Non-prioritization of Special Needs Education (SNE). Despite the increasing number of children with special needs especially Children with disability[146], the education sector budget allocation towards SNE has stagnated at 0.13% of the total sector budget. This has hindered the ability of the sector to provide education to many vulnerable children especially those with disabilities.

Inequality. There are concerns over inequalities in learning outcomes. These are largely associated with among others whether children attend public or private school, and the geographic locations where children live. Children in poorer families, in rural settings and those in the Northern and Eastern regions continue underperforming relative to their peers in wealthier, urban households or in the southern and western regions of Uganda[147].

5.6.2 Health Sector

Donor dependence. The allocation to development spending is very high; averaged 86% of the sector budget over the last five FYs (2014/15 – 2018/18). However, donors[148] provided over 80% of funding. Dependence on donor funds poses sustainability concerns given the fact that external funding is usually unpredictable in three ways: (i) it is not always evident when the funds will be disbursed; (ii) the period over which funds commitment will be sustained is not always clear; (iii) in some cases failure of donors to disburse aid commitments causes uncertainty in the operational funds and disrupts implementation of programmes. Thus, any funding cuts by donors can adversely affect health service delivery.

Limited capital investment. Capital investment is far less than that of the development budget, meaning not all development budget allocation is capital investment. For instance, the share of capital purchases averaged 21% during FYs (2014/15 – 2016/17). The under-funding of the capital budget has resulted in poor quality of facilities (such as beds, wards, and delivery beds) which in most cases do not function. In addition, most health facilities lack effective emergence services such as ambulances.

With the current funding, the health sector will not achieve its targets indicated in the HSSP II. The inputs most affected by low sector funding are mainly human resources, drugs and other medical supplies-. Inadequate staffing and drug shortages in public health care facilities imply that poor people will continue to pay for health care services. The recent Uganda Health Accounts report showed that the actual percentage of household out of pocket expenditure to the current health expenditure increased from 37% in 2011/12 to 41% in 2013/14 owing to the increase in population spending on health care outside the public facilities (MoH, 2016[149]). This is largely due to the poor quality of health services in public facilities compared to private facilities.

5.6.3 Agriculture Sector

Limited capital investment.. Although 72% of the sector budget has over the last five FYs (2014/15 – 2018/18) been allocated to development spending, capital investment is far less than that of the development budget. This means not all development budget allocation is capital investment. For instance, the share of capital purchases averaged 13% during FYs (2014/15 – 2016/17). Under-funding of the capital budget has resulted in minimal investment in public infrastructure such as irrigation schemes.

Inadequate allocation to agriculture research. Agricultural research spending is low compared to expenditure on the provision of other public agricultural goods and services. The share of the sector budget allocation for research through the National Agricultural Research Organisation (NARO) declined from 31% in 2014/15 to 7% in 2018/19. One of the mandates of NARO is to generate agricultural technologies. But less than 10% of the NARO budget is allocated to generation of agricultural technologies. Consequently, majority of research and development funding is by international agencies, posing sustainability and sovereignty concerns[150].

Insufficient allocation to Extension Services. Despite development of the National Agriculture Extension Policy (NAEP) and establishment of the Directorate of Agricultural Extension Services (DAES), the Single Spine Agricultural Extension System (SSES) has not been fully implemented due to inadequate funding. To operationalise the SSES, DAES wanted to recruit at least 5,000 extension workers during FY 2017/18 but was allocated funds that can only recruit 3,000. Consequently, there is minimal provision of agriculture extension services in Uganda. Only 22% of the communities had access to agricultural extension workers within their communities[151].

4.6.4 Social Protection

Some of the most prominent social security schemes in Uganda include:

a. National Social Security Fund (NSSF). NSSF was established by the National Social Security Fund Act 1985 (Cap. 222) to protect employees against the uncertainties of social and economic life. The scheme is mandatory for employers that have five or more employees. The NSSF is a provident fund. The contribution rate of NSSF is 15% shared at 5% and 10% by the employee and employer respectively. The NSSF reports to the Minister of Finance, Planning and Economic Development.

b. Public Service Pension Scheme. The Ministry of Public Services is responsible for the administration and management of the scheme through the Department of Compensation.

The department handles pension schemes for the civil service, the teaching service, defence and the former employees of the defunct East African Community (EAC)[152].

c. Expanding Social Protection Programme in Uganda. Government of Uganda in collaboration and with support from development partners[153] has been implementing the Expanding Social Protection (ESP) Programme since FY 2009/10. A key part of the programme includes a cash transfer scheme, the 'Social Assistance Grants for Empowerment' (SAGE), in which regular monthly grants of UGX 25,000 (US$ 7) are provided to elderly citizens of 65 years and above[154].

d. Health Insurance. Health insurance in Uganda is largely run by private institutions such as AAR Health Services, Jubilee and AIG Insurance Companies, among others. Most of the services offered by these private health insurance institutions are intended for contributors that can afford to pay for the service, leaving the poor excluded. The Ministry of Health is spearheading the introduction of the National Health Insurance Scheme (NHIS) through drafting the National Health Insurance Bill that aims at financing healthcare through mandatory contributions by both employers and employees[155].

The National Social Security Fund and Health Insurance schemes are funded by contributions from both the employee and employer, based on a certain percentage of the employees' wages and are deducted on a monthly basis, in addition to the pay roll taxes (i.e. PAYE).

Despite the existence of these schemes, majority of Ugandans have no access to social security. Approximately only 3% of the Ugandan population has access to formal social security. Only 2.8% and 2.3% of the working population are covered by the Public Service Pension Scheme (PSPS) and National Social Security Fund (NSSF) respectively. A number of small, private social security schemes managed by groups also exist, but with minimal impact. This results in a high level of vulnerability to shocks and persistent poverty (Republic of Uganda, 2015)[156].

4.7 Gender and Public Spending

Women provide the bulk of unpaid care work which includes housework, water and firewood collection, and caring for children and the elderly, which is necessary for societies to function. Women often bear the double burden of providing care as well as generating income. To alleviate this burden, public services such as health and education are critical for women. Poorly-resourced public services mean 'women and girls have to fill the gap through their unpaid or low paid care work. [157]

Uganda has a number of policies and laws that support / promote the participation of women in public spending decisions. These include, such as: the Convention of the elimination of All Forms of Discrimination against Women (CEDAW) 1979, Beijing Platform for Action the 1995, African Union Gender Policy (2009), the Constitution of the Republic of Uganda (1995), the Equal Opportunities Act (2007), National Gender Policy (2007), Gender in Education Sector Policy (2016), among others.

All MDA and LGs are supposed to integrate gender and equity in their development / investment plans and Budget Framework papers. Every financial year, the MoFPED issues a Budget Call Circular which includes a paragraph on Gender Responsive Budgeting (GRB) and guidelines on how to engender budgets. The Equal Opportunities Commission (EOC) is mandated to undertake an assessment of the compliance of Ministerial Policy Statements (MPSs) of all MDAs with gender and equity requirements for every financial year. The results of the assessment are presented to Ministry of Finance, Planning and Economic Development.

