Domestic Revenue Mobilization Strategy

Annual Monitoring Report

Financial Year 2022/23

November 2023

Budget Monitoring and Accountability Unit
Ministry of Finance, Planning and Economic Development
P.O. Box 8147, Kampala
www.finance.go.ug

TABLE OF CONTENTS

ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
AGO	Accountant General's Office
AEOI	Automatic Exchange of Information
AIA	Appropriation-in-Aid
BMAU	Budget Monitoring and Accountability Unit
Bn	Billion
CIT	Corporate Income Tax
CF	Consolidated Fund
COVID-19	Coronavirus Disease-2019
DINU	Development Initiative for Northern Uganda
DTS	Digital Tax Stamps
DRMS	Domestic Revenue Mobilization Strategy
EAC	East African Community
EFRIS	Electronic Fiscal Receipting and Invoicing Solution
EPR	Effective Protection Rates
EPRC	Economic Policy Research Centre
FY	Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
ICT	Information Communication Technology
IMF	International Monetary Fund
IRAS	Integrated Revenue Administration System
LED	Local Excise Duty
LGFC	Local Government Finance Commission
LGs	Local Governments
Ltd	Limited
MDAs	Ministries, Departments and Agencies
MFPED	Ministry of Finance, Planning and Economic Development
MEMD	Ministry of Energy and Mineral Development
MoES	Ministry of Education and Sports
NIRA	National Identity and Registration Authority
NITA-U	National Information Technology Authority Uganda
NTR	Non-Tax Revenue
NWSC	National Water and Sewerage Corporation
OECD	Organization for Economic Co-operation and Development
PAU	Petroleum Authority of Uganda
PAYE	Pay as You Earn
PFMA	Public Finance Management Act
PIT	Personal Income Tax
PRN	Payment Registration Number
PS/ST	Permanent Secretary/Secretary to the Treasury
PODITRA	Post Graduate Diploma in Tax Administration
PRN	Payment Registration Number
STI	Science, Technology and Innovations
TAT	Tax Appeals Tribunal
TIN	Tax Identification Number
TPD	Tax Policy Department

TREP	Tax Registration and Expansion Project
UBOS	Uganda Bureau of Statistics
UNBS	Uganda National Bureau of Standards
UNHCE	Uganda National Council for Higher Education
URA	Uganda Revenue Authority
VAT	Value Added Tax

FOREWORD

The Government of Uganda is committed to enhancing efficiency and effectiveness in the mobilisation of its domestic revenue to reduce indebtedness. This will be attained through the implementation of various reforms agreed upon in its Public Finance Management Strategy (2019-2024) and the Domestic Revenue Mobilization Strategy (DRMS) adopted in 2020. The DRMS interventions are broadly geared to: 1) Raise additional revenues to support the governments' budgetary position; 2) Encourage a healthy flow of investment; and 3) Address issues of fairness and transparency in the tax system.

To assess the DRMS performance, a monitoring strategy with 112 indicators was formulated. It was anticipated that 80% of the indicators would be assessed annually. The Budget Monitoring and Accountability Unit has been tracking the DRMS performance, semi-annually, since FY 2020/21. This is the annual monitoring report for the Financial Year 2022/23.

The report posted a fair level of performance, indicating significant room for improvement. I urge all stakeholders to critically review the report and act to ensure enhanced revenue mobilisation. The challenges noted are not insurmountable enough to deter the achievement of the DRMS goals. Raising the tax revenue to GDP ratio is a must given the increasing demands on public financing. During the annual programme budget monitoring assessments, inadequate funding was the most critical binding constraint.

Ramathan Ggoobi

Permanent Secretary/ Secretary to the Treasury

EXECUTIVE SUMMARY

This report reviews the performance of interventions under the Domestic Revenue Mobilization Strategy (DRMS), based on Tax Policy and Tax Administration indicators to determine the progress achieved in Financial Year 2022/23.

Methodology

The DRMS comprises 80 interventions, of which 68 interventions were assessable directly for annual performance. Of the 68 assessable interventions, 51 were assessed. The assessment covered interventions implemented by: The Uganda Revenue Authority (URA), Ministry of Finance, Planning and Economic Development (MFPED)-Tax Policy Department (TPD), and the Accountant General's Office (AGO). Other Ministries, Departments and Agencies (MDAs) that provided data in respect of interventions and indicators included: Ministry of Energy and Mineral Development (MEMD), Petroleum Authority of Uganda (PAU), Uganda Bureau of Statistics (UBOS), Bank of Uganda (BoU), Economic Policy Research Centre (EPRC), Private Sector Foundation Uganda (PSFU), Uganda Manufacturers Association (UMA), UMEME, and National Water and Sewerage Corporation (NWCS). Others included the cities- Fort Portal, Gulu, Hoima, Jinja, Lira, Mbale, Masaka, and Soroti.

Primary data was collected through key informant interviews, focus group discussions, and field visits to URA customs border posts and the cities. Secondary data was collected through a literature review. Data was collected by two monitoring teams, composed of both the Budget Monitoring and Accountability Unit (BMAU) and URA staff.

The performance assessment was based on BMAU rating as follows 90% and above very good; (achieved at least 90% of indicator or target); 70%-89% good (achieved at least 70% of the indicator or target); 50%-69% fair (achieved at least 50% of the indicator or target). Less than 50% was poor (achieved below 50% of the indicator or target).

Findings

The net revenue collections for the Financial Year (FY) 2022/23 were Ug shs 25,209.05 billion (bn) representing 13.68% of GDP. The ratio was an increase from 13% (Ug shs 21,658.01bn) in the FY 2021/22. Although there was a 16.4% growth in revenue collections over the FYs 2021/22 to FY 2022/23, the tax-to-GDP performance was less than 16% as envisaged in the DRMS.

Overall performance based on the DRMS interventions assessed was rated fair (60.59%). Of the 51 appraised interventions, 12 were rated good, 17 were fair, and 22 were poor. Although tax policy contributed most to the interventions rated good (83%), it also contributed the most to the poor-performing interventions (67%) thus lowering the overall performance.

(i) **Tax Policy Interventions**

Tax policy comprised 32 interventions, of which four had no data availed for assessment. Of the remaining 28 interventions, the performance was rated as: 10 good, 3 fair, and 15 poor. Overall tax policy interventions were rated fair, attributed mainly to limited progress for 21 interventions that required legislative changes.

Good Performance

1. **Address Tax Policy Department (TPD) structure and staffing/training needs.** During the FY2022/23, 10 members of staff attended a specialised training, which indicated a slight improvement from the previous FY when no trainings were conducted.

2. **Reassess registration threshold and rate**: The number of taxpayers per turnover band in FY 2022/23 increased in all bands compared to FY 2021/22. Those whose turnover is less than Ug shs 150 million (voluntary registrations) registered the highest increase in the number of taxpayers.

3. **Support workforce education/training:** The Domestic Tax (DT) staff were trained in 21 different fields and this translated into a 68.1% increase in the number of DT staff trained compared to the previous FY 2021/22.

4. **Improve information sharing domestically and internationally**: The number of tax-related requests reduced over the years indicating improved transparency on taxpayer's transactions. Uganda made 10 requests for information from her treaty partners in FY2022/23 and responded to 8. Comparatively, in FY 2021/22, 14 requests were made and 8 responded to from all treaty partners.

5. **Consider the scope to encourage savings through the Personal Income Tax (PIT) system.** There was a 30% percentage increase in gross capital formation (dwellings) in FY 2022/23 compared to 7.83% in FY 2021/22.

6. **Address weaknesses in rules for taxing rental income.** The URA registered a 37.7% increase in the rental income tax revenue collected compared to FY (2021/22) Collections increased from Ug shs 103.69 bn in FY2019/20 (baseline) to Ug shs 215bn (107.3%). In FY2022/23 the rental income tax revenue as a percentage of sectoral GDP increased from 3.1% in FY2021/22 to 3.96 in FY 2022/23.

7. **Fine-tune the framework for taxing the extractive industries**. The transfer pricing team received support from the African Tax Administration Forum (ATAF), Once-Through Oil (OTO) and International Monetary Fund (IMF) on specific transfer pricing issues which were raised by the taxpayer following the Petroleum Division's (PD) audit report findings. Through these engagements, valuable input into the transfer pricing audit findings and the resultant audit report was obtained. Thus the framework of taxing extractive industries was fine-tuned.

8. **Improve inter-agency coordination and infrastructure to facilitate trade.** The clearance time at the border points improved to 1.02 days in FY 2022/23 from 5.8 days in the baseline year (2018/19) against a target of 2 days. This implies that there is improved data sharing among trade regulatory agencies and faster document processing times.

9. **Strengthen the framework for reporting and monitoring non-tax revenue (NTR) collections.** The NTR as a percentage of GDP increased to 1.02% in FY 2022/23 from 0.98% in FY 2021/22. The performance is more than 0.5% of GDP and has steadily

increased over 92% in the FYs. (FYs 2021/22, - 2022/23) of the NTR has been collected through the URA system.

10. **Address the impact of the digital economy on the tax base.** In FY 2022/23, Ug shs 6.46bn was collected from web-based businesses. There was an increase in the ratio relating to revenue collected from digital businesses to 25.63% (FY 2022/23) from 0.00277% (FY 2021/2).

Fair Performance

1. **Balance the objectives of export promotion, revenue generation, and support to the domestic industry.** In FY2022/23, the average (world) effective duty rate decreased by 10.6 percentage points from FY 2021/22 and increased by 1.7 percentage points from the baseline year (2019/20). Additionally, the Effective Protection Rate (EPR) was significantly low. At least 21% of total items had an EPR of 10% and below, which is significant and lower than the nominal tariff rate. At least 20% of the items had an EPR between 10%-20%. Overall there was less protection rate over a large number of items (41%). And thus compromising revenue generation as less domestic protection erodes the tax base.

2. **Work with local government to strengthen analysis, monitoring, and reporting of LGs' revenue achievement rate.** The LGs' revenue achievement rate increased to 61% in FY 2022/23 from 48.7% in the baseline year 2019/20. A steady increase in the locally raised revenue by LGs indicates a reduced dependency on transfers from the central government. With the introduction of the Integrated Revenue Administration System (IRAS), the reporting and monitoring of the revenue was strengthened.

Poor Performance

1. **Reform of the tax policy-making process.** In FY 2022/23 tax-related proposals were received but were not distinguishable between non-state stakeholders and other stakeholders. The performance declined from the 66% achieved in FY 2021/22 to 10% in FY 2022/23.

2. **Elevate the status of taxation within MFPED.** The Tax Policy Department's (TPD) appropriated budget decreased from Ug shs 13.2bn to Ug shs 12.75bn in FY 2022/23 representing a 5.56% decreased, whereas the total Ministry of Finance, Planning and Economic Development (MFPED) budget greatly increased by 6.9%. The status of the TPD remained unchanged with just a year to the end of the DRMS duration.

3. **Enhance the analytical capacity of TPD and URA.** The number of tax-related analytical papers published per year reduced significantly in FY2022/23, four tax-related analytical papers were published, which was less than the 10 published in the previous FY2021/22. Additionally, the number of tax-related analytical papers published by URA staff in the FY were not available.

4. **Strengthen partnership with URA and formalise arrangements.** In FY 2022/23, one paper was jointly published by the URA and TPD. In the same period, FY2021/22, two analytical papers were jointly published. This indicates declining partnerships between the TPD and URA in FY 2022/23.

5. **Limit the range of zero-rated supplies as far as possible:** The proportion of export goods to total zero-rated supplies was 96% in FY 2022/23 compared to 91% in the FYs 2021/22. International transportation of goods and passengers increased by 0.06 percentage points in FY2022/23. Supplies of educational materials used in schools, colleges and institutions decreased by 5.38 percentage points in FY 2022/23, indicating a reduction in imports and an increase in local production. Also, a higher proportion of supplies are for exports, amidst declining consumption patterns for the other zero-rated products essentially targeting the poor. This indicates a need to review the targeted population under zero rating supplies.

6. **Remove unnecessary value-added tax (VAT) exemptions to curb unjustifiable revenue leakages**: The value of exempt supplies as a proportion of total supplies increased to 17% in FY 2022/23 from 14.33% in FY 2021/22. This increase was 1.26 percentage points from the baseline (FY 2019/20). The trend indicates that there was no revision downwards of the items of the VAT second schedule, which is a primary objective of the intervention.

7. **Review the policy on deeming to allow the VAT system to function normally:** In FY 2022/23 the proportion of the value of deemed supplies to total supplies to the government was 81%, this was an increase from 66% and 60% registered in FYs 2021/22 and 2020/21 respectively. Thus policy on deeming was not reviewed, which continues to compromise the functionality of the VAT system.

8. **Maintain support for priority sectors (continue supporting the competitiveness of priority sectors of the economy).** The tax buoyancy decreased to -1.05 in FY 2022/23 from 3.13 in FY 2021/22, implying that the tax revenue decreased more than the GDP. Thus support to priority sectors of the economy was not achieved.

9. **Rebalance the nominal rate and the incentives, deductions, and depreciation regime:** The Corporate Income Tax (CIT) and Effective Tax Rate (ETR) reduced to 21.37% in FY2022/23 from 37.24% in FY2019/20 (baseline). This was less than the 30% statutory CIT rate indicating substantial declines in profitability of companies due to elevated operational costs. There were no efforts to rebalance nominal rates and incentives, deductions and depreciation.

10. **Review and renegotiate over-generous treaty:** The outstanding issues in the Uganda-Netherlands Double Tax Agreements (DTA) were reviewed but not in effect. Negotiation of the Uganda-Turkey DTA was done and the ratification of the Uganda-Mauritius DTA was in progress.

11. **Strengthen international tax rules and enforcement:** The CIT-ETR for foreign firms was at 2.32%, a decline from 2.65% in FY 2021/22. However, this was much lower by 19% percentage points compared to the CIT-ETR for local firms indicating lower tax revenues from foreign firms. There were no efforts towards strengthening international tax rules increasing the risk of revenue loss through profit shifting.

12. **Review exemptions and consider alternative approaches**: The PIT effective tax rate increased by 18 percentage points in FY2022/23 from 19% (FY 2019/20). However, this increase relative to the baseline was not attributed to any reviews of exempt incomes (i.e. judges, certain incomes of Members of Parliament, expatriates and employees under donor-funded programmes) thus significant streams of income remained untaxed.

13. **Address thresholds, bands and rates:** The lowest chargeable income per day taxed was Ug shs 7,833 in the FY 2022/23 which is less than the international poverty line of USD 2.15(approximately Ug shs 8,063). Therefore, Uganda taxes the poor Through Pay-As-You-Earn (PAYE) resulting in reduced disposable income and limited savings. Additionally, of the 9 million employed population, only 650,423 (7%) remitted PAYE as at 30th June 2023, indicating a large informal sector that is untaxed. Policy on thresholds, bands and rates were not reviewed.

14. **Develop a broader scheme of environmental taxes.** The environmental tax as a percentage of expenditure on environmental control was 15% in FY 2022/23, which was a decline from 18.7% achieved in FY 2021/22. This is less than a quarter of the expenditure on environmental control based on the water and environment budget. Thus there were no efforts geared towards a broader scheme for environmental taxes.

15. **Rationalize multiple rates, designing an alternative incentive scheme promoting the use of local content.** In the FYs 20222/23, 2021/22 and 2020/21, excise duty applied to beer, continued to be determined based on the source of raw materials: The effective duty rates for the respective brands of beer did not change over the FYs 2022/23 and 2021/22. Thus multiple rates were not rationalized and excise duties were applied based on the source of raw material utilized.

