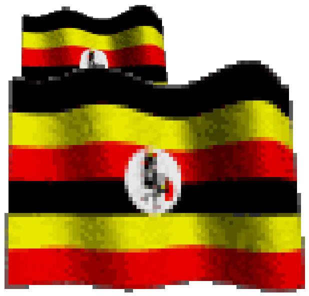

Tax Policy and Administration: Case of Uganda

A Paper presented

by

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Structure of Presentation

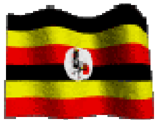
- Introduction;
- Tax Policy Reforms;
- Tax Administration;
- Tax Revenue Performance;
- Implementation of Tax Policy;
- Challenges; and
- Conclusion

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%

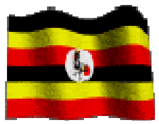
Tax Policy Reforms

- 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/Tarrif 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: <u>Table 1 GOVERNMENT RECURRENT REVENUE COLLECTION 1985/86-2007/08</u>

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)*
- Income Tax Act Cap. 340 *(for Income Tax)*
- East African Community Customs Management Act 2005 *(for management of import duty*)

Implementation of Tax Policy c'td

- Value Added Tax Act Cap.349 (*for imposition and enforcement of VAT*)
- Stamp Duty Act Cap.342 *(imposing duty on various commercial and legal paper)*
- Excise Management Act 1970 *(for collection of Excise Duty)*
- Traffic and Road Safety Act 1998, Cap.361 *(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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