The EOC has noted that there was improvement in the way the various votes appreciate gender and equity issues. However, there was a decline in compliance to gender and equity requirements of the MPSs in the FY2016/2017 from 53% to 48% in FY 2017/2018. Out of the 136 votes assessed, 96 (70.6%) scored the minimum mark while 40 scored below the minimum mark of 50%. In addition, there are challenges of ascertaining the amount of money allocated to outputs that promote gender and equity[158].

Although the Maternal Mortality Ratio (MMR) in Uganda has reduced from 438 deaths per 100,000 live births in the 2011[159] to 334 in 2016, it is still high. However, adolescent girls account for a significant proportion of maternal deaths in Uganda annually; about 25% of adolescents age 15-19 begun childbearing[160]. Although some drivers of these reproductive health challenges are rooted in gender and social norms, limited access to youth-friendly reproductive health services due to limited funding is a big challenge.

The implementation of Universal Primary Education (UPE) has contributed to improvements in basic school enrollment, and gender parity in primary school enrollment. Primary school enrollment in 2016 was at 95% for girls, and 92% for boys[161]. However, beneath these impressive statistics are challenges such as low retention rates, low completion rates, and low quality of learning outcomes for both girls and boys. Transition to secondary school is also still low (22% for girls and 24% for boys), driven by poverty and inability to pay for secondary school education (USAID, 2017[162]).

A gender policy analysis conducted by the Budget Monitoring Unit (BMU)[163] indicated that the agriculture sector is gender sensitive and aware. However, gender sensitivity does not translate to gender responsiveness by the key programmes in the sector, such as: the Agricultural Credit Facility (ACF)[164], had by 2015 benefited only 9% female borrowers compared to 64% men (27% were joint ventures by both men and women). The ACF has no mechanisms to address the key constraints limiting women's access to credit including: lack of collateral, long distances to financial institutions, and low literacy.

SECTION 6: TRANSPARENCY AND ACCOUNTABILITY

6.1 Information Availability

Information on tax system (tax rates and tax collections) is publically available. Such information is published by both MoFPED and URA through a number of documents (such as Background to the Budget, Budget Speech, Approved Estimates of Revenue and Expenditure), and websites. Key websites that contain information on taxation include: URA's: www.ura.go.ug, MoFPED's: www.finance.go.ug, and Uganda budget information: www.budget.go.ug.

The Approved Estimates of Revenue and Expenditure provide information on the largest tax revenue sources individually.[165] These include: domestic taxes, international taxes and NTR. However, some tax revenue sources are not identified individually. This makes it difficult for one to identify the contribution of each revenue source within each block. Similarly, NTR are presented as block figures. A report on loan, grants and guarantees produced by the MoFPED annually provides information on extra-budgetary funds. However, some details are excluded, especially on pension and social security funds.

Through the Background to the Budget and the Budget Speech, MoFPED explains the differences between the enacted levels and the actual outcome for revenues. The Background to the Budget has a sub-section on Revenue Performance of the previous FYs with explanations of the under or over performance of direct domestic taxes, indirect domestic taxes, international trade taxes, fees and licences, and non-tax revenues.

The URA's website provides information on projected and actual tax revenue collections (although only up to 2015/16). The URA web portal facilitates taxpayer registration and the acquisition of TINs, registration of payments and filing tax returns. The URA has endeavoured to inform the public about tax rates and tax collection through the media such as radio and TV talk shows, distributing brochures and establishing tax hubs and 'clinics' in various parts of the country. However, most of the information is in English, yet most taxpayers cannot easily read and write English.

URA has established internal and external electronic platforms to provide 24/7 tax advice and support via call centre, one-stop-centre and central document processing centre; payments platforms that are linked to VISA cards and mobile-money payment platforms; and a self-help mobile-telephony application has been installed to help taxpayers for instant tax computation and inquiry.

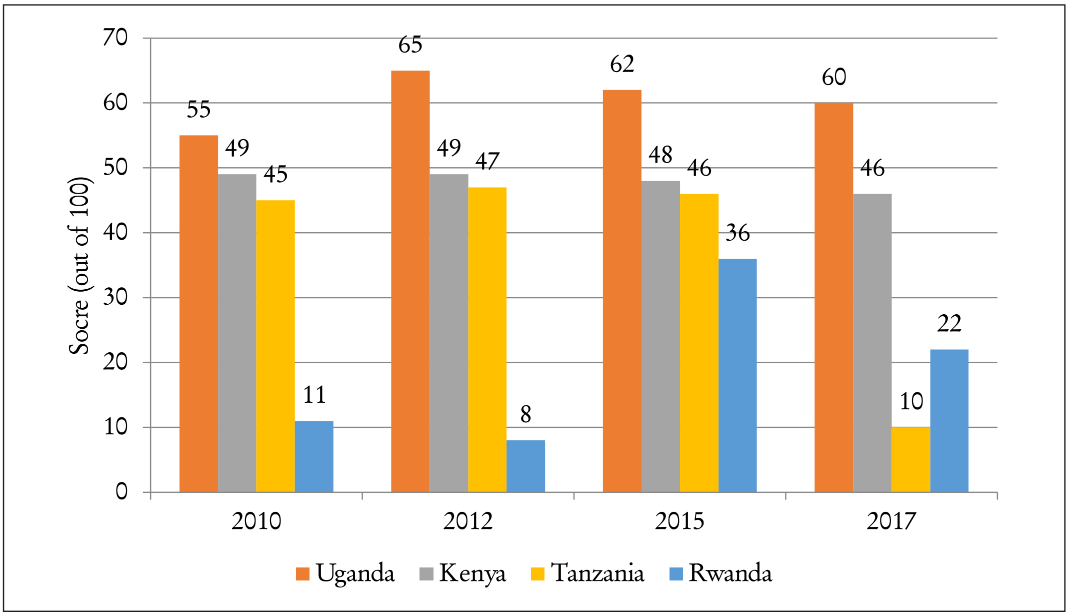
The Company's Act (2012) requires a company to audit their books of accounts and file the form of Annual Returns with the Registrar of companies every year. There is a fine incurred for noncompliance. Most companies, especially financial institutions, publish their financial statements in the media. However, information about companies' direct shareholders and beneficial owners are not publicly available.

Some information about beneficiaries of tax exemptions is publicly available, however, the procedure for granting them is not transparent (see sub-section 4.2).

6.2 Budget Transparency

Despite declining scores since 2012, Uganda is performing well compared to other EAC countries scoring 60 out of 100 in the Open Budget Survey in 2017 (see Figure 20). This indicates that the government provides the public with significant information on the national Budget to enable the public to engage in budget discussions in an informed manner (IBP).[166] However, on public participation, Uganda scored 28 out of 100, indicating that government provides few opportunities for the public to influence the Budget processes.