(ii) Tax Administration

Tax Administration is comprised of 47 interventions; of which only 38 interventions are currently assessable, and of these, information was availed in full for only 23 interventions (60%). These interventions performed fairly - with 2 registering good performance, 14 fair and 7 poor. The detailed performance of the interventions is discussed as follows:

Good Performance

1. **Standardize key government systems to improve integration**: The National Information Technology Authority-Uganda (NITA-U) has registered some progress towards the intervention. A data sharing and integration platform was created to enhance the delivery of services in government and private sector and by the end of FY 2022/23, this platform had been rolled out to 43 public and private entities against a target of 20.

2. **Regularly detect and de-register inactive taxpayers to cleanse the taxpayer register**: The number of inactive taxpayers deactivated increased by over 100%. This resulted in a 5.13 percentage point increase in the percentage share of inactive taxpayers deactivated.

Fair Performance

1. **Expand the range of measures for assessing URA's performance to reduce reliance on collection targets:** The DRMS required equal emphasis placed on quantitative, qualitative, and taxpayer satisfaction indicators when assessing the effectiveness of the administration. URA is performing well in regards to the quantitative measures such as - (i) uncollected tax to target, (ii) total filing ratios for the selected tax heads, and (iii) proportion of tax arrears collected. However, they have not conducted any taxpayer assessments of their performance since 2020, such as the client satisfaction survey.

2. **Conduct an independent staffing review:** The DRMS required that an independent staffing review be conducted, pinpointing the most critical gaps, including workload analysis, aligned to a structural review of URA**.** Whilst the independent staff review is yet

to be conducted, URA conducted an internal review and is currently implementing a workload assessment. With regards to the indicator performance, revenue per staff is increasing, although at a slow pace, the taxpayer-to-technical staff ratio is widening which could lead to overburdening of staff.

3. **Implement a comprehensive training strategy and develop a URA tax-training academy:** The comprehensive strategy was yet to be developed, and there were no plans to develop a tax-training academy due to finding constraints. However, the proportion of staff with basic training in taxation increased to 71% and URA has begun developing a curriculum for the training.

4. **Enforce registration as a qualifying requirement for professions and key trades:** Although there is no regulation/law specifically to enforce this, URA engaged professionals and by 30th June 2023, a total of 223 (35%) law firms were registered out of 635 identified.

5. **Introduce measures to strengthen the effectiveness of self-assessment:** The DRMS envisaged moving taxpayer filing towards a fully-online system, which was previously rolled out in January 2022. It also required enforcing strict penalties for non-filing and late filing, this was not done but URA conducted various taxpayer education activities and onboarding sessions. In terms of indicator performance, the value of assessments/payable from penalties declined by 23% but was accompanied by an improvement in on-time filing rates, implying that the intervention is working as expected.

6. **Adopt monitoring of inaccurate reporting as part of URA's routine work:** A total of 186 comprehensive audits and 2,084 issue audits were completed against a target of 270 and 2,356, indicating a completion rate of 69% and 88%, respectively. Therefore, there has been a slight increment in the audit effort, in terms of completion rates, but with more emphasis placed on issue audits over comprehensive. More audits conducted increase the chances of URA identifying inaccurate reporting by taxpayers.

7. **Address infrastructure constraints by offering points for connection across the country:** The number of returns filed through URA connection points could not be tracked however, URA began the procurement process to acquire office space for 13 Domestic Tax offices across the country, thereby working towards bridging assess constraints. Similarly, NITA-U successfully commissioned the Regional Communications Infrastructure Program (RCIP) to address infrastructure constraints, through which the National Backbone Infrastructure (NBI) was extended to an additional 52 sites, against a target of 70 (74%).

8. **Priorities strategies to reverse the current arrears and audit trends:** The total arrears decreased by 4% in FY 2022/23 but increased by 50% from the baseline year (FY 2019/20). The customs portfolio grew by 18% from the previous FY, while the domestic tax portfolio decreased by 5%. Although there has been a slight decrease in total arrears stock at the close of the Fiscal Year, it was minimal and the stock remains high compared to the baseline. Relatedly, arrears recovered as a percentage of arrears closing stock increased marginally (by 0.23 percentage points) which is a decline from the previous FY, where the increase was 4 percentage points.

9. **Investigate options for enhancing the use of electronic payment methods, including mobile money:** Over-the-counter payments continue to be the most popular at 40.5%, followed by Demand Draft at 18.8% and Electronic Funds Transfer at 16.4%. Mobile money services continue to constitute a small percentage of the total payment methods

(0.3%), although, in absolute terms, payments have increased from Ug shs 35.04bn in FY 2021/22 to Ug shs 72.21bn (106%) in FY 2022/23, and by over 400% from the baseline year (2020/21). In addition, URA acquired an Unstructured Supplementary Service Data (USSD) code to facilitate payments and ease access to information for taxpayers.

10. **Streamline tax debt collection and improve transparency:** The value of arrears aged one year increased slightly from Ug shs 1,183.52bn in FY 2021/22 to Ug shs 1,292.00bn in FY 2022/23. Comparatively, the value of arrears aged above three years, decreased from Ug shs 1,735.42bn to Ug shs 1,048.91bn, over the same period. Whilst this is good performance, best practices require that more emphasis should be placed on recovering arrears aged less than two years, where prospects for recovering them could be high.

11. **Implement the Automatic Exchange of Information and common reporting standards for tax purposes:** The Automatic Exchange of Information (AEOI) Bill Convention on Mutual Administrative Assistance in Tax Matters (Implementation) Bill, 2023 was passed by Parliament on May 16 2023. However, the number of tax evasion cases detected decreased from 223 in FY 2021/22 to 167 in FY2022/23 alongside a decrease in recoverable revenue identified from Ug shs 329.4bn to Ug shs 174.64bn.

12. **Enhance resources to equip scientific laboratories and investigations personnel:** Although the number of forensic tax investigations completed increased by over 100%, the labs continue to maintain an unfunded budget of Ug shs 6.09bn, which is necessary to procure the required equipment and machinery to lift them to international standards.

13. **Publicize the results of enforcement initiatives:** By 30th June 2023, the URA had issued 24 media reports across numerous media outlets and made two appearances on radio and television. Increasingly, publicizing the result of enforcement activities should act as a deterrent to taxpayers.

14. **Develop a plan to streamline the management of offsets and refunds, including automatic cross-matching of taxpayer declarations:** The plan is yet to be developed. However, the number of approved tax refund claims (of the claims received in FY2022/23) increased by 20% and the value by 3.8% from FY 2021/22 alongside a 16.7 percentage point increase in the proportion of refund claims processed timeously (within 30 days) over the same period, indicating good performance.

Poor Performance

1. **Review the URA performance management and reward system**: URA is currently implementing the new Performance Management, but it has yet to review the rewards system. In addition, the staff attrition rate increased, with the highest number of staff leaving from Domestic Tax and Customs, which are the most critical for tax administration and revenue mobilization.

2. **Prioritize a data quality improvement strategy and develop processes to maintain data quality:** The data quality improvement strategy has not been developed, and the percentage of completed data records was not availed. Without these, it was not possible to assess the quality of data in the entire register. However, URA regularly conducts register maintenance. In FY 2022/23, it had completed 98% of the targeted maintenance.

3. **Develop a cross-government policy framework for data sharing and management:** NITA-U developed the Uganda e-Government Interoperability Framework to outline the main principles and general guidelines enabling the development and implementation of

shared electronic services. It also aims to improve cooperation between ministries departments and agencies (MDAs)/local governments (LGs) and facilitate information exchange. However, indicator performance was not availed so it was not possible to assess any possible impact.

4. **Create a formal data skills development plan**: This has not been developed though URA has an annual training planner to address the critical needs per department as guided by a capacity development needs assessment. Concerning indicator performance, the percentage of technical staff trained in data analytics decreased by 2.29 percentage points, from 5.44% in FY 2021/22 to 3.15% in FY 2022/23 which points to the urgent need for the data skills development plan.

5. **Improve URA access to external data to identify potential taxpayers**: While the total number of new taxpayers registered had increased by 5%, only (4%) were obtained through data from various external sources. This represents a decline of 88% from the previous financial year.

6. **Work more closely with relevant regulators to improve filing compliance:** The DRMS envisaged that regulators' registers could be used to find unregistered and non-filing taxpayers, as well as deny the renewal of licenses to operators who cannot prove that they had met their tax obligations. The number of taxpayers denied renewal of licenses due to failure to meet their tax obligations could not be tracked. However, URA engaged professional bodies to share data for tax registration purposes.

7. **Facilitate Tax Appeals Tribunal (TAT) to expeditiously deal with cases by increasing staff training and numbers:** The number of disputes resolved within the FY 2022/23 from the total stock increased by over 100%. However, the proportion of tax disputes resolved within six months of lodging the case reduced to 40% and the proportion of cases escalated to the high court increased from 12 to 38, over the same period. This implies inefficiencies within and a lack of confidence in TAT. In addition, TAT remains understaffed and underfunded, which is impacting their performance.

Conclusion

The tax to GDP ratio grew to 13.6% in the FY 2022/23 moving slightly closer to the 16%-18% envisaged in the DRMS. This performance is a year to the end of the period of the DRMS FY 2023/24. Reforms in tax administration registered more progress resulting in more revenues than the policy changes. There were efforts to digitalise processes, however, these need to be leveraged overtime to harness the desired revenue. For example, there was limited integration of data from third-party sources – to the e-Tax system, glaring among these was the lack of integration with the Integrated Financial Management System (IFMS) that pays government suppliers. Essential for tax administration is the integrity of the taxpayer register, the URA continued to deactivate inactive taxpayers, resulting in an increase in the percentage of inactive taxpayers deactivated. Conversely, the independent staff review was yet to be conducted, nonetheless, URA conducted an internal review and is currently implementing a workload assessment. Furthermore, revenue per staff was increasing, although, at a slow pace, the taxpayer-to-technical staff ratio is widening which could lead to overburdening of staff. Efforts to improve the arrears situation were made, however, the impact of the strategies has yet to yield the desired results. The Customs arrears portfolio grew from the previous FY, while the domestic tax portfolio decreased only slightly. The tax arrears remain high compared to the baseline.

On the other hand, there was limited progress with the Tax Policy initiatives. 50% of the interventions had a poor performance, while 14% were fair. This was exacerbated by delays in the conclusion of strategic legislative changes. Broadly there were inconsistencies in the implementation of the DRMS interventions to address inefficiencies related to closing gaps in the tax policy. For instance, in some cases, the scope of exempt and zero-rated items was reduced, while it was expanded elsewhere, resulting in a not-so-clear strategy for addressing this problem. As a result, revenue loss from deemed VAT increased. The unequal treatment between foreign and local firms arising from a much lower Corporate Income Tax-Effective tax rate with a gap of 19% indicates continued weaknesses in international tax rules and enforcement.

Process reform and institutional changes at the TPD were hampered by the broader government rationalization and hence, the TPD did not deliver on key interventions. To be effective, there is an urgent need to address tax policy constraints on performance.

CHAPTER 1: INTRODUCTION

1.1 Background

The mission of the Ministry of Finance, Planning and Economic Development (MFPED) is, "*To formulate sound economic policies, maximize revenue mobilisation, and ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development.*" To maximise revenue mobilisation, the Domestic Revenue Mobilization Strategy (DRMS) 2019/20-2023/24 was developed in the Financial Year (FY) 2019/20.

The strategy was informed by the overarching need to have a stronger and more certain revenue flow for the government to meet its expenditure needs and encourage foreign investment. The strategy's core objective is to improve revenue collection and raise Uganda's tax-to-gross domestic product (GDP) ratio from 12.5% to 16%-18% within the five financial years. The revenue strategy over the third National Development Plan (NDP III) period envisages improving compliance and efficiency in tax revenue collections through the implementation of the DRMS. Emphasis is on strengthening administrative efforts to narrow the gap between current and potential revenue performance. On the tax policy side-it is essential that tax reforms are carefully assessed, quantitatively analyzed, and discussed candidly. An increase in revenue would reduce the country's deficit and consequently her reliance on debt, thus keeping debt at sustainable levels.

The DRMS interventions are broadly geared to:

1. Raise additional revenues to support the government's budgetary position.
2. Encourage a healthy flow of investment.
3. Address issues of fairness and transparency in the tax system.

Implementation of the DRMS interventions and performance has since FY2020/21, been tracked by the Budget Monitoring and Accountability Unit (BMAU), semi-annually. This is done using performance indicators of Tax Policy and Tax Administration and is aimed at supporting the Government of Uganda's efforts to improve its domestic revenue mobilisation efforts. The annual assessment for FY2022/23 includes a detailed description of the performance of the DRMS interventions. The DRMS status of the implementation matrix is included in Annex 5 and 6.

CHAPTER 2: METHODOLOGY

2.1 Scope

The annual DRMS Monitoring Report FY 2022/23 is based on selected interventions under the Tax Policy and Tax Administration. The DRMS comprises a total of 80 interventions, of which 68 were directly assessable for the annual performance. Out of these, 51 (75%) were assessed. Specifically, for Tax Policy, of the 32 interventions, 28 (88%) were assessed under the broader DRMS objectives as follows:

1. Process reform and institutional changes
2. Strengthening the productivity of Value Added Tax (VAT)
3. Enhance the income tax system- Corporate Income Tax (CIT)
4. Enhance the income tax system- Personal Income Tax (PIT)
5. Improve the Excise Duty Regime
6. Develop a Strong Extractive Industry Taxation Regime
7. Promotion of International Trade
8. Improve the effectiveness of Non-Tax Revenue
9. Harmonisation of Local and Central Government Taxation
10. Taxation of Digital Economy

Under Tax Administration, of the 36 interventions, 23 (64%) were assessed under the broader objectives as follows:

1. Governance and management of URA
2. Lifting the human resource capacity at URA
3. Data management and analytics
4. Information, communication, and technology infrastructure
5. Taxpayer registration
6. Taxpayer education, service, and communication
7. Timely and accurate filing
8. Timely payment of taxes
9. Tax audit.
10. Investigations and enforcement
11. Dispute resolution
12. Processing of tax refunds

The annual assessment covered interventions under the Uganda Revenue Authority (URA), the Tax Policy Department and Accountant Generals Office of the Ministry of Finance, Planning and Economic Development (MFPED), and the Tax Appeals Tribunal (TAT). Other Ministries, Departments and Agencies (MDAs) that provided data in respect of interventions and indicators included; the Ministry of Energy and Mineral Development (MEMD), Petroleum Authority of Uganda (PAU), Uganda Bureau of Statistics (UBOS), Bank of Uganda (BoU), Economic Policy Research Centre (EPRC), Private Sector Foundation Uganda (PSFU), Uganda Manufacturers Association (UMA), National Identification and Registration Authority (NIRA), UMEME, and National Water and Sewerage Corporation (NWSC). Others were the cities of Fort-Portal, Gulu, Hoima, Jinja, Lira, Masaka, Mbale, and Soroti.

2.2 Approach and Sampling Methods

The performance of interventions, actions and outcomes was assessed by monitoring a range of indicators and linking the progress to planned targets, previous FYs performance, baseline data and policy measures undertaken. The selection of interventions assessed was based on significance in contribution to the DRMS objectives and the availability of sufficient data for the period under review.

