Structure of Presentation

- Introduction;
- Tax Policy Reforms;
- Tax Administration;
- Tax Revenue Performance;
- Implementation of Tax Policy;
- Challenges; and
- Conclusion
Introduction

- Uganda Characteristics
  - Population – approx. 30 million
  - Predominantly agricultural with 80% non-monetised.
  - Tax revenue/GDP ratio = 13.1% which is low compared to:
    - SSA = 21%;
    - OECD = 32%
Tax Policy Reforms

- Key feature of the reform programme was to rebuild Government’s revenue base;
- The main tax policy objective has been to raise public revenue rapidly;
  - Target of increasing tax revenue by 0.5% point of GDP p.a.
Tax Policy Reforms C’td

- Institution building for tax admin. given top priority
- Creation of Uganda Revenue Authority in 1991
- Introduction of VAT in July 1996
- Estab. of EACU/Tariff liberalisation
- Enactment of new Income Tax law in 1997
- Widening excisable goods
- Establishment of Tax Appeals Tribunal (TAT)
Tax Administration—before

**Pre-reform Situation:**
- Organization culture (corruption);
- Limited computerisation;
- Inadequate specialized skills;
- Hierarchical organization structure;
- Low staff morale;
- High staff turnover; and
- Mis-aligned organizational goals, among others.
Tax Administration-after

- Improved URA/Taxpayer relationship.
- Taxpayers’ needs, queries and concerns promptly addressed.
- Improved taxpayer services through direct banking
- Taxpayers education services established
- Tax Identification Numbers (TINs) introduced.
- Revenue management computerised.
- Corporate taxpayers able to make a self-assessment.
- Compliant taxpayers exempted from withholding tax.
- Permanent taxpayer forums established for dialogue
Tax Administration—after c’td

- Further re-organisation of URA in 2004
- New URA structure put in place
  - 7 levels instead of 11
  - 5 Departments instead of 10
  - 28 management positions instead of 53
- 7 URA sites remotely operate business applications
- Roll out of ASYCUDA
- Establishment of a Customs Business Centre in Kampala
Tax Revenue Performance

- Most reforms undertaken in the mid 1990s led to improvement in the tax revenue to GDP ration as can be evidenced in the Table 1 below: Table 1

| GOVERNMENT RECURRENT REVENUE COLLECTION 1985/86-2007/08 |
Tax Revenue Performance, cont’d

- Tax revenue comprises
- Domestic Indirect and direct taxes, and
- International taxes.

- Domestic taxes include both direct and indirect taxes.
  - Direct taxes are PAYE, Corporate taxes, license fees, withholding taxes, rental income, and presumptive taxes.
  - Indirect taxes comprise Excise duty on goods and VAT on goods and services.

- URA indicates that the trend of the Domestic indirect and direct taxes, and trade taxes has continued to change. Table 2 below shows the composition of Tax structure: 1996/97 to 2004/05:
Tax Structure

- Shift in tax structure with domestic collections exceeding international taxes
- Largely due to improved tax administration
  - Integration of domestic taxes
  - Strong growth in telecom and banking sectors.
Implementation of Tax Policy

- All taxes are imposed by Act of Parliament in accordance with Article 152 of the Constitution of Uganda.
- There are statutes and laws for imposing the different taxes also enacted by Acts of Parliament.
- Local Governments Act 1997 (for Local Government Revenues)
- East African Community Customs Management Act 2005 (for management of import duty)
Implementation of Tax Policy c’td

- Value Added Tax Act Cap.349 \( \text{for imposition and enforcement of VAT} \)
- Stamp Duty Act Cap.342 \( \text{imposing duty on various commercial and legal paper} \)
- Excise Management Act 1970 \( \text{for collection of Excise Duty} \)
- Traffic and Road Safety Act 1998, Cap.361 \( \text{for Motor vehicle licences & fees} \)
Challenges

- Tax compliance among one of the lowest in Sub-Saharan Africa as illustrated by the low Tax/GDP ratio of 13%.
- High tendency of taxpayers to avoid and evade taxes in Uganda.
- Low voluntary compliance which increases administration costs and lowers tax revenue.
Challenges c’td

- Taxpayers not able to meet their tax obligations within stipulated period.
- Creation of public awareness about the need to pay taxes is still low
  (private/public sector partnership)
- Need for support of revenue collection machinery (participatory management)
Conclusion

- Uganda’s tax structure has greatly improved and it mirrors the tax system in other Sub-Saharan African countries.
- Not much remains to be done, except to administer it equitably and efficiently.
- Current Government policy is to retain in place a stable tax system without interfering with the rates in tandem with a conducive macroeconomic environment for economic growth.
Conclusion C’td

- Government working with stakeholders to ensure compliance and fostering economic development.

- Better management of tax policy and regular review;

- Concrete medium term strategy on tax policy and administrative measures.
Thank you for listening

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