Figure 20: Comparative scores in Open Budget Survey, 2008–12



Source: IBP (2017)[167]

6.3 Oversight, Audit and Competence test of URA

Although the URA is a quasi-autonomous institution, for budgetary purposes, it is a department of MoFPED, and is subject to the same financial rules and discipline as other departments. Like other government departments, the URA is audited by the Office of the Auditor General (OAG)[168]. The Auditor General's reports are presented to Parliament for discussion by the Public Accounts Committee in the presence of the media and the reports are uploaded on the OAG's website (www.oag.go.ug). The committee ensures that audit findings are followed up and anyone found responsible of corruption is dealt with.

There is no structured competence assessment of URA. Most assessments are conducted through technical assistance missions from World Bank, DFID, USAID and IMF who introduce and conduct Tax Administration Assessments such as:

- Tax Administration Diagnostic Assessment Tool (TADAT): TADAT provides a baseline for any country's tax administration system performance which can be used to determine reform priorities and improvements in administration structures, systems and procedures. A pilot assessment was undertaken in August, 2015 and a follow-on mock assessment in September, 2017. However, the reports have not been published. This is in contravention to outcome area nine of TADAT on accountability and transparency.
- Tax Assessment Tool/Diamond: World Bank introduced a Tax Assessment Diamond Methodology and application (www.taxdiamond.org) that assesses competences in Customs functionalities, typology and domestic revenue mobilization efforts. World Bank has been undertaking institutional assessment within URA. However, the results are not public.
- URA has an ethical code of conduct which all staff are required to adhere to for integrity and transparency in their operations. An Informer Management Unit was established for taxpayers or whistle-blowers to flag off any staff or fellow taxpayers that could be abusing the tax regime. The tax investigation arm of URA along with other independent government bodies including the Inspector General of Government (IGG), Police and other Security agencies investigate into matters of tax evasion and avoidance. In cases where taxpayers or staff have been guilty of offence, appropriate disciplinary action is taken.

6.4 Citizens' engagement on taxation

Although citizens are not yet engaged, civil society organisations and other non-state actors' participation in shaping revenue policies at the national level is improving. A number of organisations (such as Oxfam, SEATINI, CSBAG, UDN, UMA and KACITA) engage government on shaping revenue policies nationally. For instance, SEATINI is coordinating the Tax Justice Alliance Uganda[169] which is a CSO platform that engages on tax issues at local, national, regional and global levels. Every financial year, the Tax Justice Alliance develops a civil society position paper on tax and revenue proposals which is presented to the Parliament of Uganda during the debate and approval of the national Budget. In addition, the civil society response to the tax proposals is published in the media[170].. However, most instances, civil society proposals are not taken seriously by government. A case in point is the passing by Parliament of the 1% tax mobile money transactions and 200 per day OTT on social media in the 2018/19 budget despite resistance by CSOs[171].

At local government levels, SEATINI- Uganda and her partners are working with LGs in Acholi region (Kitgum, Pader & Lamwo) on local revenue mobilisation and sensitisation of citizens in taxation. A number of capacity building activities on local revenue generation, management, and utilisation are being organised for LG officials and civil society. For instance, SEATINI-Uganda and her partners developed a best practice manual on Local Government Revenue Mobilisation, Allocation and Utilisation[172] and a training guide on Taxation, Budget, access to Information, Mobilisation and Advocacy.[173]

Nonetheless, there is still low participation in taxation issues by citizens. A study by SEATINI (2017[174]), found that most taxpayers are not knowledgeable about the taxation regime and how taxes levied. Most taxpayers do not have an adequate understanding of the functions and mandates of institutions responsible for taxation in Uganda. There is confusion between the URA taxes and LGs taxes. Most taxpayers complain of double taxation where they pay taxes to URA and LG. This is partly because most citizens do not understand what kind of taxes they are supposed to pay and to which institutions. At LG levels, the non-payment of any direct taxes and overdependence on non-discretionary central government transfers by LGs, makes it inherently difficult for citizens to engage in taxation issues, since the majority do not directly contribute to tax revenue[175].

To enhance understanding and advocacy on taxation and revenue generation issues, a number of CSOs such as SEATINI- Uganda, CSBAG and UDN undertake various studies on taxation and revenue generation issues. These include studies on: National and Local Government revenue performance[176]; tax evasion and avoidance in Uganda[177]; and widening Uganda's Tax base[178], among others. However, not much research has been done on the distribution of the tax burden among different segments of society.

6.5 Corruption

To curb corruption, URA computerized tax processes, reducing the contact between taxpayers and tax officials. It is implementing integrity enhanced programmes that cut across all functions – the programmes also involve lifestyle audits of all URA staff to establish their source of income and expenditure trends. Cases brought to the attention of the management that require corrective action are further investigated and disciplinary action taken.[179] Although URA tried to counter corruption among its staff, the vice is still rampant.

According to Transparency International, nearly half of Ugandan citizens believe tax officials are corrupt (Transparency International, 2015[180]). This has a negative impact on voluntary tax compliance[181]. A study by Bernard Gauthier & Jonathan Goyette (2014[182]) using firm-level data from Uganda found that the larger the bribe a firm offers to a tax collector, the larger the tax rebate it gets. For instance, a 1% point increase in average bribe payments per employee is associated with a 7% point reduction in average amount of tax payments per employee. Officials' corrupt actions often take one of two forms. They are either abusive, whereby officers extort from honest taxpayers; or collusive, in which case they engage with the corrupt behaviour of tax avoiders[183].

In addition, according to the Global Competitiveness Report (GCR) corruption is ranked number one (with score 16.6) among the most problematic factors for doing business in Uganda. Companies indicate that bribes and irregular payments are common when making tax payments[184]. There is a high risk of corruption when dealing with Uganda's customs authorities. Border corruption was listed as a problematic factor for importers. Companies believe the border administration in Uganda is non-transparent and that irregular payments during exporting and importing are common[185].

SECTION 7: CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusion

Uganda has a robust legal and institutional framework on taxation. However, the country has not raised its tax-to-GDP ratio to the level of other EAC countries. This is mainly due to challenges in revenue mobilisation, ranging from inefficiencies in the tax collection, both by URA and local governments, to losses in revenue due to opaque provisions on tax incentives and exemptions. Consequently, the tax laws, policies and institutions currently focus on establishing a more "efficient" mode of tax collection, with less efforts being directed at the principles of equity and progressivity.

Due to absence of a clear policy and un-transparent provisions on tax incentives and exemptions, Uganda is losing a huge amount of revenue. According to the URA, Uganda's lost revenue from tax incentives and exemptions amounting to UGX 8,440 Bn (US$ 3,073 Mn) from 2010/11 to 2016/17, which amounted to 16% of the total tax revenues. The amount of revenue lost in 2016/17 was nearly equal to the agriculture budget (which was UGX 823.4 Bn -US$ 234 Mn).