2.3 Data Collection and Analysis

Data Collection

Primary and secondary data was collected. Secondary data was collected through a literature review (references that are annexed). The primary data was collected through informant interviews, focus group discussions and observations. Consultations and key informant interviews were held with staff of the MFPED Tax Policy Department, Accountant General's Office, TAT, URA, UBOS, BoU, NIRA, Petroleum Authority, Ministry of Energy and Mineral Development, UMA, EPRC, PSFU and NITA-U. Call-backs in some cases were made to triangulate information. Field visits to URA border stations and the Cities were conducted, and interviews and observations of processes were made. Data was collected by two monitoring teams, comprised of both BMAU and URA staff.

Data Analysis

Qualitative and quantitative approaches were used to analyze the data. Qualitative data was examined and classified in terms of constructs, themes or patterns to explain events among the implementers of tax administration and policy measures. In addition, reflective analysis was done where the monitoring teams provided an objective interpretation of the field events.

Quantitative data was analysed using advanced excel tools to aid interpretation. Comparative analysis was done using percentages and values of indicators. Additionally, the previous FY's performance, baseline and planned targets were compared with observed performance.

The overall DRMS performance was based on policy measures enacted towards the interventions, and individual indicators against the target set or trend achieved. An average of the individual rating of indicators and policy measures was taken to determine the rating of achievement of Tax Policy and Tax Administration interventions (Table 2.1).

Table 2.1: Assessment Guide to Measure Performance of DRMS in FY 2022/23

Score	Comment	Performance Rating
90% and above	Very Good (Achieved at least 90% of indicator or target)	
70%-89%	Good (Achieved at least 70% of indicator or target)	
50%- 69%	Fair (Achieved at least 50% of indicator or target)	
49% and below	Poor (Achieved below 50% of indicator or target)	

Source: BMAU

Ethical considerations

Entry meetings were undertaken with the DRM Specialist (MFPED), and Top Management of URA, and the Accounting Officers of MDAs upon commencement of the monitoring exercises. Consent was sought for all information obtained during the monitoring exercise.

2.4 Limitations of the Report

1. Lack of data for several high-priority interventions and indicators for both Tax Policy and Tax Administration. As such, the performance of three key interventions for policy and nine for tax administration were left out. Tax policy was awaiting the Minister's signature before availing the tax expenditure report. Staff under tax administration were transferred to other departments, others were preoccupied with appraisals and could not find alternative support for the DRMS process.
2. Some high-level indicators were never assigned to a responsible entity and therefore are still hanging three years into the implementation of the DRMS (Annex 5).
3. The lack of ownership, consensus and appreciation for some interventions by the respondents points to the urgent need for a mid-term review involving all stakeholders of the DRMS.

2.5 Structure of the Report

The report has four chapters. These are Chapter 1: Introduction, Chapter 2: Methodology, Chapter 3: Performance, Chapter 4: Conclusion and Recommendations.

CHAPTER 3: PERFORMANCE OF THE DRMS INTERVENTIONS

3.1: STATUS AND PROGRESS MADE IN IMPLEMENTATION OF DRMS

The overall performance based on the DRMS interventions assessed was rated fair (60.59%). Of the 51appraised interventions, 12 were rated good, 18 were fair, and 21 were poor. Although tax policy contributed most to the interventions rated good, it also contributed the most to the poorly performing interventions, thus lowering overall performance.

3.2 PERFORMANCE OF TAX POLICY INTERVENTIONS

Every stage of tax policymaking has an impact on the next, from the development of the initial idea, through policy analysis and consultation, the drafting of legislation, interrogation and approval by the legislature, and the subsequent review of the successes or failures of policy enactment. A breakdown at any stage weakens the tax policy instrument, risks policy error, and limits the opportunities for policies to be improved through proper analysis and consultation. Mapping Uganda's tax policy process is an opportunity to improve both policy-making and the strength of the tax system.

A total of 12 tax objectives, with 32 interventions and 64 indicators were proposed to be used in tracking the implementation of the DRMS to reform Uganda's Tax Policy. The objectives[1] include: P1) Process reform and Institutional changes in Tax policy; P2) Strengthening the productivity of Value Added Tax (VAT), P3) Corporate Income Tax (CIT), P4) Personal Income Tax; P6) Improve the Excise Duty Regime; P7) Develop a strong Extractives Industry Taxation Regime; P8) Promotion of International Trade; P9) Improve the effectiveness of non-tax revenue, P10) Harmonisation of local and central government taxation; P12) Taxation of the digital economy.

PROCESS REFORM AND INSTITUTIONAL CHANGES

The tax policy process reform and institutional changes were measured under five clear interventions as follows – i) Reform of the tax policy-making process, ii) Elevate the status of taxation within MFPED, iii) Enhance the analytical capacity of TPD and URA, iv) Address TPD structure and staffing/training needs, v) Strengthen partnership with URA and formalise arrangements.

3.2.1: Reform of the tax policy-making process

This intervention intended to have guidelines for tax policy development documented and publicised to improve the quality, buy-in, and legitimacy of proposals. These should define the full process through which proposals should pass before approval by the Cabinet and the full legislative process, including the initiation, consultation, and coordination of inputs from both the Tax Policy Department (and wider MFPED) and the URA.

This intervention is measured through three indicators, 1) No. of tax-related proposals received from non-state stakeholders in a year, 2) No. of tax-related proposals received from stakeholders within the government in a year, and 3) No. of revenue measures adopted from tax proposals from non-state stakeholders in a fiscal year. In the FY 2022/23 tax-related proposals were received but were not distinguishable between non-state stakeholders and from

[1] Excluded from performance for a complete lack of data availed were: P5) Tax Incentives and Exemptions, P11) Taxation of Donor Funded Projects.

other stakeholders. The performance declined from 66% achieved in FY 2021/22 to 10% in FY 2022/23. The performance was therefore rated **poor**.

3.2.2: Elevate the status of taxation within MFPED

In designing a revenue system that fosters sustainable growth and development, the Government requires the support of a well-resourced, high-functioning Tax Policy Department. The current TPD is contained within the Directorate of Economic Affairs and has a mandate covering a wide range of areas. However, TPD currently faces several challenges which have limited the department's ability to undertake a thorough analysis of policy options, conduct wide high-level consultations with public and private groups, develop well-targeted proposals, and participate in treaty negotiations. This intervention is measured through one indicator:

1) **Tax Policy Department's budget as a percent of the MFPED budget**

The TPD's appropriated budget decreased from Ug shs 13.2bn to Ug shs 12.75bn in FY 2022/23 representing a 5.56% decreased, whereas the total MFPED budget increased by 6.9%.

The intervention proposes to see a significant and steady increase in the budget allocated to TPD, as well as an expansion of the department. On the contrary, there has been a steady decrease in funding and the department has not expanded. Therefore, the indicator has not been achieved, hence **poor** performance is noted.

3.2.3: Enhance the analytical capacity of TPD and URA

Enhancing skills to undertake revenue forecasting, economic and social impact modelling (including the impact of policy changes on business, households, gender, and distributional analysis), quantification of the tax gap, drafting of tax legislation, and tax expenditure costing. Developing this capacity will require adequate staffing with considerable prior exposure to tax issues, and resources to facilitate and empower officers to undertake research. Tax is a dynamic field requiring regular upskilling to remain abreast of issues and exposure to international best practices. This intervention is measured through two indicators, and performance was as follows:

1) **No. of tax-related analytical papers published per year**: The indicator aims to track the publication of tax-related analytical papers or reports within the country. By the end of FY2022/23, four tax-related analytical papers were published, which was less than the 10 published the previous FY. Therefore, **poor** performance.

2) **No. of tax-related analytical papers published by TPD/URA staff per year**: The indicator aims to track the publication of tax-related analytical papers or reports authored or co-authored by staff of TPD and/or URA. By the end of FY2022/23, four tax analytical papers were published by TPD and the number of papers by URA was not established. However, in the same period FY 2021/22, 17 had been published by both TPD and URA indicating a decline and, thus, **poor** performance.

Therefore, the intervention, enhancing the analytical capacity of TPD and URA performed poorly as a significant decline was identified under the two indicators.

3.2.4: Address TPD structure and staffing/training needs

The intervention aims at establishing an appropriate structure for TPD commensurate with the importance of taxation. And, ensure that this structure is fully-staffed with relevant skills. The approved structure does not complement the wide mandate of the department and is not fully-staffed with relevant skills. Without a proper enabling structure, the department runs a high risk of policy error, which can have a considerable impact on government revenues. This intervention is measured through one indicator:

1) **Number of TPD staff that attended specialised training in a year**

Tax policy is a complex field, it requires staff to have specialised training to acquire the expertise needed to formulate effective tax policies. It is therefore assumed that if no relevant specialised training is provided to staff, there would be no expertise to formulate effective tax policies, which would affect domestic revenue mobilisation.

During the FY2022/23, 10 members of staff attended specialized training, which indicated an improvement from the previous FY when no trainings were conducted (Table 3.1). The training was in the areas of tax incentive analysis, principles of international taxation, interpretation and application of tax treaties and principles of transfer pricing. This significant increase in the number of staff trained was to bridge the skills-gap and ensure effective tax policy formulation.

On the other hand, the number of staff members did not increase in FY2022/23. The TPD is expected to achieve a fully-staffed structure to complement its wide mandate. The performance of the intervention was rated **good**.

Table 3.1: Number of TPD staff that attended specialised training in FY2022/23

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Number of TPD staff that attended any specialised training	0	0	1	10
Number of TPD Staff	22	27	29	29
TPD staff that attended specialised training (%)	**0**	**0**	**3.4**	**34.5**

Source: TPD

3.2.5: Strengthen partnership with URA and formalise arrangements

This intervention is measured through the indicator:

1) **No. of tax-related analytical papers jointly published by TPD and URA staff:** It is assumed that if TPD and URA staff jointly publish papers on tax-related issues, synergy will be created in addition to an increased convergence of minds. This would eventually lead to better revenue mobilisation strategies.

In FY 2022/23, one paper[2] was jointly published by URA and TPD. In the same period, FY2021/22, one[3] analytical paper was jointly published. The number of jointly published papers has remained very low. Therefore, the performance was **poor.** The intervention to strengthen the partnership with URA and formalize arrangements was not achieved.

Conclusion

Overall, the objective, of 'Process reform and Institutional Changes 'undertaken by the Tax Policy Department was not achieved. Although the guidelines for the tax-making process were developed and are in use, they have never been publicized. 90% of the interventions of which data was availed indicated a poor performance except for staff training where more staff were trained compared to the previous FYs.

[2] Cost benefit analysis of Vat Incentives Fiscal Years 2011/12 - 2021/22.

[3] Is Uganda's Tax to GDP ratio too low? Global comparative analysis of Tax to GDP ratios, September 2021.

STRENGTHENING THE PRODUCTIVITY OF VALUE-ADDED TAX

Value Added Tax (VAT) is normally a buoyant source of revenue, with growth expected to at least match that of GDP. Improvements in the performance of VAT would focus on compliance and policy gaps. The compliance gap gives the impact on potential yield for a given policy structure from non-compliance, while the policy gap refers to the impact on the potential yield due to exemptions and zero-rating.

Where exemptions and zero-rated supplies are inefficient in their scope, poorly targeted, or no longer effectively support other government objectives, they should be considered for removal to expand the VAT base.

Removal of many previously VAT zero-rated and exempt supplies is expected to result in a higher growth rate of VAT. As a share of GDP, Uganda's VAT revenue contributed 2.0% (Ug shs 3, 959.63bn) in FY 2022/23. This was a slight improvement from 1.87% of GDP in the FY 2019/20 (baseline) thus making it essential to revisit exemptions and zero rating of supplies to substantially impact the revenue outturn. The performance of the five interventions under VAT for the FY 2021/22 was as follows:

3.2.6: Limit the range of zero-rated- supplies as far as possible

The intervention requires that certain items on the list of zero-rated supplies should be removed. Additionally, the definition of zero-rated items such as drugs and medicines should be tightened to limit abuse. Many zero-rated supplies support government social and welfare objectives, however, expansions to this should be limited-as zero-rating supplies lead to revenue leakages, increase the administrative burden, and negatively impact transparency.

In FY 2022/23, the list of zero-rated supplies in the Third Schedule of the VAT Act was expanded to include - the category of educational materials manufactured in a partner state of the East African Community (EAC), and the supply of menstrual cups (under the existing category for the supply of sanitary towels and tampons). Thus narrowing the tax base by expanding the list of supplies with limited removal of unnecessary items.

i) Zero-rated supplies as a percentage of total supplies

The intervention aims to reduce the zero-rated supplies. Where the proportion of zero-rated supplies in comparison to total supplies remarkably reduces (relative to the baseline), then the taxable VAT base is expanding, which is the ultimate goal of the policy intervention. Where the tax ratio keeps increasing it would mean the VAT base is narrowing on account of zero-rated supplies. The annual average ratio should be expected to keep within the same levels if no revisions are effected in the law.

The proportion of zero-rated supplies to the total value of supplies increased to 18.34% in FY 2022/23 from 14.3% in FY 2021/22 (Table 3.2). Relatedly, the proportion (18.34%) increased when compared to 16.3% registered in the FY 2019/20 (baseline). Moreover, the observed performance was not a result of limiting and or removing items from the list of zero-rated supplies, rather the list was expanded and thus the performance was rated **poor.**

Table 3.2: Zero-rated supplies as % of total supplies FYs 2021/22 to FY 2022/23

	FY 2019/20	FY 2021/22	FY 2022/23
Value of Zero-rated supplies (Ug shs bn)	18,666.97	28,793.91	29,508.96
Total Value of declared supplies (Ug shs bn)	106,725.25	201,360.24	160,877.63
Zero-rated supplies as % of total supplies (%)	16.3	14.3	18.34

Source: URA Database

ii) Zero-rated supplies (non-export items) as a percentage of total zero-rated supplies

The indicator aims to monitor the implementation of the policy intervention whose ultimate goal is to increase the taxable VAT base by reducing zero-rated supplies for non-export items. The intervention also seeks to register a reduction in the list of zero-rated items that are non-export. During FY 2022/23, there was no revision to non-export zero-rated items and it was the same situation in FYs 2021/22. The ratio of zero-rated supplies (non-export items) as a percentage of total zero-rated supplies increased to 37.82% in FY2022/23 from 25.1% in FY 2021/22. The proportion (37.82%) increased compared to 31.2% registered in the FY 2019/20 baseline (Table 3.3). The intervention however requires that a policy that restricts non-export zero-rated supplies to a minimum as far as possible is adopted. This was not implemented and hence the target was not achieved. The performance was rated **poor.**

Table 3.3: Zero-rated supplies (non-export items) as % of total zero-rated supplies

	FY 2019/20	FY 2021/22	FY 2022/23
Value of zero-rated supplies (Non-Export Items) (Ug shs bn)	5,284	7,227.3	11,160.5
Total zero-rated supplies (Ug shs bn)	18,666.97	28,793.91	29,508.96
Zero-rated supplies (non-export items) as % of total zero-rated supplies (%)	31.2	25.1	37.82

Source: URA Database

iii) Value (and proportion) of Zero-rated supplies by type of supply

The indicator tracks the trend in the value of the zero-rated supplies by type of supply. Items removed from the list will not be expected to return zero values. Where the values continue to be seen would signify a weakness. The indicator values and proportions are also used to examine whether the non-export zero-rated supplies are the kind of supplies that support the poor and if not, this points to areas where revisions in the VAT law could be considered regarding zero-rated supplies.

The proportion of export goods to total zero-rated supplies was 96% in FY 2022/23 compared to 91% in the FYs 2021/22. International transportation of goods and passengers increased to 0.23% in FY 2022/23 from 0.17% in FY2021/22 (and 0.19% in FY 2019/20 baseline). Zero rating minimizes the costs of exports and international transportation, thus making them affordable.

Supplies of educational materials used in schools, colleges and institutions decreased significantly in value and proportion to 1.61% in FY 2022/23 from 6.99% in FY 2021/22. The reduction in the supply of education materials was attributed to the normalisation of quantities of learning materials purchased and distributed by the government to schools post-COVID-19 pandemic period. Additionally, there was increased educational materials manufactured locally and not imported further reducing volumes. The value and proportion of supplies of agricultural items, i.e. seeds, fertilizers, and pesticides slightly increased to 1.31% from 0.61% in FY2021/22. Supplies of cereals grown and milled in Uganda declined to 0.18% in proportion from 0.26% in FY 2021/22 (a further decline from 0.65% in FY 2019/20 baseline). This could further be attributed to a decline in preferences for the products.

As well, sanitary towel supplies decreased in proportion to 0.3% in FY 2022/23 from 0.81% in FY 2021/22 (a further decline from 1.14% in FY 2019/20 baseline). These are expected to increase as they support the poor but supplies have continued to decline post-COVID-19 period. This shows a need to appropriately target the population as those who can afford to benefit greatly through consumption than the poor who cannot afford it (Table 3.4). Handling services concerning medical supplies and supply of leased aircraft, parts, and maintenance equipment and repair services had no information, either they did not file, which indicates noncompliance or the information was indistinguishable from other related items. This has been the trend over the last three FYs. There was no policy change targeting zero-rated supplies that were not compliant and or were no longer effective in addressing welfare objectives, the performance was rated **fair**.

Table 3.4: Value of zero-rated supplies by type of supply and proportions (%) FYs 2019/20-23

Type of zero-rated supplies	FY 2019/20		FY 2021/22		FY 2022-23	
	(Ug shs bn)	%	(Ug shs bn)	%	(Ug shs bn)	%
1. Export goods	8,253.88	85.69	11,564.72	91.14	16.78	96
2. International Transportation of goods and passengers	18.73	0.19	22.12	0.17	39.41	0.23
3. Domestic supply of:	1,359.3	14.11	1,021.62	8.69	598.49	3.00
a)' Educational materials used in schools, colleges, universities, and institutions engaged in adult education, vocational or technical education, or training for the handicapped person	129.28	1.34	887.71	6.99	279.95	1.61
b) Seeds, fertilizers, pesticides, and hoes	68.48	0.17	78.37	0.61	234.83	1.35
c) Cereals where these are grown, milled or produced in Uganda	62.37	0.65	33.23	0.26	31.90	0.18
d) Sanitary towels and tampons and the inputs for their manufacture	109.59	1.14	103.31	0.81	51.82	0.3
e) Supply of leased aircraft, parts, and maintenance equipment and repair services	-	-	-	-	-	-
f) Handling services for medical supplies	989.56	10.27	-	-	-	-
Total	**9,631.93**	**100**	**12,689.45**	**100**	**17,422.13**	**100**

Source: URA Database

3.2.7: Remove unnecessary VAT exemptions to curb unjustifiable revenue leakages

The intervention was assessed through two indicators as follows:

1) VAT-exempt supplies as % of total supplies

The intervention aims to reduce exempt supplies. Where the proportion of exempt supplies vis-à-vis total supplies remarkably reduces (relative to the baseline), then the taxable VAT base is expanding, which is the ultimate goal of the policy intervention.

The value of exempt supplies as a proportion of total supplies increased to 17% in FY 2022/23 from 14.33% in FY 2021/22 (Table 3.5). This increase was 0.26 percentage points from the baseline (FY 2019/20). The taxable VAT base was reduced on account of an increase in the proportion of exempt supplies. The trend indicates that there was no revision downwards of the items on the VAT second schedule, which undermines the primary objective of the intervention. The list of exempt supplies expanded and the value of the exempt supplies increased over the FYs 2021/22-23 thus the performance was rated **poor**.

Table 3.5: VAT-exempt supplies as % of total supplies

	FY 2019/20	FY 2021/22	FY 2022/23
Value of exempt supplies (Ug shs bn)	20,822.49	25,438.93	27,265.78
Total Value of declared supplies[4] (Ug shs bn)	106,725	201,360	160,877.63
Exempt supplies as a % of total supplies (%)	16.74	14.33	17

Source: URA Database

2) Value (and proportion) of exempt supplies by type of supply

The indicator tracks trends in the value of exempt supplies by type of supply. Items removed from the list will not be expected to return zero values. Where the values continue to be seen would signify a weakness. The indicator values and proportions are also used to examine whether the exempt supplies benefit the poor and if not, this points to areas where revisions in the VAT law could be considered.

In FY 2022/23 review of items on the VAT Second Schedule to establish continued relevancy, effectiveness and provision of social and welfare objectives was not explicit. The items with no values included: i) supply of unimproved land, ii) sale, leasing and letting of immovable property, iii) burial and cremation services, iv) agricultural insurance premiums or policies, v) any goods and services to the contractors and subcontractors of hydroelectric power, solar power, geothermal power or biogas, and wind energy power projects, vi) supply of movie productions. The same items did not have values over the FYs 2021/22, 2020/21 and 2019/20. This was attributed to non-compliance and lack of information due to the return design where these items could not be distinguished from other supplies. The continued failure to distinguish data implies the policy to support the poor and the promotion of certain sectors could be increasingly abused. Analysis is limited by the nature of the form for reporting the performance that does not distinguish items.

Supply of: i) education services; ii) unprocessed foodstuff, agricultural products and livestock; iii) social welfare services; iv) veterinary, medical, dental, and nursing services; v) animal feeds and premixes; vi) crop extension services; vii) irrigation works, sprinklers and ready-to-use drip lines; decreased in value over the FYs 2022/23 and 2021/22 although the respective proportions of the exempt supplies declined. These items tend to address social, welfare and equity objectives. The decline in the supply of exempt items was attributed to inflation that impacted the costs of goods and services and hence consumption.

In FY2022/23, the highest proportions of exemption supplies continued to be registered under petroleum fuels subject to excise duty (75.88%), and financial and insurance services (13.81%). However, petroleum products were heavily affected by inflation which also increased their costs. The exemptions are supported in minimizing the costs of petroleum products and borrowing. The same items continued to constitute the highest share of exempt supplies in the FYs 2021/22 2020/21 and 2019/20 (Annex 1).

[4] Utilized total declared sales in the VAT returns

The performance was **rated fair**, the indicator shows a level of non-compliance that calls for increased administrative effort and data quality checks.

3.2.8: Review the policy on deeming to allow the VAT system to function normally

The intervention seeks to have deeming[5] limited to special circumstances where its application upholds the integrity of the VAT system. It is assessed by the indicator:

The value of deemed supplies as % of total supplies made to the Government. The aim is to monitor the changes in the ratio of deemed supplies in comparison to total supplies to the Government. The ratio should be expected to remain within baseline levels. If it increases remarkably, this would be a point of concern, as it would be eroding the VAT base.

In FY 2022/23 the proportion of the value of deemed supplies to total supplies to government was 81%, this was an increase from 66% and 60% registered in FYs 2021/22 and 2020/21 respectively. This indicates an increased composition of deemed supplies over the total government supplies which increases the risk of loss of revenue through deeming. The value of VAT foregone on account of deeming decreased slightly from Ug shs 1,218.949bn in FY 2021/22 to Ug shs 1,030bn in FY 2022/23, representing a 15% decrease. A reduction in the scope of deemed supplies limits the chances of abuse, especially from claims for credits for supplies disguised as made to the Government or to donor-funded projects. Additionally, the objective of the intervention is the requirement for narrowing the deeming provisions to special circumstances; this was under consideration but not concluded over the FYs 2020/21-22/23. Thus, the target was not achieved and performance was rated **poor** (Table 3.6).

Table 3.6: Value of deemed supplies as % of total supplies made to Government

	FY 2020/21	FY 2021/22	FY 2022/23
Value of deemed supplies (Ug shs bn)	4,317.91	6,771.94	5,727.69
Value of VAT foregone on deemed supplies (Ug shs bn)	777.223	1,218.95	1,030.98
Total supplies to Government (Ug shs bn)	7,195	10,179	7,028.11
Value of deemed supplies as a % of total supplies made to Government (%)	60	66	81

Source: URA Database and IFMS

3.2.9: Re-assess registration threshold and rate

The intervention requires that - the effects of allowing businesses below the threshold[6] to voluntarily register for VAT should also be examined. The VAT registration threshold should aim to alleviate the administrative burden, limiting the number of taxpayers to monitor, and exclude smaller businesses where the compliance and administrative costs are likely to outweigh the small amount of revenue received. While a lower threshold widens the tax base, a threshold that is too low generates administrative problems, as small businesses generally do not keep adequate accounting records. The intervention was assessed through two indicators as follows:

[5] Assumed VAT is paid where actually no payment is received although ordinarily it should be provided for through counterpart funding by government.

[6] Previously VAT threshold was increased from Ug shs 50m to 150m with the objective of helping tax administration focus their enforcement actions.

1) No. of VAT payers and tax paid per turnover bracket

The intervention aims to alleviate the administrative burden and limit the number of taxpayers to monitor. This is measured by the indicator - No. of VAT payers compared with the revenue generated.

The number of taxpayers per turnover band in FY 2022/23 increased in all bands compared to FY 2021/22. Those whose turnover is less than Ug shs 150 million (voluntary registrations) registered the highest increase in the number of taxpayers (2,340), whilst those with thresholds between Ug shs 0.35bn and 0.45bn experienced the lowest increase in taxpayers (123). On the other hand, VAT paid per turnover level (threshold) increased across the thresholds (Table 3.7). The tax base expanded, the highest growth in number was from those below the registration threshold, and with automation happening the administrative cost is expected to reduce. As well there was overall growth of 16% in the VAT paid over the FYs 2021/22 and 2022/23. This is consistent with the objective of the intervention, so the performance was rated **good.**

Table 3.7: Number of registered VAT payers and VAT paid per turnover band

Turnover level (in millions)-Thresholds	FY 2019/20		FY 2021/22		FY 2022-23	
	No. of registered VAT payers	VAT paid (Ug shs bn)	No. of registered VAT payers	VAT paid (Ug shs bn)	No. of registered VAT payers	VAT paid (Ug shs bn)
Less 150	8,171	41.18	11,643	27.94	13,983	40.23
150-250	1,388	18.59	1,600	22.31	2,020	23.27
250-350	948	14.67	1,151	21.03	1,382	21.04
350-450	661	14.33	874	21.13	997	23.23
450-550	526	12.69	629	15.39	779	18.51
550-750	817	25.62	912	31.63	1,095	30.99
750-1,000	665	23.23	841	33.95	1,001	35.89
Greater than 1,000	4,521	2,403.85	5,312	2,841.01	6,021	3,315.86
Total	**17,697**	**2,554.15**	**22,962**	**3,014.40**	**27,278**	**3,509.01**

Source: URA Database

2) Tax paid per turnover bracket

In terms of the average VAT paid per turnover band, the higher thresholds registered higher averages. Payers whose turnover level was less than Ug shs 150million registered an average revenue of Ug shs 3 million representing a 50% growth revenue outturn from FY 2021/22. The other thresholds registered declined outturns in revenue per payer. This indicates growth in revenue outturn from lower-level threshold taxpayers contributing to the VAT. This performance was rated **good** (Table 3.8).

Table 3.8: Average VAT Paid per Turnover Band (Ug shs bn)

Thresholds	FY 2019/20	FY 2021/22	FY 2022/23	% outturn
Less 150	0.005	0.002	0.003	50
150-250	0.013	0.014	0.012	-14
250-350	0.015	0.018	0.015	-17
350-450	0.022	0.024	0.023	-4
450-550	0.024	0.024	0.024	0
550-750	0.031	0.035	0.028	-20
750-1,000	0.035	0.040	0.036	-10
Greater than 1,000	0.532	0.131	0.129	-2
Total	**0.144**	**0.131**	**0.129**	

Source: URA Database

Challenges

1. Delays in the conclusion of the new VAT law continue to hinder the ability of tax policy players to remove the non-relevant VAT-exempt and zero-rated supplies.
2. The inability to exclusively distinguish services and items that require VAT deferment resulted in a disproportionate growth in deemed VAT.
3. Incomplete and missing data regarding the performance of exempt items (e.g. sale, leasing and letting of immovable property) and zero rate (e.g. supply of leased aircraft, parts, and maintenance equipment and repair services) affected the level of analysis.

Conclusion

Despite the huge digitalisation targeting value-added tax, the yield in revenue has only slightly increased from 1.87% of GDP in FY 2019/20 to 2.0% in FY 2022/23. This indicates limited leveraging of the systems to unlock the growth potential. On the other hand, there is scope for improvement in the performance of VAT entailing closing of compliance and policy gaps (effects on the VAT yield due to exemptions and zero rating). Although exemptions and zero-rated supplies have varied objectives, including the provision of social welfare, equity and revenue realization, these require periodic analysis for continued relevancy, effectiveness and appropriate targeting. For example, the supply of leased aircraft, parts, maintenance equipment and repair services has not been reported on for the last four years. This indicates non-compliance, and thus the need to analyse the continued relevancy of zero rating these supplies. The policy surrounding the deeming of supplies requires streamlining to minimize abuse and potential revenue leakages. Notwithstanding, there were improvements towards the expansion of the VAT tax base. The lowest threshold (turnover band) of less than Ug shs 150 million had increased voluntary registrations. Additionally, there was growth in the numbers of taxpayers and VAT paid by the respective turnover bands.

Recommendations

1. The MFPED-Tax Policy Department should expedite the conclusion of the new VAT Act including the review of the list of exempt supplies (Second Schedule) and zero rate supplies (Third Schedule) of the VAT Act.

2. The MFPED should minimize opportunities for revenue leakage by providing counterpart funding and effectively removing the deeming provisions.

3. The TPD should review the effectiveness and relevance of provisions for social welfare and equity objectives in the annual VAT provisions.

4. The Uganda Revenue Authority should step up tax administration efforts to close gaps arising from non-compliance, especially for exempt and zero-rated supplies.

CORPORATE INCOME TAX (CIT)

One of the DRMS objectives was to enhance the income tax system through various instruments which include corporate income tax (CIT). Revenue yield from CIT as a percentage of GDP in Uganda is lower than other EAC countries, despite having the same CIT rate.

The CIT was measured under six interventions: i) Maintain support for priority sectors (continue supporting the competitiveness of priority sectors of the economy), ii) Support workforce education/training, iii) Rebalance the nominal rate and the incentives, deductions and depreciation regime, iv) Review and renegotiate over-generous treaty provisions, v) Strengthen international trade rules, and vi) Improve information sharing domestically and internationally.