Uganda depends largely on indirect taxes (e.g. excise duty, VAT, and customs), contributing about two-thirds of total tax revenues. In addition, since a smaller proportion of the taxable base is captured by the tax authorities. Revenues comes mostly from a few people, especially those engaged in formal businesses and salaried employees, leaving these taxpayers to bear the tax burden. Indirect taxation also affects women more because they spend a higher proportion of their income on consumer goods for their families.

Despite government revenue increase, spending has continued outstripping it, leading to an increase in the annual Budget deficit. Uganda's total budget allocations increased from UGX 14.97 Tn (US$ 5.3 Bn) in 2014/15 to UGX 25.1 Tn (US$ 690 Bn) in 2018/19. However, the high spending on interest payments, public administration and military sector impact negatively on government spending in social sectors (such as health, education and social development) and productive sectors like agriculture. Just a quarter of the national budget allocated to social sectors and agriculture has stagnant.t t. Consequently, Uganda is unable to meet her international and regional commitments such as allocating at least 15%, 10%, and 15% of the annual budget to health, agriculture and education sectors respectively.

7.2 Recommendations

7.2.1 Government

a. Parliament should amend Section 77(1)-(2) of the Public Finance Management Act (PFMA), 2015 which accords the Minister to award tax exemptions and thereafter report and justify the award to parliament. This limits parliament exercising its oversight role before exemptions and incentives are awarded.

b. MoFPED should analyse the impact of any proposed tax reforms and base the decisions on the potential impact on reducing inequality before introducing any new measures.

c. MoFPED should ensure full autonomy of URA and hold the Authority accountable to an agreed set of performance measures. Autonomy should enable the Authority manage budgets on an annual basis, reorganize operations, recruit and develop personnel, and set staff compensation levels.

d. MoFPED should fast track the review of the existing DTTs, particularly those with so-called conduit jurisdictions, often used by MNCs in their tax avoidance schemes. DTT framework should be aligned to minimise tax leakage so that such taxpayers pay a fair share compared to their local counterparts.

e. MoFPED should formulate and implement policies that allow self-employed people and small businesses to formalize their businesses easily. Such policies include: reducing business compliance regulations, tax amnesties with a cut-off date for compliance, providing limited tax shelters for small-scale informal activity and allowing businesses to formalize using simple 'off the shelf' models.

f. MoFPED should revise the PAYE threshold upwards above the cost of living estimated at UGX 351,600 (US$ 99.7) enabling workers to remain with some disposable income.

g. The Ministry of Local Government and MoFPED should work together to strengthen the capacity of LG tax administrations by establishing automatic databases of business and taxpayers, linking LGs to the central government systems and facilitating regular reviewing/updating of the fees/tax rates to cater for inflationary and market changes.

h. MoFPED should publish on annual basis a cost-benefit analysis of all tax expenditures and incentives to reduce or remove some of them.

i. MoFPED should incorporate specific legislation/regulations that ensure taxation of wealthy and High-Net Worth Individuals (HNWI) by introducing additional income brackets taxed at higher rates of personal income tax to ensure equity, fairness and the progressivity of the tax system.

j. MoFPED should use oil and gas revenues to increase overall public spending on social sectors, especially education and health by allocating more funds to meet the international and regional commitments which include allocating at least: 15% to education and 15% to health sector.

k. The Ministry of health should re-structure its budget to ensure that budgetary allocation to LGs health services take at least 60% of the sectoral budget. In addition, LGs should be given some flexibility in their use of funds. This will enable them to improve healthcare provision for their contexts, especially for primary healthcare.

l. The MoES should revise the unit cost per child in UPE to least UGX 15,000/- to accommodate the inflationary rates and match it to current/prevailing market values.

m. URA should produce disaggregated data on taxpayers to enable effective gender analysis of tax policy in Uganda. For instance, when filling Income Tax returns, gender of the person filling or owners of the company should be included.

n. URA should produce simplified explanations of all tax laws and translate them into local languages to enhance taxpayers understanding.

o. URA should put more effort in ensuring that it collects VAT and CIT which are currently underperforming by working with a broad range of experts both within and outside the authority to integrate different sources of evidence.

p. URA should use third-party information (i.e. from government ID database and land registries) to populate potential taxpayers, validate tax returns and inform tax investigations. For instance, the TIN should be linked to a person's ID number (for individuals) and company registration number (for organisations). The use of third party information will improve revenue performance and reduce the tax burden on the few taxpayers.

q. URA and LGs should work together not only to include more taxpayers into the tax base using TREPS but also provide flexible incentive to assist metamorphosis of small businesses such incentives for informal businesses to formalise.

r. URA should involve taxpayers in anti-corruption reforms. Tackling corruption in tax administration needs strong local leadership. However, taxpayers must be included to ensure real reform. Allowing a tax administration to reform itself without addressing the concerns of taxpayers and citizens would result in an incomplete change process.

7.2.2 CSOs and Non State Actors

a. Building public awareness. Educate citizens on their constitutional duty to pay taxes and influence government affairs (including demanding quality services). Citizens need to understand that as taxpayers they can make their voices heard and actively take part in public policy decision-making processes about how taxes are collected and spent on public services and hold governments accountable.

b. Simplification of tax laws and policies: Currently, there is a big knowledge gap on which types and kinds of taxes, levies and fees citizens need to pay to who and when. This calls for concerted efforts to simplify all tax laws and policies and translate them into local languages. At local levels, CSOs can work with citizens' groups and traders/ vendors' associations to provide simplified information about taxation.

c. Tax administration, transparency and accountability: There is need for more advocacy work on ensuring tax administration is transparent and accountable.

d. Evidence-based advocacy: To make effective engagement on tax policies, there is need to undertake more empirical studies to establish the impact of taxes on various categories of people.

e. Gender and taxation: CSOs could undertake gender audits of taxes and demand that government implements gender-sensitive tax policies.