3.2.10: Maintain support for priority sectors (continue supporting the competitiveness of priority sectors of the economy)

This intervention is measured through one indicator as follows**:**

1. **Tax buoyancy**

Tax buoyancy measures the total response of tax revenues to changes in national income. At the individual tax level, tax buoyancy is a measure of both the soundness of the tax base and the effectiveness of past tax changes in terms of revenue collection. It considers both the effect of increases in income and discretionary changes (i.e., tax rates and bases) on the revenues from a tax.

CIT buoyancy, as an indicator was intended to provide information on the past efforts made to increase CIT revenue. Generally, when a tax is buoyant, its revenue increases without increasing the tax rate. In terms of interpretation, a buoyancy of one would imply that an extra percent of GDP would increase tax revenue also by 1 percent, thus leaving the tax-to-GDP ratio unchanged. A tax buoyancy exceeding one, however, would increase tax revenue by more than GDP. If the tax buoyancy exceeds unity there is no need to manipulate the tax rate frequently, as frequent and ad hoc changes in tax rates distort consumption and investment decisions thereby creating uncertainty. If tax buoyancy is less than unity, then the growth rate of tax revenue will be relatively smaller than that of GDP.

Indicator calculation

Buoyancy for CIT = $E^{b}_{CIT,Y} = \left(\frac{\Delta CIT}{\Delta B_{CIT}} * \frac{\Delta B_{CIT}}{\Delta Y}\right) \times \left(\frac{B_{CIT}}{CIT}\right) \times \left(\frac{Y}{B_{CIT}}\right) = \left(\frac{\Delta CIT}{\Delta B_{CIT}} * \frac{B_{CIT}}{CIT}\right) \times \left(\frac{\Delta B_{CIT}}{\Delta Y} * \frac{Y}{B_{CIT}}\right)$

Where,

$E^{b}_{CIT,Y}$= Buoyancy of CIT to income

B_{CIT} = CIT base

ΔB_{CIT} = Change in CIT base (i.e., difference between CIT base in current year (t) and previous year (t-1)).

CIT = Total corporate income tax revenue

ΔCIT = Change in total corporate income tax revenue (i.e., difference between CIT in current year (t) and previous year (t-1)).

Y = GDP

ΔY = Change in GDP (i.e., difference between GDP in current year (t) and previous year (t-1)).

The first part of the equation (in brackets) represents the elasticity of CIT with respect to the CIT base, whereas the second part in brackets represents the elasticity of the CIT base with respect to GDP.

The Tax buoyancy decreased to -1.05 in FY 2022/23, because of the fall in the total corporate income tax revenue from Ug shs 1,963.42bn in FY 2021/22 to Ug shs 1,749.66bn in FY year 2022/23. This was attributed to declining profitability due to growing operational costs for companies. The Tax buoyancy of -1.05 was poor as it was less than one, implying that for FY 2022/23, the tax revenue decreased more than the GDP. Conversely, tax buoyancy indicates that there was a slowed growth in revenue as compared to the growth in GDP. This was mainly attributed to increased exemptions for certain manufacturers and to the large informal sector. Comparatively, the tax buoyancy in FY2021/22 was very high and this strong performance was attributed to the recovery of the economy which caused significant increases in the total CIT payable and the gross turnover (Table 3.9).

The objective of maintaining support for priority sectors (continue supporting the competitiveness of priority sectors of the economy) was not achieved as the tax buoyancy decreased in FY 2022/23. The performance was therefore rated **poor.**

Table 3.9: Tax buoyancy FY 2019/20-FY 2022/23

	Baseline FY 2019/20	Annual FY2020/21	Annual FY 2021/22	Annual FY 2022/23
Total corporate income tax revenue CIT (Ug shs bn)	1,292.46	1,413.64	1,963.42	1,749.66
∆CIT	0	121.17472	549.78	-213.77
Gross income/turnover BCIT (Ug Shs bn)	100,843.68	99,668.36	103,798.76	127,269.46
∆BCIT	0	-1,175.32	4,130.40	23,470.70
GDP(Y) Bn[7]	139,718	148,328	162,883	184,288

[7] GDP FY 2018/19 - 132,105

	Baseline FY 2019/20	Annual FY2020/21	Annual FY 2021/22	Annual FY 2022/23
∆Y	7,613	8,610	14,555	21,405
Tax Bouyancy	**0.00**	**1.48**	**3.13**	**-1.05**

Source: URA Database, UBOS

3.2.11: Support workforce education/training

More trained and qualified income tax assessors and administrators are expected to optimize corporate income tax revenue through their work. The opposite is true i.e., less trained/less qualified or fewer trained income tax assessors will not optimize income tax revenue. The policy intervention requires enhancement of support to income tax training and education. Thus, the indicator will track whether there will be an increase in the number of qualified technical staff handling income tax work. It is measured through one indicator:

1) Proportion of technical staff handling domestic taxes that are graduates of PODTRA

By 30th June 2023, a total of 2,971 staff had been trained across the different departments in URA, against a total headcount of 3,254 (91%). Of the 2,971 trained, 896 (30.2%) were from the Domestic Tax Department and this was a significant increase[8] compared to the same period in FY 2021/22. The Domestic Tax staff were trained in 21 different fields[9] and this translated into a 68.1% increase in the number of DT staff trained compared to the previous FY 2021/22 (Table 3.10). The indicator performance was rated **good** as the proportion of staff handling domestic taxes that achieved requisite training increased.

Table 3.10: Proportion of technical staff handling domestic taxes that are graduates of PODTRA

	Annual FY 2020/21	Annual FY2021/22	Annual FY 2022/23
No. of DT staff with PODITRA/ ITRAT or some other recognised qualification*	537	533	896
Total No. of DT staff	975	909	1259
Proportion of technical staff handling domestic taxes that are graduates of PODITRA (%)	**55.08**	**58.64**	**71.17**

Source: URA Database

3.2.12: Rebalance the nominal rate and the incentives, deductions and depreciation regime

There are broadly two options - limiting allowable deductions or the amount of losses that can be offset. The number of allowable deductions should be reviewed, considering an alignment

[8] Total number of DT staff trained in FY2021/22 was 464.

[9] 1.Oil and Gas benchmark in Angola, 2. Big Data Analytics, 3. Advanced Transfer Pricing in Vienna Austria, 4. Client Relationship Management, 5. Data Analytics and Management, 6. Banking and Insurance Sector, 7. Rental Compliance System, 8. Double Taxation Agreement, 9. Banking and Finance Sector, 10.Telecom Sector Audits, 11.Data Analysis (IDEA) Training, 12. URA-DTS Engagement, 13. Using science in taxation, 14. Challenges and Opportunities in Digitalization, 15. Training on Taxation of Natural Resources, 16.Techniques of raising quality Assessments, 17. Accounting Principles for Ledger Reconciliation, 18.Operations of the Energy Sector, 19. Basic Taxation for Onboarding staff-EFRIS & DTS Training, 20. Basic Taxation for Onboarding staff-EFRIS & DTS Training, and 21. Objections Management.

of tax depreciation with economic depreciation, where appropriate in accordance with national objectives.

Secondly, consider the option of limiting the amount of the losses that can be offset each year to a proportion (e.g., 50%) of the profits of each future year that would otherwise be taxable. This ensures that a company claiming to offset historic losses against future taxable trading profits would have to pay some CIT. Losses can thus be relieved in full, but companies can no longer avoid paying tax indefinitely by using strategies that "refresh" the losses carried forward. This system is also less likely to be distorted in favour of large companies. The proposal is also consistent with good international practice and modernizes an underperforming tax while generating revenues from large companies that may historically have paid little tax in Uganda. This intervention is measured under two indicators:

1) CIT Effective Tax Rate

The CIT Effective Tax Rate (ETR) is the average percentage that companies pay in taxes on their taxable income. Ideally, the CIT Effective Tax Rate should continue increasing compared to the base year. The intervention requires that tax losses carried forward within the CIT system should be minimised because they are substantial and distort the CIT yield.

The CIT-ETR continued to decrease compared to the base year, this means that substantial tax losses continue to be forwarded thus distorting the CIT yield. The CIT-ETR for FY2019/20 was 37.24% which reduced to 21.37% in FY2022/23**.** The CIT-ETR was less than the statutory rate (30%), which was attributed to the low corporate income tax revenue collected. Additionally, the total taxable income increased in comparison to the previous FYs but that was impacted by the high operational costs, thus affecting the overall CIT Effective Tax Rate (Table 3.11). Therefore, the performance was rated **poor** as the objective to minimise tax losses from being entirely forwarded has not yet been implemented.

Table 3.11: CIT effective tax rate FY 2019/20- 2022/23

	Annual FY2019/20	Annual 2020/21	Annual FY 21/22	Annual FY 2022/23
Total corporate income tax revenue collected (payable)(Ug shs bn)	1,292.46	1,413.64	1,963.42	1,749.66
Total taxable income (corporate profits before taxes). (Ug shs bn)	3,471.06	3,595.62	7,710.87	8,186.09
CIT Effective Tax Rate (%)	**37.24**	**39.32**	**25.46**	**21.37**

Source: URA Database

2) **Allowable deductions as a percentage of gross income in a year**

The intervention aims to partly restructure the allowable deductions to expand the taxable income. It also intends to monitor whether deductions as a percentage of gross income are reducing as should be expected. Additionally, the intervention aims to have the number of allowable deductions reviewed, considering an alignment of tax depreciation with economic depreciation, where appropriate in accordance with national objectives.

Deductions had a slight increase of 4.6% during FY 2022/23 compared to the gross income declared which increased by 22.6%, thereby minimising the tax base. The gross income declared increased from Ug shs 100,844bn in the baseline year (2019/20) to Ug shs 127,269 in FY 2022/23. The allowable deductions as a percentage of gross income decreased from 18.37% to 15.66% which indicates that the taxable income increased as compared to the previous FY (Table 3.12). Therefore, the intervention performance was rated **good**.

Table 3.12: Allowable deductions as a percentage of gross income in FY

	Baseline (2019/20)	Annual 2020/21	Annual FY 2021/22	Annual FY 2022/23
Total deductions declared by corporate taxpayers (Ug shs)	13,471	15,896	19,063	19,934
Gross income declared (Ug shs)	100,844	99,668	103,799	127,269
Allowable deductions as % of gross income in a year	13.36	15.95	18.37	15.66

Source: URA Database

3.2.13: Review and renegotiate over-generous treaty provisions

The intervention intends to refrain from contracting new Double Tax Agreements (DTA), although if required they should be aligned with the principles of the approved DTA policy. This intervention is measured under two indicators, of which one was monitored as follows:

1) **Tax value of approved applications for DTA-related exemption/reduction from taxation as a percentage of taxable income**.

This indicator aims to track revenue foregone through DTA and how it erodes taxable income. The ratio is expected to decrease (relative to baseline) after the DTA provisions are renegotiated as required in the intervention.

The tax value of approved applications for DTAs was not availed. However, by 30th June 2023, (i) the outstanding issues in the Uganda-Netherlands DTA were reviewed, (ii) negotiation of the Uganda-Turkey DTA was done, and (iii) the ratification of the Uganda-Mauritius DTA was in progress. The performance was therefore rated **poor.**

3.2.14: Strengthen international tax rules and enforcement

The increased integration of Uganda's economy with the global economy introduces significant tax risks which erode tax yields. The pursuit of investment, employment and growth opportunities has fueled tax competition and places pressure on policymakers to match various initiatives with a suite of base-eroding domestic tax incentives. This challenge is further compounded by the fact that most jurisdictions (including some of Uganda's major investment and trading partners), operate territorial tax systems, creating an incentive for off-shoring income that would ordinarily be classified as Ugandan-sourced. This intervention is measured under one indicator:

1) **Effective Corporate Tax Rate (foreign firms/multinationals)**

Preferably, the Effective Tax Rate (ETR) should be close to or equal to the nominal tax rate. Once the international rules are strengthened as required in the intervention, the CIT-ETR for foreign firms should be expected to improve relative to the baseline.

In FY 2022/23, the CIT-ETR for foreign firms was 2.32%, which indicates that the proportion of tax from income earned by foreign firms was still higher than the baseline figure of (2.18%). When compared to the CIT-ETR for local firms (21.37%) (Table 3.11), it reveals that local firms are being taxed more than foreign firms (Table 3.13). This has been the case over the previous financial years. The ETR for foreign firms (multinationals) is 19 percentage points lower than that for the local firms.

Additionally, annual tax turnover increased over the FYs. The objective of strengthening international tax rules and enforcement was not met as the effective corporate tax rate for foreign firms remained significantly low. The performance was thus rated **poor.**

Table 3.13: Effective corporate tax rate (foreign firms/multinational)

	Baseline (FY 2019/20)	Annual FY 2020/21	Annual FY 2021/22	Annual FY 2022/23
CIT revenue payable by foreign firms-multinational enterprises (Ug shs bn)	289.42	410.70	395.65	415.07
Income tax turnover (Ug shs bn)	13,277.28	13,611.34	14,933.14	17,880.50
Effective corporate tax rate (foreign firms) - Multinational enterprises (%)	**2.18**	**3.02**	**2.65**	**2.32**

Source: URA Database

3.2.15: Improve information sharing domestically and internationally

Poor transparency and weak access to information on taxpayers' transactions hampers enforcement, especially countering the domestic hidden economy, cross-border tax evasion, and illicit financial flows. This intervention is measured under one indicator;

1) Percentage of outgoing and incoming tax-related information requests honoured. Information sharing is two-way. TPD and URA request information from outside entities both within Uganda and outside the country, and also receive requests for information from outside entities. The indicator thus aims to monitor the extent to which such information requests are honoured. Response rates are expected to improve if the intervention is implemented.

The number of tax-related requests has reduced over the years indicating improved transparency on taxpayers' transactions. Uganda made 10 requests for information from her treaty partners in FY2022/23 and responded to 8. Comparatively, in FY 2021/22, 14 requests were made and 8 responded to from all treaty partners (Table 3.14). All (100%) of the incoming and outgoing requests were responded to where agreements are in place.

In addition, Uganda continued to pursue its obligations under the Exchange of Information Protocols. By 30th June 2023, the GoU signed the enabling International Legal Framework i.e. Organization for Economic Co-operation and Development (OECD) Multilateral Convention (2016), OECD Multilateral Competent Authority Agreement (November 2022). The Preliminary assessment of the Automatic Exchange of Information (AEOI) Information Technology (IT) Architecture to determine the AEOI user requirements was done and two additional staff (2 AEOI Officers) to support the Acting Supervisor AEOI were recruited. There was ongoing technical assistance with OECD on URA Information Security Management at the end of FY2022/23.

Data sharing and transparency on transactions within the country and between jurisdictions has been enhanced, additionally information sharing between government agencies, including mutual assistance frameworks particularly for the EAC improved. The performance was rated **good**.

Table 3.14: **Percentage of outgoing tax-related information requests honoured**

	Annual FY 2020/21	Annual FY 2021/22	Annual FY 2022/23
Number of Requests for information made	20	14	10
Number of Requests for information responded to	14	8	8
Outgoing tax-related information requests honored (%)	100	100	100

Source: URA Database

Conclusion

Overall, the CIT performance was fair as three of its indicators were rated good, and four were poor. Data sharing and transparency on transactions within the country and between jurisdictions has consistently improved thus improved transparency of the taxpayers' transactions was noted. The CIT revenue grew during the FY but was impacted by the high operational costs, thus affecting the overall CIT effective tax rate. This means that the CIT revenue remains lower than expected. The slow progress with the renegotiation of the over-generous treaty provisions continues to limit the CIT revenue yield to a desirable position as it is a source of revenue leakages through tax planning measures.

PERSONAL INCOME TAX (PIT)

The PIT has four interventions, of which nine (9) indicators were provided to be a measure of the progress of their implementation. These interventions include - i) Review exemptions and consider alternative approaches, ii) Address thresholds, bands and rates, iii) Consider scope to encourage saving through the PIT system, and iv) Address rules for taxing rental income.

3.2.16: Review exemptions and consider alternative approaches

For taxation to have a positive effect on accountability, taxes should be felt by most citizens, including government servants. The use of tax reliefs and exemptions by certain groups undermines the progressiveness of the system. Certain classes of employees, by the nature of either their work or their residence, are not taxed, affecting perceptions of fairness and equity one indication of non-declaration is the size of the PIT register relative to the size of the labour force. This intervention is measured through one indicator:

1) **PIT Effective Tax Rate**

This indicator measures the average percentage that individual taxpayers pay in taxes on their taxable income. If exempt incomes are reviewed to expand the tax-base, the PIT-ETR would be expected to improve relative to the baseline. The intervention particularly requires a review of exemptions applied to Judges, Members of Parliament, expatriates and employees under donor-funded programmes.

The average percentage that individual taxpayers pay has increased over the years. The PIT effective tax rate increased by 18 percentage points in FY2022/23 and by 20.16 percentage points from the baseline (FY 2019/20) (Table 3.15). However, this increase relative to the baseline was not attributed to any reviews of exempt incomes (i.e. judges, members of Parliament, expatriates and employees under donor-funded programmes). Its performance was therefore rated **poor.**

Table 3.15: PIT Effective Tax Rate

	Annual FY 2019/20	Annual FY 2020/21	Annual FY 2021/22	Annual FY 2022/23
Total individual income tax revenue payable (Ug shs bn)	2,767.41	2,975.14	3,298.49	7,332.75
Total taxable income relating to PAYE and presumptive taxes (Ug shs bn)	14,151.24	14,023.49	15,186.10	18,460.01
PIT Effective Tax Rate (%)	**19.56**	**21.22**	**21.72**	**39.72**

Source: URA Database

3.2.17: Address thresholds, bands, and rates

The current PIT thresholds start at low levels of income and the progressivity of rates is steep. This may encourage non-compliance or less-than-full compliance and reduce incentives to work in the formal sector, as well as disproportionately disadvantage employees whose incomes are taxed at source under PAYE. This intervention was measured under one indicator.

1) **Lowest chargeable income threshold per day as % of the international poverty line**

Taxation is a redistributive tool meant to redistribute resources from the rich and use the proceeds to lift the poor from poverty. This indicator thus aims to monitor whether Uganda inequitably taxes the poor through PAYE. The current international poverty line is USD 2.15 per day. Thus, the lowest chargeable income should not be expected to fall below USD 2.15 per day or USD 64.5 per month or USD 784.75 per year. A ratio of 100% and below would imply that the poor are being taxed.

In FY 2022/23, the ratio was 97.2% which was a slight improvement (0.8 percentage points) from the previous financial year and a 2.9 percentage point decline from the baseline year (FY 2019/20) (Table 3.16). The lowest chargeable income per day taxed was Ug shs 7,833 which is less than the international poverty line of US2.15(approximately Ug shs 8,063). Therefore, Uganda taxes the poor through PAYE resulting in reduced disposable income and limited savings.

Uganda has an employed population of 9 million people (UBOS, 2017). Of the 9 million employed population, only 650,423 (7%) remitted PAYE as at 30th June 2023 and of these 26% earn Ug shs 335,000 and below. The above situation indicates that there is; (i)Taxation of the poor, (ii) a large informal sector and (iii) erosion of the tax base. The indicator performance is therefore rated **poor**.

Table 3.16: Lowest chargeable income threshold per day as % of the international poverty line

	Baseline FY 2019/20	FY 2020/21	FY 2021/22	FY2022/23
Lowest chargeable income per day (Ug Shs bn)	7,833	7,833	7,833	7,833
Current exchange rate (Ug shs bn)	3,640	3,754	3,780	3,750
International poverty line (USD)	2.15	2.15	2.15	2.15
Lowest chargeable income threshold per day as % of the international poverty line	**100.1**	**97.0**	**96.4**	**97.2**

Source: BoU Data

3.2.18: Consider scope to encourage savings through the PIT system

There is a perception that the current Income Tax Act does not sufficiently promote savings. Various instruments to encourage savings are provided, including exempting pensions, lump sum payments made by resident retirement funds, and proceeds from life insurance policies from taxation. However, more can be done within the tax system. This intervention is measured under one indicator:

1) **Percent increase in gross capital formation (dwellings)**

A study by Akeny and Mwesigwa (2021)[10] reveals that most workers' savings are invested in acquiring fixed assets such as buildings, establishing new businesses, and enhancing household well-being. The indicator thus aims to track the change in such investments, however focusing on investments in buildings, since data may not be easily available for the other investments (new businesses and household well-being).

There was a significant percentage increase in gross capital formation (dwellings) in FY 2022/23(30.04) compared to the baseline FY2019/20 (0.22%). This continued to increase to 2.45% in 2020/21 and to 7.83% in FY 2021/22 (Table 3.17). This indicated that earners continued to invest their savings in acquiring fixed assets such as buildings. Therefore, it is assumed that the levels of savings have continued to go up over the years. This performance was rated **good**.

Table 3.17: Percent increase in gross capital formation (dwellings)

	Baseline FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Value of gross capital formation (dwellings) in year (Ug shs bn)	449	460	496	645
Value of gross capital formation (Previous FY dwellings) (Ug shs bn)	448	449	460	496
Percent increase in gross capital formation (dwellings) (%)	**0.22**	**2.45**	**7.83**	**30.04**

Source: UBOS Data

3.2.19: Address weaknesses in rules for taxing rental income

Widespread under-reporting of income arising from the renting of both residential and commercial premises. Property owners do not fully disclose rental income, shift costs from loss-making to income-generating properties to reduce the tax due and have been exploiting the law that exempts resident owners from paying tax. Furthermore, information from various regulatory obligations, such as approval of construction plans by the local authority and site inspections, is not exploited to identify property owners and support tax compliance. Without action, the leakages that these distortions create are likely to expand as the Ugandan economy continues to grow and formalize. This intervention therefore intends to rationalize the rental income tax structure to minimise abuse and profit shifting. It is measured as follows:

[10]Akeny Emmanuel & Mwesigwa David (2021); "Personal savings and household investments: a cohort study among primary school teachers in Lira district, Uganda." https://www.goodwoodpub.com/index.php/amor/article/view/468

Rental income tax revenue as % of sectoral GDP (real estate activities)

The indicator will monitor the extent to which the rental income tax base is being covered. It should be expected to increase over time relative to the baseline. If it goes down, it will imply an increasing number of rental properties outside the tax net.

In FY2022/23, the URA registered a 37.7% increase in the rental income tax revenue collected from the previous FY (2021/22). This increase has been steady over the years, attributed to the initiatives put in place to boost the collections. On the other hand, it was also attributed to the enhanced compliance initiatives such as the deployment of the Rental Tax Compliance System, intensified field inspections and close monitoring of the arrears rental portfolio. As well, the sector was recovering as companies were increasing the supply of prime office space due to the economy's full operationalization and people returning from the arrangement of working from home. Hence collections increased from Ug shs 103.69bn in FY 2019/20 (baseline) to Ug shs 215bn in FY 2022/23 (107.3%). The rental income tax revenue as a percentage of sectoral GDP increased from 3.1% in FY2021/22 to 3.96 in FY 2022/23 (Table 3.18) and this performance was rated **good.**

Table 3.18: Rental income tax revenue as % of sectoral GDP (real estate activities)

	Baseline FY 2019/20	Annual 2020/21	Annual FY 21/22	Annual FY 22/23
Rental income tax revenue collected (Ug shs bn)	103.69	117.24	156.1	215
Value of GDP for real estate activities (Ug shs bn)	4418	4590	5026	5430
Rental income tax revenue as % of sectoral GDP	**2.3**	**2.6**	**3.1**	**3.96**

Source: URA and UBOS Database

Challenges

1. There is a large proportion of the employed untaxed economy combined with a large informal sector. This has resulted in a limited income tax yield.
2. The PIT threshold starts at very low levels of income thereby taxing the poor who fall below the international poverty line.

Conclusion

Overall, the URA has not yet tapped into 50% of its employed tax base as only 3.3 of the 9 million employed population filed for taxes at the end of the FY. A fair and effective taxation system should reach most citizens, and this is not the case as indicated above. The poor continue to be taxed as the lowest PAYE threshold has not been changed. The use of reliefs and exemptions for certain groups of people continued to be applied resulting in an eroded tax base. On the other hand, weaknesses in rules for taxing rental income are being addressed and a significant percentage increase in gross capital formation (dwellings) was noted thus increasing savings.

IMPROVE THE EXCISE DUTY REGIME

Excise duties on items such as alcohol and cigarettes are traditionally designed to address negative externalities and influence consumer behaviour. However, over time the government has shifted the policy approach to broaden the range of motivations and tended, instead, to use excise duties as a revenue-raising tool, introducing taxes on mobile money, airtime, sugar, cement, cooking oil, and the internet. Revenue from excise duties is normally responsive to growth in GDP, as more prosperous consumers purchase more excisable products. The government now seeks to take a smarter approach to excise duties, reducing complexity, ensuring buoyancy, and properly balancing revenue needs with targeting negative externalities.

This objective is measured through four interventions, namely - (i) Develop a broader scheme of environmental taxes, (ii) Rationalise multiple rates, (iii) Introduce and enforce strict regulations with regard to the production, distribution and consumption of alcohol and other excisable products, and (iv) Consider a revised approach to inflation adjustments. Two of these were assessed and presented as follows:

3.2.21: Develop a broader scheme of environmental taxes

The development of policy should - seek to adopt a rate which balances revenue yield, the cost to consumers, and the deterrent effect, and limit the arbitrary introduction of new excisable items. This intervention is assessed through one indicator:

1. **Revenue from environment-related taxes as a percentage of public expenditure on environmental control**

The intervention aims to expand the range of taxed pollutants to reduce their harmful impact on health and well-being. Although ring-fencing of tax revenues is not encouraged in Uganda, the best way to monitor the implementation of this intervention is to track the proportion of expenditure on environmental control that is covered by the revenue proceeds from environment-related taxes. Ideally, such expenditures should be 100% covered by revenues from the environment-related taxes. A coverage of less than 25% would imply there is more that needs to be done in terms of using excises to prevent harmful environmental activities in the country**.** The expenditure is expected to be 25% covered by revenues from environment-related taxes.

The environmental tax as a percentage of expenditure on environmental control was 15% in the FY 2022/23, which was a decline from 18.7% achieved in FY 2021/22. This is less than a quarter of the expenditure on environmental control, as based on the water and environment budget, and indicates a need for more effort towards taxes on pollutants (Table 3.19). Thus, the performance was rated **poor**, and there was limited broadening in the scope of environmental taxes. Moreover, revenue from environment-related taxes did not cover the environmental control expenditure. Additionally, many pollutants such as carbon emissions falling in the taxable bracket remain excluded from the excise duty tax net.

Table 3.19: Revenue from environment-related taxes compared to environmental control

	Baseline 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Revenue from environmental taxes/levies Ug shs bn	206.65	265.34	262.67	208.52
Expenditure on environmental control[11] Ug shs bn	1,105.78	1,730.52	1,404.32	1,404.32
Revenue from environment-related taxes (%)	18.70	15.33	18.70	15.00

Source: URA EHUB, IFMS

3.2.22: Rationalize multiple rates, designing an alternative incentive scheme promoting the use of local content

Excises on alcohol, for example, are applied in response to the negative externalities resulting from their consumption, so the tax observed by consumers should not differ according to the source of the inputs. The intervention was assessed through one indicator:

[11] Based on approved budget for water and environment sector for respective FYs

1. **Effective excise duty rates by excisable items**

Where the intervention against multiple rates is implemented it will ensure maintenance of the same average rates for excisable items, all other things remaining constant. Relatedly, it indicates a need for indexing and targeting inflation in situations in which specific rates have been applied (based on quantity). In the FYs 20222/23, 2021/22 and 2020/21, excise duty applied to beer, continued to be determined based on the source of raw materials:

Beer

The effective duty rates for the respective brands of beer did not change over the FYs 2022/23 and 2021/22. However, overall effective excise duty rates for beer were in the FYs 2022/23 (41%), 2021/22 (47%), 2020/21 (42%) and 2019/20 (40%); which were much lower than (the 76%) that was attained on beer from barley in the FYs 2022/23 and 2021/22; (60%) that was attained on malt beer in FY 2022/23, and (69%) that was attained on malt beer in the FY 2019/20. By continuing to apply different rates, the effective revenue outturn is much lower than the actual potential. Thus, the intervention to rationalize multiple rates was not implemented and performance was **poor** (Table 3.20).

Table 3.20: Excise Duty Rates (EDR) and Effective Excise Duty Rate for Beer

Name based on the source of raw material	Excise duty rate	EDR Baseline FY 2019/20 (%)	EDR FY 2020/21	EDR FY 2021/22	EDR FY 2022/23
1.Malt beer	60% or shs.1860 per litre, whichever is higher	69	65	60	60
2. Beer whose local raw material content, excluding water, is at least 75% by weight of its constituent	30% or shs.650 per litre, whichever is higher.	31	31	30	30
3. Beer produced from barley grown and malted in Uganda	30% or Shs.950 per litre, whichever is higher	32	31	76	76
4. Opaque Beer	30% or Shs.650 per litre, whichever	28	42	21	21
5. Other Alcoholic Beverage Locally Produced	20% or Shs.230 per litre, whichever	-	-	20	20
Effective excise duty rate for beer (%)		**40**	**42**	**47**	**41**

Source: URA Database

Challenge

The policy of having multiple rates impacts the revenue yield and encourages non-compliance.

Conclusion

By 30th June 2023, policy and administrative measures had been proposed including, adjustment of excise duty on malt beer and distilled spirits upwards: The operation involves applying specific rates only and abolishing advalorem if it would result in higher tax outturn.

Recommendations

1. The TPD should effect the application of the same rates or ad-valorem rates across the different categories of the product (brand).

2. The TPD should conduct a study to determine alternative means of compensating or incentivizing the use of local inputs without tax variability.

DEVELOP A STRONG EXTRACTIVES INDUSTRY TAXATION REGIME

To limit pressure for future changes, Uganda seeks to impose a tax burden that is neither too high nor too low, and effectively administer this. The current VAT, withholding tax, and income tax rules may not be entirely appropriate for promoting the development of the sector while ensuring that the Government can extract a reasonable share of tax and other revenues.

3.2.23: Fine-tune the framework for taxing the extractives industries

The current fiscal regimes for oil, gas, and mining are generally sound. However, the appropriateness of the regime for taxing the full value chain, including mid-stream and downstream businesses, and related transactions is limited. This intervention is to ensure that the framework is fine-tuned for taxing the full value chain.

Section 57 of the Public Finance Management Act (PFMA) -2015 gives URA the responsibility to collect petroleum revenues. Petroleum revenues are defined to include, royalties, the Government's share of profit oil, and Income tax among others.