ANNEXES

Annex 1: Tax and Non-Tax Revenues collected at different levels

Central Government	Local Governments
Tax Revenues Direct taxes (i.e. Personal Income tax, Corporate Tax, Presumptive, Rental Tax, WHT etc.) Indirect taxes (i.e. VAT or an equivalent of a sale tax and Excise duty) Customs taxes (all taxes levied on international trade to including Import duty, Value Added Tax, Excise duty, Withholding tax) Non-Tax Revenues Fees (driving permit, passport fees etc.) Penalties/fines (trafic, environnemental, infrastructure Levy, etc.)	Local Service Tax Local Hotel Tax Property rates (ground rent, building approvals, etc) Trading licences User fees (e.g. market & parking fees) Forest licence Veterinary fees Registration fees (e.g. birth, marriage, death registration, etc)

Source: Author's compilation

Annex 2: Direct Taxes and their Rates

Tax-type	Description/Basis	Effective tax rate
Personal Income Tax (PIT)	a personal income tax levied on earnings of employed individuals subject to the level of income as PAYE	Based on tax-bands: 0%, 10%, 20%, 30%, 40%
	Income tax imposed on individuals based on their level of income, including employees and business owners	30%
Corporate Income Taxes (CIT)	levied on net profits for business establishments	30%
Rental Income tax (RIT)	Paid by owners of building (residential or commercial) generating income from being rented or leased	Individuals: 20% Companies: 30%
Presumptive Tax for small businesses	Imposed on small businesses whose turn-over can only be estimated using or indirect means such as level of stock especially in the absence of properly maintained books of account	Based on turnovers and jurisdiction of operation: effective rate is 1.5% of turnover
Withholding tax	Levied on supply of services and goods beyond a threshold of UGX 1 Mn (US$ 276); interest or other transactions at source by the paying entity	Effective rate is 6% but can go as low as 1% or up to 15%

Tax-type	Description/Basis	Effective tax rate
Lottery or Casino	Imposed on earnings gained by gamers and withheld at source by the gaming or betting company	25%

Source: Author's compilations based on Okuja J. O. (2017)

Annex 3: Indirect Taxes and their Rates

Tax-type	Goods and Services and Rates
Excise Duty	Opaque beer - 30% or Ushs 650 per litre, whichever is higher Undeatured spirits made from locally produced raw materials - 60% or UShs 2,000 per litre, whichever is higher Undenatured spirits made from imported raw materials - 100% or UShs 2,500 per litre, whichever is higher Ready to drink spirits - 80% or UShs 1,500 per litre, whichever is higher Wine made from locally produced raw materials - 20% or UShs 2,000 per litre, whichever is higher Other wine - 80% or UShs 8,000 per litre, whichever is higher Non-alcoholic beverages not including fruit or vegetable juices- 12% or Ushs 200 per litre, whichever is higher Powder for reconstitution to make juice or dilute- to - taste drinks, excluding pulp - 15% of the value Gas oil (automotive, light, amber for high speed engine) - Ushs 880 per litre Airtime on mobile cellular, landlines and public pay phones - 12% of the fee charged Over the top services - Ushs 200 per user per day of access Money transfer or withdrawal services, including transfers and withdrawal services by operators licensed or permitted to provide communications or money transfers or withdrawals but not including transfers and withdrawal services provided by banks- 15% of the fees charged Mobile money transactions on receiving, payments and withdrawals - 1% of the value of the transaction. Ledger fees, ATM fees, withdrawal fees and periodic charges and other transaction and non-transaction charges, excluding loan related charges periodically charged by financial institutions - 15% of fees charged Cooking oil - Ushs 200 per litre Motorcycles, at first registration - Ushs 200,000
Value Added Taxes	10% levied on supplies (goods and services) throughout the value chain that is born by the final consumer. VAT replaced the sales tax. Its administration is based on the increased value of product or service at stage of production or distribution: VAT-able goods and services mainly include beers, cigarettes, beers, spirits/waragi, sugar, bottled water, cement, utilities etc.
Taxes on international trade	Import duty (0-25%) & Excise duty (10%) duties levied on imports and/or exports, such as import duty, excise duty, surcharge on used imports, VAT on imports, withholding taxes, temporary road licenses, commission on imports, re-exports levy, infrastructure levy, hides and skins levy/exports levy, etc

Source: Author's compilations based on Okuja J. O. (2017) and PWC (2018)

Annex 4: Major Uganda's Tax reforms for the past three years

Tax-type affected	Description		
	2018/19	2017/18	2016/17
Income Tax	Introduced 10% final Withholding Tax on commissions by telecommunication companies on mobile money and airtime agents as a final tax. Strengthened the effectiveness of the current limitation of excessive interest deduction (thin capitalization). Clarified taxation of offshore indirect transfers of interest by introducing tax on a direct or indirect sale of an asset connected to Uganda by a nonresident person. Introduced Withholding Tax on all payments for winnings of gaming, Sports and Pool betting. Minors for the purposes of gaming, sports and pool betting will be considered "twenty-five years" from "eighteen years". Introduced of Withholding Tax of 1% on every person that makes a gross payment for agricultural supplies in excess of one million shillings. Aligned the tax treatment of returnable containers used by manufacturers with the accounting treatment	Granted accelerated depreciation on plant and machinery and industrial buildings utilized by businesses located up-country (i.e., at a radius of 50km outside Kampala) Exempted the income of savings and credit cooperative societies (SACCOs) from income tax Adopted the minimum rental charges determined by the minister on the basis of location and value of properties as the basis for computing rental tax Exempted the income of bodies established by an act of parliament to regulate the conduct of professionals (such as the Institute of Certified Public Accounts of Uganda) from income tax.	Carry forward losses in relation to mergers and acquisition June 13, 2016. Section 38 and section 75 harmonized where there have been mergers and acquisition / re-organisation; section 75 provides the rules and conditions. Double Taxation Agreements (DTA). S.88 (5) –limits benefits by examining the underlying ownership of these businesses; ensures that there is no undue leakage. Changes; PLCs excluded from the restrictions Any other company with substantial operations in the DTA country can also benefit from favorable treaty rates if they are the beneficial owners. Petroleum Sector; aligned provisions of the Income Tax Act to the Petroleum Act and PSAs Employees of Diplomatic institutions; Required to file returns of income with URA Income tax exemption granted to; International Centre for Research in Agroforestry (ICRAF), and International Potato Centre.

Tax-type affected	Description		
	2018/19	2017/18	2016/17
Value added Tax	Exempted the supply of Holy Bibles and Qurans. Excluded goods for private use from the scope of the application of the VAT deemed payment provisions. Clarified the obligation of foreign based remote service providers to account for VAT in Uganda. Obliged Government Ministries, Departments, Agencies and designated persons to withhold VAT on taxable supplies. Streamlined carrying forward of VAT offsets.	Exempted the following from VAT: Taxable supplies made to government departments and agencies by a contractor executing an aid-funded project Locally produced wheat Crop extension services, animal feeds and premixes, deep cycle batteries and composite lanterns, irrigation works, sprinklers, and ready to use drip lines Imposed VAT on wheat grain at the standard rate.	Aid Funded Projects. S.25. No VAT charged on goods & services supplied to contractors of Aid funded projects. The Suppliers will claim VAT incurred. Business Process Outsourcing. The person providing the service will claim VAT credit on services imported. URA to issue a Practice Note to define Business Process Outsourcing. Midstream Petroleum Operations. To cater for midstream petroleum operations in the petroleum taxation regime and provide for VAT registration to be able to claim VAT refunds. Mid-stream includes refineries and pipeline operators. Re-classification of items: Exempted - Wheat Standard rated -Solar power Exempted - Goods& Services supplied to contractors & sub-contractors of solar power or geothermal power projects, biogas and other renewable energy. Standard rated- compact fluorescent bulbs with a power connecting cap at the end and lamps and bulbs made from Light Emitting Diodes (LED) technology for domestic and industrial use

Tax-type affected	Description		
	2018/19	2017/18	2016/17
Excise duty	Reduced Excise Duty on soft drinks from 13% to 12%. Introduced specific tax rates on spirits and wines. Introduced Excise Duty on opaque beer (Kibuku). Imposed Excise Duty on cooking oil (UGX. 200 per litre). Introduced Excise Duty of 15% on all juices including powders for reconstruction like tang and dilute to taste drinks. Harmonized Excise Duty of 12% on all telecommunication services (phone talk time, mobile phones, land lines and value added services). Imposed Excise Duty of UGX.100 on diesel and petrol fuels. Increased Excise Duty on money transfers and withdrawal services from 10% to 15%. Imposed Excise Duty of UGX 200,000 on motorcycles at first registration. Introduced a levy of 1% on Mobile Money transactions. Introduced excise duty at a rate of UGX 200 per user per day was introduced on over the top services (“OTT”) supplied by telecom providers.	Introduced specific rates equivalent to the current ad valorem rates on beer and soft drinks Abolished excise duty on locally produced furniture and confectionaries.	Refund of Excise Duty. Excise duty paid on manufacture of approved healthcare or medical products to be refunded. Minister to issue statutory instrument to specify the healthcare & medical products. Manufacturers of approved healthcare or medical products should register for LED effective 01/07/2016. Change in Excise duty rates: Tobacco: Soft cap 50,000/-per 1000 stick (from 45k); Hinge Lid 80,000/-per 1000 sticks (from 75k); Other tobacco to 200% Spirits –from 70% -80% Fuel: Petrol –1,100/-per litre(from 1,000/-); Diesel –780/-per litre(from 680/-); Motor Vehicle Lubricants –10% (from 5%). Furniture products Excise duty on specialized hospital furniture removed Other furniture; duty remained 10% Cane or beet sugar and chemically pure sucrose in solid form –from 50/-to 100/-per kg Sugar confectioneries (chewing gum, sweets and chocolates) at 20%
Stamp Duty Act	The default fixed stamp duty rate of UGX 10,000 was increased to UGX 15,000. Stamp duty exemptions were introduced for certain instruments.		Change in Stamp duty rates Increased duty from 5,000/-to 10,000/-wherever applicable, e.g. letters of credit, caveats, etc Increased of rate for Exchange of property from 1% to 1.5% Increased of rate for Transfer from 1% to 1.5%

Tax-type affected	Description		
	2018/19	2017/18	2016/17
International Trade taxes (Customs duties)	CET Adjustments Imposed an export levy of USD 0.4 per kilogram on wheat bran, maize bran, rice bran, cotton seed cake and sunflower cake	Petroleum Excise Duty - UGX 780 per Litre Import Duty - (4% 6 or 7% 6%) COMESA rates maintained, Major ones applicable resulting from Common external tariff 0%, 8%,10%, 25% and above 25% for various sensitive items	
Non Tax Revenues (NTRs)	Banned of imports of motor vehicles of 15 years and above from the year of manufacture. Increased motor vehicle first registration fees from UGX 1,200,000 to UGX 1,300,000. Expanded the scope of environmental levy to include goods vehicles over 7 tones Reviewed the Environmental Levy on motor vehicles	Environment Levy on imported used goods - 35% for vehicles older than five years but less than ten years	

Tax-type affected	Description		
	2018/19	2017/18	2016/17
Tax Admin-istration	Filing of tax returns under the Lotteries and Gaming Act. Liable persons are required to furnish a weekly return by Wednesday of the following week and a monthly return by the fifteenth day of the following month. Imposed a specific requirement for the Minister to pay any tax due arising from commitments made by the Government to pay tax on behalf of a person. All taxes due and unpaid by the Government (except withholding tax) as at 30 June 2018 will be waived. An electronic receipting and invoicing system will be introduced.	Imposed a penalty of UGX50 million on persons who fail to provide records in respect of transfer pricing, as requested by the commissioner of the URA, within 30 days Requiring manufacturers and importers to affix tax stamps to goods Adopting the in duplum rule by: Restricting the charge of interest and penalties on outstanding income taxes to the principal amount (this measure will apply to interest due from 30 June 2017) Restricting interest and penalties on outstanding VAT to the principal amount	A buyer of a motor vehicle is required to notify URA about the change in ownership within 3 months (previously 14 days). Failure to notify the licensing officer within that period is an offence URA to issue Certificates of Origin required under the East African Customs Management Act, 2004 All tax arrears owed by a SACCO as at 31st December, 2015 were waived. Register Cleaning: Taxpayers were advised to update their registration details. Taxpayer Register Expansion (TREP): To formalize the informal sector. In Collaboration among URSB, KCCA, URA & MoLG. Focus on 34 Municipalities. No license can be issued without a TIN. Compliance Enhancement: Actions; launched the Receipt campaign: Traders required to issue tax receipts with; TIN of seller, Name of seller, Date of transaction, etc. To form a basis for the implementation of Electronic Fiscal Devices (EFDs) - piloted in Supermarkets International Taxation; URA to expand and strengthen the international taxation office through attachment , training and purchase of equipment

Source: Author's compilations based on URA (2018186187) & PWC (2018)188

Annex 5: VAT Exemptions

List of exempted supplies and goods	Zero-rated supply of goods or services
• supply of animal feeds and premixes • supply of crop extension services • supply of irrigation works, sprinklers and ready to use drip lines • supply of deep cycle batteries and composite lanterns • supply of menstrual cups • supply of Agriculture Insurance Premium or Policy	• Supply of goods or services where the goods or services are exported from Uganda as part of the supply; • Supply of international transport of goods or passengers and tickets for their transport; • Supply of drugs and medicines; • Supply of educational materials; • Supply of seeds, fertilisers, pesticides, and hoes; • Supply of sanitary towels and tampons and inputs for their manufacture; • Supply of leased aircraft, aircraft engines, spare engines, spare parts for aircraft and aircraft maintenance equipment; • Supply of cereals, where the cereals are grown and milled in Uganda; and • Supply of handling services

Source : RMZ (2017), Uganda Tax Guide 2017-2018

Annex 6: Presumptive Tax Rates for Businesses with turnover (UGX 10 – 50 Mn)