The objective of fine-tuning the framework for taxing the extractives industries was assessed through four indicators as follows:

Resource Governance Index score for Uganda: The Resource Governance Index (RGI) is a measure of the governance of oil, gas and mining sectors in resource-producing countries. The index covers many issues, from the allocation of extraction rights through to the management of the revenue generated by the oil, gas and mining sectors. The 2021 Resource Governance Index is instrumental in driving positive change and promoting transparency, accountability and reform within the oil, gas and mining sectors.

In 2021, the National Resource Governance Index (NRGI) published RGI assessment results for 18 countries including Uganda, where it assessed both the mining and oil and gas sectors. The RGI assessment revealed one significant issue in Uganda's extractive sector.

NRGI's assessment highlighted the absence of laws requiring the disclosure of the identities of beneficial owners of extractive companies. Such laws enhance transparency and accountability and mitigate corruption. Without them, Ugandans cannot know who ultimately owns the companies that benefit from extraction, and some extractives companies may evade tax payments or hide improper relationships with powerful decision-makers.

Based on the assessment, Uganda scored 55% and 49% in the mining and oil and gas sectors respectively by 30th June 2023. The RGI results highlighted the pressing need for reforms in Uganda's extractive sector and the need for greater transparency and accountability to ensure that resource revenues benefit Ugandans.

1) **Build knowledge and expertise on tax issues unique to oil, gas, and mining**

URA sent one staff of the Petroleum Division (PD) to the University of Dundee (UK) to undertake a Master of Science in International Oil and Gas Management. Another staff of the Petroleum Division was scheduled to go and undertake the same master's in October 2023. Nine new staff in PD had undertaken an OECD module training covering tax treaties, transfer pricing, exchange of information and beneficial ownership. Another 8 PD staff underwent training on the taxation of natural resources as organized by the International Bureau of Fiscal Documentation (IBDF) from 3rd-5th October 2022. Twelve PD staff participated in a training organized by the Intergovernmental Forum (IGF) secretariat on international taxation and the extractive industry running from July-November 2022. Five PD staff participated in the International Monetary Fund (IMF) technical assistance concerning transfer pricing audits for international oil companies. The transfer pricing team in the PD held peer review engagements concerning actual cases being handled by the PD Team, with IMF and the Oil Tax Office (OTO) of Norway in May 2023.

In June 2023, the transfer pricing team further received support from IMF on specific transfer pricing issues which were raised by the taxpayer following the PD team's audit report findings. Through these engagements, valuable input into the transfer pricing audit findings and the resultant audit report was obtained.

URA received a nomination from IGF on Mining, Minerals, Metals and Sustainable Development, and the African Tax Administration Forum (ATAF), in partnership with the Zambia Revenue Authority to attend a global conference on the future of resource taxation. One staff from PD represented URA where ideas were shared on how to tax the mineral sector.

2) **Develop a targeted, risk-based compliance strategy for both the oil and gas and mining sectors**

The oil and gas and mining risk matrices were completed with the help of the IMF. The risk matrices were used in the development of the compliance improvement plan (CIP) of the taxpayers under the Petroleum Division for the FY 2022/23.

3) **Re-design the tax return form to capture more information from the extractives sector**

The draft petroleum returns were completed and presented to stakeholders like the Uganda National Oil Company (UNOC) on 18th January 2023. The international oil companies were engaged in February 2023. A concept note was written requesting to procure a consultant to design returns and the petroleum revenue model. Sourcing for funds for this activity was underway.

Conclusion

The limited information regarding the identities of beneficial owners of extractive companies impacts the transparency and accountability desired for the oil sector. On the other hand, there is a gradual development of the capacities of staff at the URA for taxing oil revenues. Also, draft petroleum returns were completed indicating a readiness to capture information from the extractives sector industry.

PROMOTION OF INTERNATIONAL TRADE

The government is pursuing a strategy for support to local industries, by promoting import substitution. Competition from exporters such as China and India has hurt Ugandan manufacturers, and protecting certain sectors will help to build growth-enhancing industries.

Tariff measures have been the chief tool used to protect domestic producers, to encourage the consumption of targeted products that are produced in sufficient quantity and to an acceptable standard locally. However, it is likely that for every product where Ugandan manufacturers desire protection, trade partners will have a similar interest. Achieving a balance between the objectives of export promotion, raising revenue, and supporting domestic industries is essential to the sustainability of trade.

Uganda is a landlocked country and is mainly dependent on ports in neighbouring countries for the import and export of goods. Poor monitoring of long trade corridors, porous borders, and the extensive use of warehouses have introduced opportunities for smuggling and tax evasion. Furthermore, customs administration experiences challenges in determining the value of imported goods and the tax due, as well as the accuracy of declarations. This can undermine domestic producers and introduce tax competition, as different values are assessed for different importers. Additionally, international trade taxes to overall revenue were on a downward trend on account of the higher-level objective of promoting trade, and the lowering of tariffs and trade barriers that this entails.

This objective is measured through two interventions: (i) Balance the objectives of export promotion, revenue generation, and support to the domestic industry, (ii) Improve inter-agency coordination and infrastructure to facilitate trade. These were assessed as follows:

3.2.24: Balance the objectives of export promotion, revenue generation, and support to the domestic industry

This intervention intends to determine the optimal level of protection for domestic industries. This should avoid unnecessarily undermining welfare, creating trade diversion, or propping up inefficient industries. It is measured under five indicators of which two were tracked.

1) Effective Protection Rates

The Effective Protection Rates (EPR) is sometimes referred to as the effective tariff rate. A tariff is a charge or list of charges for goods entering a country. An effective tariff rate is an indicator of the actual level of protection that a nominal tariff rate provides. Where the EPR is significantly below the nominal tariff rate, a flag should be raised.

The 20 items where the EPR is significantly low i.e. with the effective protection rate below 10% cover a 21% proportion of the total items which is big and lower than the nominal tariff rate **(**[Annex 2](#)). At least 20% of the items have an EPR between 10%-20%, which indicates that there is less protection rate over a large number of items (41%). The items whose EPR has grown compared to the baseline are 51% of the total items on the list. Additionally, a greater percentage (over 59%) is being protected therefore this performance is rated **fair.**

2) Effective Import Duty Rates. The indicator measures the average customs duty rates applied in a given period. It aims to monitor whether more or less protection is being realized as a result of the implementation of the DRMS intervention. If the average rate decreases relative to the baseline, it will imply the intervention actions are probably providing less protection to domestic producers all other factors remaining constant.

In FY2022/23, the average (world) effective duty rate decreased to 37.4% from 48.0% in FY 2021/22 and increased by 1.7 percentage points from the FY 2019/20 baseline year (Tab1e 3.21). This modest increase in the average rate, relative to the base year, implies that the intervention actions are providing slightly more protection to the domestic producers.

On the other hand, there are regions where the effective duty rates reduced, for example, China, Latin America, the Middle East, the European Union, and the rest of Asia (Table 3.21). Also to note is that trade within the East African Community has increased over the years as the Effective Duty Rate (EDR) has steadily increased. The rest of Asia has the highest EDR indicating that international trade with that region is high and thus very significant. Overall, international trade was promoted, which increased the availability of necessary goods/items not produced locally. On average, the effective duty rates were 19.36% which is less than the nominal rate of 30%, thus the performance was rated **poor.**

Table 3.21: Effective Duty Rate FY's 2019/20, 2020/21, 2021/22, 2022/23

Region	Effective Duty Rate			
	FY 2019/20 (baseline) (%)	2020/21 (%)	2021/22 (%)	2022/23 (%)
China	21.48	23.29	25.3	19.3
East African Community (EAC)	11.04	4.82	15.5	17.2
European Union	15.20	27.93	26.2	11.7
Latin America and the Caribbean	43.15	32.96	27.2	22.7
Middle East	40.72	14.83	19.4	16.2
North Africa	3.94	7.82	5.5	7.2
North America	16.69	10.01	9.7	10.3
Rest of Africa	1.76	3.14	25.5	19.3
Rest of Asia	64.82	29.98	48.9	41.0
Rest of Europe	24.63	13.69	18.8	20.1
South Africa	8.68	6.54	21.1	9.9
Other			0.0	#DIV/0!
World	**35.7**	**16.00**	**48.0**	**37.4**

Source: URA Database

3.2.25: Improve inter-agency coordination and infrastructure to facilitate trade

This should include deploying an appropriate number of scanners and tracking devices at border posts, as well as ensuring that ICT connections are uninterrupted. The Uganda Electronic Single Window should be fully operationalized as this will lead to improved data sharing among trade regulatory agencies and reduce the time it takes to process import and export documents.

Time taken to clear imported goods (non-warehoused goods): The objective of the intervention is to improve trade facilitation by reducing the time it takes to process import documents. The selectivity profile created in the customs management system (Asycuda World) determines which lane the import was subjected to when the licensed customs agent completed the assessment and or payment of a customs declaration.

The clearance time at the border points has improved to 1.02 days in FY 2022/23 from 5.8 days in the financial year 2018/2019 (baseline), against a target of 2 days. This implies that there is improved data sharing among trade regulatory agencies and faster document processing times. The performance was rated **good.**

Some technological systems were in use, such as the Uganda Single Electronic Window and ASCUDA World thereby improving data sharing among trade regulatory agencies. Additionally, scanners and regional electronic cargo tracking devices were deployed at the one-stop border posts with generally stable ICT connections. On border points (Malaba, Busia) with high traffic, second scanners have been installed, as well as mobile scanners to ensure the constant flow of traffic. However, the scanners at Mirama Hills, Mutukula and Katuna border points had technical issues and were frequently out of use. At the Elegu border, the baggage scanner had broken down and no repairs had been done for over three months. Therefore, baggage was checked physically thus increasing the lead time and exacerbating the risk of entry of illicit items.

Although Malaba One Stop Border Post (OSBP) has managed to reduce smuggling to near zero, Uganda has many porous borders such as in Elegu, Vurra, Oraba and Busia where smuggling persists. This is mainly on account of the limited presence of enforcement teams.

Challenges

1. There are several items whose protection rate is very low, for instance, pharmaceutical products, fertilizers, cotton etc. This continues to lower competitiveness in the local market.
2. Continuous breakdown of scanners and slow repair times cause delays in transit.
3. Many porous border points enable smuggling between countries.

Conclusion

The clearance time at all border points greatly reduced, thus improving effectiveness. Additionally, the infrastructure and systems have improved across the border posts. Especially where ICT systems are stable, and with the electronic single window operational, inter-agency coordination was greatly enhanced. At the one-stop border posts coordination between the various border control agencies, including customs, immigration, internal affairs, and the UNBS were enhanced as several systems have been put in place to handle various tasks. However, the noted delays in fixing the broken-down scanners has affected smooth operations at some border points.

Recommendations

1. The MFPED-TPD should tighten protection rates for all items produced within the country to increase competitiveness in the local market.
2. The URA should expeditiously procure staff to handle very technical repairs of the scanners.
3. The URA should introduce cross-border drones along the porous borders to help monitor the areas.

IMPROVE THE EFFECTIVENESS OF NON-TAX REVENUE

Non-tax revenue (NTR) includes all government revenue not derived from taxes from both domestic and external sources. Domestic sources include user fees levied on the use of public services, such as rent for state-owned buildings, payments for government services, such as the issuance of permits, licenses, passports, mining and royalty fees, fines and penalties, and interest and dividends from government investments. Arising from a Cabinet decision, all MDAs were required to transfer the responsibility to collect NTR to the URA. Thus, from 1st July 2017, NTR was collected through the URA web-portal and remitted directly to the Consolidated Fund, reducing the scope for leakage. This objective is measured through one intervention, which was assessed as follows:

3.2.26: Strengthen the framework for reporting and monitoring of NTR collections

The intervention is premised on all MDAs transferring the responsibility to collect NTR to the URA. The URA in turn should ensure that MDAs can access its systems and that payment procedures are simple and user-friendly. The intervention is measured by two indicators, one of which was assessed as follows:

1. **NTR as a percent of GDP**

The indicator assumes NTR to comprise motor vehicle fees, drivers' permits, passport fees, migration fees, transport regulation fees, high court fees, mining fees and royalties, Uganda Registration Services Bureau (URSB) fees and other NTRs. It assumes that the streamlining of the NTR policy will increase the share of NTRs to GDP from 0.5 percent to 1 percent by FY 2025/26.

The NTR as a percentage of GDP increased to 1.02% in FY 2022/23 from 0.98% in FY 2021/22. The performance is more than 0.5% of GDP and has steadily increased over the FYs. A total of 92% (FYs 2021/22, 2022/23) of the NTR was collected through the URA system (Table 3.22) thus **good** performance. The NTR performance was attributed to the enforcement of payment of arrears for express police penalties and an increase in demand for government services such as business registration, work permits and tourist visas among others.

The use of the NTR web portal was affected by the intermittent availability of the system due to poor internet connectivity and to some extent complexity of navigation of the system.

Table 3.22: NTR as Percent of GDP

Baseline	FY2019/20 Baseline	FY 2020/21	FY 2021/22	FY 2022/23
Value of NTR collected (Ug shs bn)	839.435	1,051.71	1,345.60	1,476.06
Nominal GDP (Ug shs bn)	126,411	130,884	136,936	144,231
NTR as a percent of GDP (%)	0.66	0.80	0.98	1.02

Source: URA Database, UBOS

Challenges

1. Persistent intermittent availability of the URA NTR portal and limited awareness of the provision of the service.
2. The continued use of manual systems by MDAs to collect increases the risk of not fully reporting all the NTR collected.
3. There is no clear policy that guides the introduction of NTR charges, and the multiplicity of charges continues to create concerns about over-taxation.

Conclusion

The performance of NTR continues to grow over the financial years. There was a positive response by the MDAs to the directive to have the NTR collected through the URA system effectively minimizing revenue leakage. However, there remains a risk of introducing a multiplicity of charges without consideration of the full economic impact as observed among the MDAs. Equally, policy especially in regards to determining NTR targets and sources, and directives to have NTR collections done through the URA system should be strengthened to harness the full potential of NTR. It is imperative to continue harnessing NTR sources through improved service provision by the MDAs serving as enablers.

Recommendations

1. The URA and NITA-U should jointly ensure reliable Internet to support the availability of the NTR collecting portal.
2. The URA should step up awareness campaigns regarding the availability of NTR services on the portal and continue simplifying its use.

3. The MFPED should enforce the requirement to have all NTR from MDAs collected through the URA system to ease monitoring and ensure full reporting.
4. The MFPED should guide the development of policy surrounding the introduction of new NTR sources by the MDAs and in consultation determine applicable rates as well as ensure that annual targets are realistic.

HARMONISATION OF LOCAL AND CENTRAL GOVERNMENT TAXATION

The government's fiscal decentralisation strategy provides a framework and set of principles for service delivery through Central and Local Government (LG) structures, based on the devolution of powers and responsibilities to popularly-elected local governments. This is intended to improve service delivery, promote good governance, and develop political and administrative competence in the management of public affairs. The Local Government Act empowers LGs to generate own-source revenues from property rates, local service taxes, trading licenses, public transport, parking fees, rentals, advertising, ground rent, royalties, and hotel taxes. These sources augment transfers from the Central Government. The revenue collected is intended to facilitate functions such as road maintenance, provision of healthcare, improving sanitation, providing agricultural advisory services, and garbage management. However, challenges have emerged since LG taxes overlap with the tax base for traditional taxes and the multiplicity of rates and charges creates unnecessary complications and confusion for taxpayers. Furthermore, LGs typically lack the analytical capacity to assess and monitor their revenue sources.