Business type and Geographical Jurisdiction	Turnover (35 -50 Mn)	Turnover (20 -35 Mn)	Turnover (10 - 20 Mn)
Kampala City and Divisions of Kampala			
General trade	500,000 (US $ 137)		250,000 (US$ 68)
Carpentry/Metal	500,000	400,000 (US$ 109)	250,000
Garage (Motor Vehicle Repair)	550,000	450,000	300,000 (US$ 82)
Hair and Beauty/Salons	550,000 (US$ 150)	400,000	300,000
Restaurants or Bars	550,000	450,000	300,000
Clinics	550,000	450,000	300,000
Drug Shops	500,000	350,000	100,000
Others	450,000 (US$ 123)	300,000	200,000 (US$ 55)
Municipalities			
General trade	400,000	300,000	150,000 (US$ 41)
Carpentry/Metal	400,000	300,000	150,000
Garage (Motor Vehicle Repair)	450,000	350,000	200,000
Hair and Beauty/Salons	450,000	350,000 (US$ 96)	200,000
Restaurants or Bars	450,000	350,000	200,000
Clinics	450,000	350,000	200,000
Drug Shops	400,000	300,000	150,000
Others	400,000	350,000	150,000
Towns and Trading Centres			
General trade	300,000	200,000	100,000
Carpentry/Metal	300,000	200,000	100,000
Garage (Motor Vehicle Repair)	350,000	250,000	100,000
Hair and Beauty/Salons	350,000	250,000	100,000 (US$ 27)
Restaurants or Bars	350,000	250,000	100,000
Clinics	350,000	250,000	100,000
Drug Shops	300,000	200,000	100,000
Others	300,000	250,000	100,000
For businesses in transport sector			
The rate of advance tax under section 134 (e) shall be – (a) for goods vehicles: fifty thousand shillings per tonne per year; (b) for passenger service vehicles: twenty thousand shillings per passenger per year			

Source: Okuja J.O (2016)

Annex 7: Companies and Institutions benefiting from tax holidays

No.	Enlisted Beneficiaries	Length, Expiry Date	Objective	Entitlements
Category a: Fixed term tax holidays				
1	BIDCO	25years, 30/06/30	Value addition[e]	All taxes[a]
2	Roofing Rolling Mills	10years,30/06/21	Boosting trade[d]	Corporation taxes
3	Cipla Quality Chemicals Limited	10years, 30/06/19	ARV Production	Corporation taxes
4	Steel & Tube Industries Limited	10years, 31/12/20	Boosting trade[d]	Corporation taxes
5	Vinci Coffee Company Ltd	10years, 01/05/24	Value addition[f]	Corp. tax & others[b]
6	Liao Shen Industrial Park	10years, 30/06/25	Na	Corp. tax, WHT & VAT
7	ASB Group of Companies	10years, 20/12/20	Na	Free-zone
8	National Cement Ug. Limited	10years, Pending app	Na	Corp. tax & VAT
Category b: Renewable tax holidays (annually)				
1	Aya Investment Limited	4months, 31/09/16	Boost Tourism	Import duty & VAT[c]
2	Southern Range Nyanza	1year, 30/06/17	Value addition[g]	Import duty & VAT[c]
3	Lydia Home Textile Ltd	1year, 30/06/17		Import duty & VAT[c]
4	Great Value Investment Ltd	1year, 30/06/17		Import duty & VAT[c]
5	Lily Benefit	1year, 30/06/17		Import duty & VAT[c]
6	Xiang Long Intern. (U) Ltd	1year, 30/06/17		Import duty & VAT[c]
7	Christex Garment Industry	1year, 30/06/17		Import duty & VAT[c]
8	Phenix Logistics	1year, 30/06/17		Import duty & VAT
9	Intern. Coop. & Development	5year, 30/06/18	Service delivery[h]	Import duty & VAT
10	Emmaus Foundation	5year, 30/03/17	Service delivery[h]	Import duty & VAT
11	All Nations Christian Care	5year, 30/06/20	Service delivery[j]	Import duty & VAT
12	Building Tomorrow	5year, 30/06/18	Service delivery[j]	Import duty & VAT
13	AVSI Foundation	Na	Service delivery[h]	Na
Category c: Recently expired tax holidays				
1	Kingdom Kampala Limited	1year, 09/08/14	Boost Tourism[k]	Import duty & VAT
2	Sameer Agri. & Livestock	10years, 30/06/2016	Value addition[g]	Corporation taxes

Source: AAU SEATINI et al (2017), Cost-Benefit Analysis of Uganda's Tax Incentives: Journey to Attracting Foreign & Domestic Investment

Annex 8: Available Tax Incentives in Uganda

No.	Description of Tax Incentive	Criteria/Objective	Eligible Beneficiaries	Legal Provision
	Tax holidays of up to 10 years	Promote local production for export especially of finished goods (trade balance)	All companies who produce and export 80% of finished goods	ITA
	Exemption on income for select individuals & institutions	Protect resource-base to enhance service delivery & Protect income of certain categories of earners	International agencies, Diplomats, local authorities (institutions), PWDs, Public servants in risky employment such as security, Pensioners, Charitable organisations, farming institutions	ITA
	Deductibles (allowable expenses) on plant & machinery, scientific research, training or skills development and carry forward losses	Promote productivity and innovations (research) for industrialization in Uganda, nurture businesses to see their 1st birthday[189,190]	Registered and fully operational companies and individual business owners	ITA
	VAT Exempt Goods (supplies not subject to any VAT levy of 18%) to incl. unprocessed agricultural products, select services (insurance, education, veterinary, funeral services, medical services, agricultural machinery, electricity	Promote sector (agriculture, manufacturing) development, enhance local production but also allow investment in service industry.	All companies involved in the trade of such product lines, however a threshold of UGX 150 Mn turnover applied	ITA
	Zero-rated Goods (supplies subject VAT levy but at 0%) incl. exports from Uganda, drugs/medicines, seeds/fertilizers, educational materials, sanitary towels, tampons, cereal grown & grown in Uganda, leased aircrafts etc.	Zero-rating is geared towards supporting government deliver on their social-contract of service delivery in health and agriculture but to also drive the Buy Uganda, Build Uganda Campaign		

	Withholding Tax Exemptions (6%): suppliers or importers of petroleum or petroleum products, plants & machinery, drugs, scholastic material for use by education institution, exempt organisations, raw material importers and compliant organisations	Encourage compliance and enhance production in certain sector such as education, energy	All importers and suppliers of the applicable supplies or services	ITA
	International Tax treaties preferential tax-rates for withholding tax on dividends, interest, royalties and management fees.	Promote international trade and relationship between countries	Companies/Individuals whose residence can be traced to countries that have DTAs with Uganda namely; United kingdom, Zambia, Denmark, Norway, South Africa, India, Italy, Netherlands and Mauritius.	ITA
	Customs or Import duty on institutions and or select goods to incl. All good for Diplomats, aid funded projects, armed forces, donor agencies, PWD, and for goods such as fresh-fish, mosquito nets, seedling or cut plant, fertilizers, diapers, hospital supplies, educational materials, relief goods, speed governors, railway equipment, solar equipment, LED bulbs	Promote consumption, international obligation such as reaching out to the world's largest refugee crisis of South Sudanese[191]	All companies or individuals engaged in the supply and importation of these commodities	ITA
Other considerations in the investment incentives assessment				
	Allowances/Personal Income	Not clear	President, Members of Parliament	ITA, Constitution
	Access to Tax exemption information.	Enhance transparency & accountability	Parliament, Public/Citizen, institution or department of Government of Uganda.	PFMA, 2015

	Investment incentives (credit at local rates for foreigners, infrastructure and free-zones)	Attract and promote in-country investment	Foreign and local companies and individuals willing to invest in Uganda	Investment Code Act, 1991 & Free Trade Zone Act, 2014

Source: AAU SEATINI et al (2017), Cost-Benefit Analysis of Uganda's Tax Incentives: Journey to Attracting Foreign & Domestic Investment

Annex 9: International Trade Tax Exemptions

	Beneficiary	Goods/Items	W.E.F
	Part A – Specific Exemptions		
	The Presidency	All goods	Jan 2005
	The Armed Forces, Police and Prison services	All goods	Jan 2005 & July 2015
	Commonwealth Armed forces and Naval vessels	All goods	Jan 2005
	Diplomats and their dependants, the UN and its agencies, High Commissions, Foreign Embassies, Diplomatic Missions; and their accredited employees	Household and personal effects, one motor vehicle, goods for official use and project support.	Jan 2005
	Donor Agencies with bilateral or multilateral Agreements and their accredited personnel and dependants.	Household and personal effects, one motor vehicle.	Jan 2005
	International and Regional Organisations	All goods for official use.	Jan 2005
	The War Graves Commission	All goods for the establishment and maintenance of war cemeteries, except office supplies and personal effects.	Jan 2005
	The disabled, Blind and physically handicapped	Specially designed materials, articles and equipment, and one motor vehicle.	Jan 2005
	Rally Drivers	One rally motor vehicle and spare parts.	Jan 2005
	Aid Funded Projects	All goods and equipment for the projects.	Jan 2005
	National Red Cross Societies	All goods for official use in provision of relief services.	Jul 2009
	Part B – General Exemptions		
	Aircraft Operators and Ground Handlers	Aircrafts, parts and accessories, specialised equipment, Apron buses	Jan 2005; Modified in Jul 2011

	Importer	Containers, boxes, tins, bottles, jars and any ordinary trade packages, pallets, pre-packing slings, export packing materials, [gas cylinders] and inputs for their manufacture.	Jan 2005 & Jul 2010. Deleted July 2015.
	Consignee of Deceased Person's effects	Used personal effects of the deceased, including one motor vehicle.	Jan 2005
	Importer	Fresh Fish, Crustaceans and Malluscs (dead or alive), chilled or frozen caught and landed in Uganda.	Jan 2005
	Arriving Passengers, first arrivals or returning residents above the age of 18.	Accompanied baggage, personal and previously used household effects, including one motor vehicle and goods up to the value of US$ 500, liquors up to 1 ltr, wine up to 2 lts, perfumes up to ¼ ltr, and cigarettes up to 250g.	Jan 2005 & Jul 2010
	Importer	Samples and miscellaneous articles with no commercial value	Jan 2005
	Importer	Ships and other vessels	Jan 2005
	Importer	Preparations for cleaning dairy apparatus	Jan 2005
	Importer	Mosquito nets and materials for their manufacture	Jan 2005
	Approved importer by Ministry of Agriculture	Seeds and cut plants for sowing and planting and specially treated inputs use in processing and preservation of seeds for sowing.	Jan 2005 & Jul 2014
	Approved importer by Ministry of Agriculture	Chemically defined compounds used as fertilizers	Jan 2005
	National Museums	Exhibits, specimens, scientific equipment, chemicals, reagents, films, visual aids.	Jan 2005
	Importer	Diapers, urine bags and hygienic bags for medical use.	Jan 2005
	Approved Importer	Diagnostic reagents and equipment for use in hospitals, clinics and diagnostic laboratories; blood collection tubes	Jan 2005, Jul 2006, Jul 2008 and July 2016
	Persons engaged in agriculture, horticulture, floriculture, poultry, bee keeping	Inputs and gear.	Jan 2005, Sep 2005, Nov 2009, Jul 2010 & Jul 2012

	Importer	Packaging materials and raw materials for manufacture of medicaments.	Jan 2005
	Importer	Educational articles and materials	Jan 2005
	Manufacturer	Splints for manufacturing matches	Jan 2005
	Manufacturer	Heating, ventilating and air conditioning equipment for pharmaceutical manufacturers	July 2016
	Government, an approved agent, NGO, relief agency	Relief goods for emergency use in disaster areas.	Jul 2006
	Licensed Hotel	Engraved or marked washing machines, kitchen ware, cookers, fridges, freezers, air conditioning systems, cutlery, TVs, carpets, furniture, linen, curtains, gym equipment	Sep 2005 & Jul 2008
	Importer	Refrigerated trucks, insulated tankers, heat insulated milk tanks and aluminium cans for dairy industry	Sep 2005, Jul 2008, Nov 2009 & Jul 2012
	Importer	Speed governors	Sep 2005
	Approved railway operator	Wagons, coaches, locomotives and parts, equipment and accessories for the construction, repair and maintenance of railway infrastructure	Jul 2013
	Importer	Electrical energy saving bulbs and LED bulbs.	Jul 2006, Jul 2008 & Jul 2010
	Importer	Specialised equipment for development and generation of Solar and Wind Energy, including accessories and deep cycle batteries which use and/or store solar power.	Jul 2006,Jul 2010, Jul 2014, July 2016
	Importer	Plastic bag biogas digesters	Jul 2013
	Licensed Hospitals	Engraved or marked shadow-less lamps, blood freezers, kitchenware and equipment, laundry equipment, mattresses and linen, bedside screens, air conditioners, [hospital staff uniforms – deleted], water heating equipment, trolleys and stretchers, furniture.	Jul 2007, July 2016
	Licensed Hospitals	Incinerators equipment and materials”	July 2016

	Local authorities or their contractors	Motor vehicles specially designed for garbage collection and disposal	Jul 2008
	Licensed company	Machinery, spares and equipment used in oil, gas and mining operations.	Nov 2009 & Jul 2012
	Registered manufacturers	Replacement spare parts for industrial machinery under chapters 84 & 85 of the CET.	Jul 2009
	Licensed and recommended Tour operators	Specially designed motor vehicles for transportation of tourists.	Jul 2009
	Importer	Examination gloves for laboratory and medical use.	Jul 2010
	Importer	Tsetse fly traps	Jul 2011
	Importer	Security equipment like metal detectors, CCTV cameras, bomb detectors and under carriage mirrors	Jul 2011
	Importer	Battery operated vehicles for use in hotels, hospitals and airports.	Jul 2011
	Approved manufacturers	Inputs for use in manufacturing medical diagnostic kits.	Jul 2012
	Importer	Water treatment effluent plant	Jul 2013
	Importer	Refrigeration equipment for dead bodies for use in Hospital, city council or funeral home	July 2016

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