The DRMS develops a direction for reform and a focus on LG taxation, while a fuller strategy for enhancing LG taxation will be developed separately. This objective is measured through one intervention, which is reported as follows:

3.2.27: Work with local government to strengthen analysis, monitoring, and reporting of LG's revenue achievement rate

The DRMS requires that the LGs' capacity to interrogate policy options, forecast, and analyse revenue streams is strengthened. Many LGs do not have a comprehensive system for monitoring revenues and still predominantly use cumbersome, independent, manual systems that do not facilitate integrated reporting. Systems are being put in place to close this gap and thus increase revenue collected from LGs.This is also intended to improve poor taxpayer profile management. This intervention is measured through four indicators, three of which were tracked and the following was noted:

1. LG own revenue achievement rate

The indicator monitors LG efforts in setting and meeting its revenue targets. It measures the change in revenue between the target and actual collected. The desired outcome will be an achievement rate of between 95% and 105% of the targeted revenue. An achievement rate outside this range would suggest there is more that needs to be done to strengthen the analysis, monitoring and reporting of LG revenues.

The LG own revenue achievement rate has continued to increase from 48.7% in the baseline year FY2019/20 to 61% in FY 2022/23 (Table 3.23). This growth was attributed to the introduction of the Integrated Revenue Administration System (IRAS) which is currently in 176 vote level LGs. Although LGs have not achieved the desired revenue achievement rate (95%-105%) there was a registered improvement. Thus the performance was rated **fair**.

Table 3.23: LG own revenue achievement rate

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23[12]
Total revenue collected from all LG revenue sources (Ug shs bn)	223.015	256.376	291.781	320.959
Target (approved budget) for the same revenue sources (Ug shs 'bn)	458.000	477.000	478.000	525.800
LG own revenue achievement rate %	**48.7**	**53.7**	**61.0**	**61.04**

Source: LGFC

The 10 cities were monitored to establish the performance of their revenue collections. With the support of the DRM4D (Domestic Revenue Mobilisation for Development), property rates as the major tax in LGs were improved. Valuation of all properties in the cities was done and all the data collected was handed over to the cities. This data has boosted property taxes e.g. Gulu city collected Ug shs 3.3bn in FY2022/23 from property tax as opposed to the previous FY 2021/22 when Ug shs 2.4bn was collected. This increase was attributed to the completion of the valuation of city properties.

The performance of the IRAS was monitored in the 9 cities, while the 10th city (Jinja) is using the e-LogRev system. The performance of different tax heads increased in FY 2022/23 (Table 3.24).

Table 3.24: Trend of Local Revenue Performance (Ug shs '000) per source

Source	FY2019/20	FY 2020/21	FY2021/22	FY2022/23
Local Service Tax	20,287,901	19,771,603	30,153,102	33,168,412
Local Government Hotel Tax	2,364,237	270,773	1,414,696	1,556,166
Property Tax	49,241,410	58,303,689	46,113,688	50,725,057
User Fees	71,034,837	109,390,939	49,554,493	54,509,942
Licenses	22,379,285	27,104,252	45,485,690	50,034,259
Others	57,708,312	41,535,553	119,059,390	130,965,329
Total	**223,015,985**	**256,376,820**	**291,781,061**	**320,959,167**

Source: LGFC

2) Transfers from central government to local governments as % of total LG revenue

Two outcomes are expected from the related intervention. One, if implemented successfully, LG's revenues will be expected to improve, significantly. Two, reliance on transfers from the central government will reduce. The latter outcome is what the indicator will be tracking. A steady increase in the percentage (CG transfers as % of total LG revenue) will need to be flagged.

There has been a steady increase in the performance, percentage increase indicates that LGs continue to depend on transfers from the central government. Although an increase was noted in LG's own revenue, effectively own LG revenue as % of CG transfers decreased by 1% percentage point from FY 2019/20 to FY 2022/23. Consequently, transfers from central government to LGs increased (Table 3.25). The performance was thus rated **fair.**

[12] Tentative figures pending finalisation of the audits for FY2022/23 by AOG.

Table 3.25: Transfers from central government to local governments as % of total LG revenue

FY	Budget (target for LG revenue sources(ug shs,bn)	Actual total LG revenue collected(ug shs, bn)	Total LG transfer from central government(ug shs, bn)	Total, LG revenue collected and transfers from central(ug shs bn)	Performance (%)
FY 2019/20	458	223	3,145.70	3,368.70	93
FY 2020/21	477	256	3,623.90	3,879.90	93
FY 2021/22	478	291	4,623.10	4,914.10	94
FY 2022/23	525.8	320.1	5,085.41	5,405.51	94

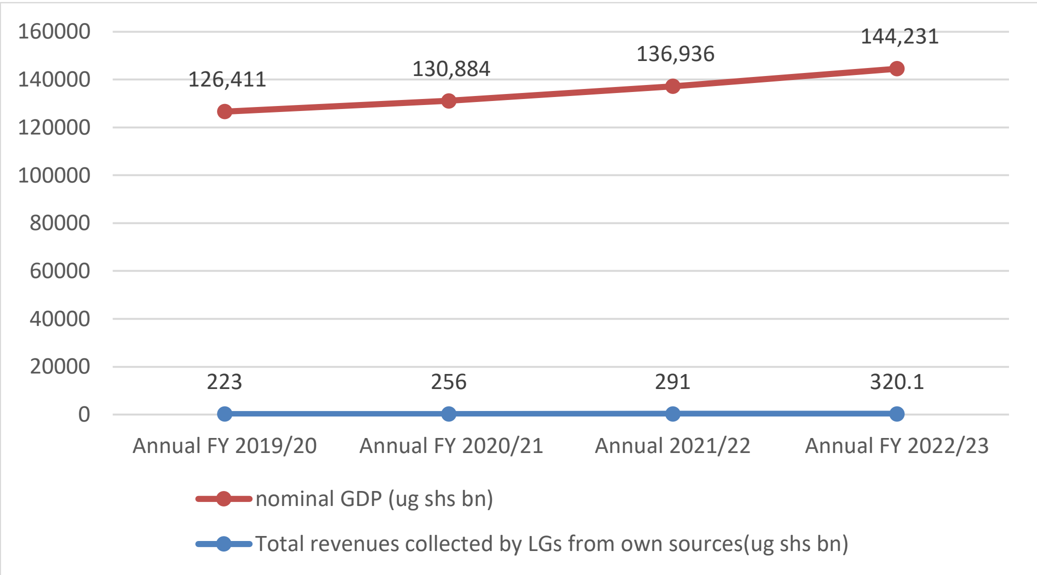
Source: LGFC

3) LG own revenue as % of GDP

The indicator aims to monitor the trend and compare it with the tax/GDP trend. The indicator assumes that both tax revenue (central government) and LG revenue depend on GDP as the proxy revenue base. The implementation of the intervention is expected to cause the two trends to move in the same direction and more or less at the same gradient. Wide gaps between the trends should be flagged.

The local government's own revenue as a percentage of GDP has continued to grow from 18% in the FY 2019/20 baseline year to 20% in FY 2022/23. Although there has been an upward trend in both areas, the gradient is different. I.e GDP is growing at a higher rate than the total revenues collected by local governments. The performance was rated **fair.**

Figure 1. Trend for the LG own revenue as % of GDP



Source: LGFC and UBOS

Challenges

1. The local governments continue to collect their own revenue manually alongside the IRAS.

2. The payers in collusion with the staff in the city revenue units infiltrated and manipulated the fields.

3. The system can generate some duplicate receipts thus showing double payments sometimes.

Conclusion

Overall, LGs'[13] revenue has a great potential for growth following the digitalization of all payment systems and the collection of all the necessary data. Where LGs' revenue collected increases the LGs reserve, and the discretion to fund their priority interventions thus reducing dependency on CG transfers.

Recommendations

1. The Local Government Finance Commission (LGFC) and the Ministry of Local Government (MoLG) should ensure that all LG local revenue databases are computerized to enhance local revenue registers for all sources and their potential revenues. This will provide data on all the eligible taxpayers for all the revenue sources.

2. The LGFC should conduct massive tax awareness exercises in all local governments for taxpayers, tax collectors and the community to improve compliance in revenue payment.

TAXATION OF THE DIGITAL ECONOMY

E-commerce broadly refers to conducting business over the internet, including the sale of products and services online, such as Jumia, Uber, and Facebook. Unlike in traditional businesses, it is difficult to assess where e-commerce creates value, what it is, and how it should be measured. While digital companies operate virtually, their profits are often taxed only in the state where they have a physical establishment.

Given the provisions of the Income Tax and VAT Act, Uganda is limited in its ability to tax businesses which do not meet the thresholds of physical presence. For instance, web-based businesses such as Facebook have a significant presence in the country, from which they profit, but do not qualify as residents under the current law. While Uganda should look to limit revenue losses, it should also avoid creating a policy environment that is hostile to e-commerce and hinders the development of new technology. This objective was measured through the intervention - Address the impact of the digital economy on the tax base.

3.2.28: Address the impact of the digital economy on the tax base

The intervention requires that the URA conducts an audit of a representative group of known e-commerce companies based in Uganda. In the FY 2022/23, 16 [14]more companies were on-boarded for tax purposes. This was in addition to the two[15] pioneer companies which were on-boarded during FY2021/22. The intervention is assessed through two indicators:

[13] LGs and cities are currently required to collect own local revenue through either the URA portal where payments are registered or other system for Cities, have it transferred to the Consolidated fund. Upon which, the MFPED issues expenditure limits to respective LGs to utilize the funds. These own raised LG funds are distinguished from the CG grants transferred to LGs including Wage, non-wage and development.

[14] Netflix International B.V, Zoom Video Communications Inc., Microsoft Ireland Operations Limited, Uber B.V,Google Commerce Limited, Google Cloud EMEA Limited, Google LLC, Meta Platforms Ireland Ltd, Amazon Web Services EMEA SARL, Amazon Com Services,Audible Inc,Bolt Operations OU, Spotify AB, LinkedIn Ireland Unlimited Company, Booking Com BV, Showmax Africa Holdings Limited.

[15]Apple and the ACCA.

1) **Revenue collected from web-based businesses as % of total URA revenue**. The indicator aims to assist in monitoring the capturing of the digital economy into the tax base. The desired outcome will be an increase in the ratio relating to revenue collected from digital businesses as a percentage of total URA collections. In FY 2022/23, Ug shs 6.46bn was collected from web-based businesses. There was an increase in the ratio relating to revenue collected from digital businesses i.e., from 0.00277% to 25.63% **(**Table 3.26). This performance was rated **good.**

Since the amendment of the VAT Act in 2021/22 to provide for filing returns and payment of tax, URA has been able to register 18 non-resident providers of digital services and engaged them to charge VAT on sales made to final consumers and remit the same to URA.

Additionally, during FY 2022/23, engagements were held with various stakeholders including: The Non-Resident Service Providers, Business Industry and Advisory Committee (BIAC) at the OECD, the Bankers Association and URA support departments such as Information Technology and Innovation. From these engagements, some action points were picked that included - Amendment of the VAT Act to allow for payment of tax in USD, the development of regulations to streamline the implementation of the VAT regime, automation of the registration and payment platforms and the provision of an upload on the URA web-portal sharing responses to the frequently asked questions (FAQs).

A simplified registration regime was developed to aid the Non-Resident Service Providers in complying with their registration obligation. Therefore, minimal registration requirements are required to facilitate this process.

Table 3.26: Revenue collected from web-based businesses as a % of total URA revenue

	Annual FY 2021/22	Annual FY 2022/23	% change
Revenue collected from taxpayers that are classified as digital businesses (Ug shs bn)	0.6	6.460	977
Total URA revenue (Ug shs bn)	21,658.01	25,209.05	16
Revenue collected as a % of total URA revenue (100%)	**0.00277**	**25.63**	**25.627**

Source: URA Data

2) No. of active taxpayers classified as web-based businesses

The aim is to ensure digital businesses are tracked and captured into the tax net. Active means digital taxpayers that are both registered and paying taxes. An increase in the number of digital taxpayers concerning the baseline will imply a positive outcome as a result of implementing the related intervention. A decrease or no change from the baseline would need to be flagged.

In FY 2022/23, the web-based businesses registered reached 18, of which 16 were taxed. This is an increase compared to FY 2021/22 (baseline year) where 11 web-based businesses were taxed (Table 3.27). Apple Distribution merged out as the biggest contributor, with Ug shs 1,511,678,285 and this was the same case in the previous FY. Whilst the least contributor was Google LLC. The performance of this indicator was rated **good**.

Table 3.27: Active digital taxpayers as at 30th June 2023

Taxpayer	Revenue Collected (Ug shs)
Netflix International B.V	1,003,817,982
Zoom Video Communications Inc.	192,411,423
Microsoft Ireland Operations Limited	211,019,137
Uber B.V.	388,443,904
Google Commerce Limited	828,957,623
Google Cloud EMEA Limited	68,116,024
Google LLC	4,890,507
Meta Platforms Ireland Ltd	1,148,939,663
Amazon Web Services EMEA SARL	508,278,878
Amazon com Services	93,162,029
Audible Inc	25,290,916
Bolt Operations OU	72,183,850
Spotify AB	67,362,136
Apple Distribution	1,511,678,285
Association of Chartered Certified Accountants	313,102,624
LinkedIn Ireland Unlimited Company	22,830,164
Total	**6,460,485,145**

Source: URA Database

Conclusion

Overall, taxation of the digital economy has progressed well with a steady increase in both the revenue collected and the number of digital businesses registered. However, the income tax from the companies had not been realized because the framework had not been concluded by the OECD. As the URA continuously identifies more entities to grow the register, this will foster more revenue collections.

3.3 PERFORMANCE OF TAX ADMINISTRATION INTERVENTIONS

Tax Administration is comprised of 47 interventions, of which only 38 interventions are currently assessable, and of these, information was availed in full for only 23 interventions (60%). These interventions performed fairly; with 2 registering good performance, 14 fair and 7 poor. The detailed performance of the interventions is discussed as follows:

GOVERNANCE AND MANAGEMENT OF URA

The URA Act (1991) established the URA as "an agency of government under the general supervision of the Minister of Finance" for the assessment and collection of specified revenue and to administer and enforce the laws relating to such revenue. The URA Board is responsible for monitoring the performance of the URA and determining policies relating to staffing and procurement of the Authority.

This objective is measured through five interventions, namely: (i) Review the URA structure and consider re-organisation to promote integration, (ii) Expand the range of measures for assessing URA's performance to reduce reliance on collection targets, (iii) Strengthen the oversight function of the URA Board and the Minister, (iv) Separate Internal Audit and Staff Compliance functions to enhance dedicated attention given to corruption and staff integrity issues, (v) Establish a separate Taxpayers' Ombudsman to investigate service-related complaints.

Of these, information was availed for one intervention - *Expand the range of measures for assessing URA's performance to reduce reliance on collection targets*, which was assessed as follows:

3.3.1: Expand the range of measures for assessing URA's performance to reduce reliance on collection targets

DRMS requires balancing of Key Performance Indicators (KPIs) with both quantity, quality, and taxpayer satisfaction indicators, which will give a wider view of the effectiveness of the administration. This intervention is measured through five indicators, four of which were tracked and the following was noted;

1. **Revenue collection to target (collected revenue as % of revenue target)**

The indicator seeks to measure the extent to which the revenue target is being met.

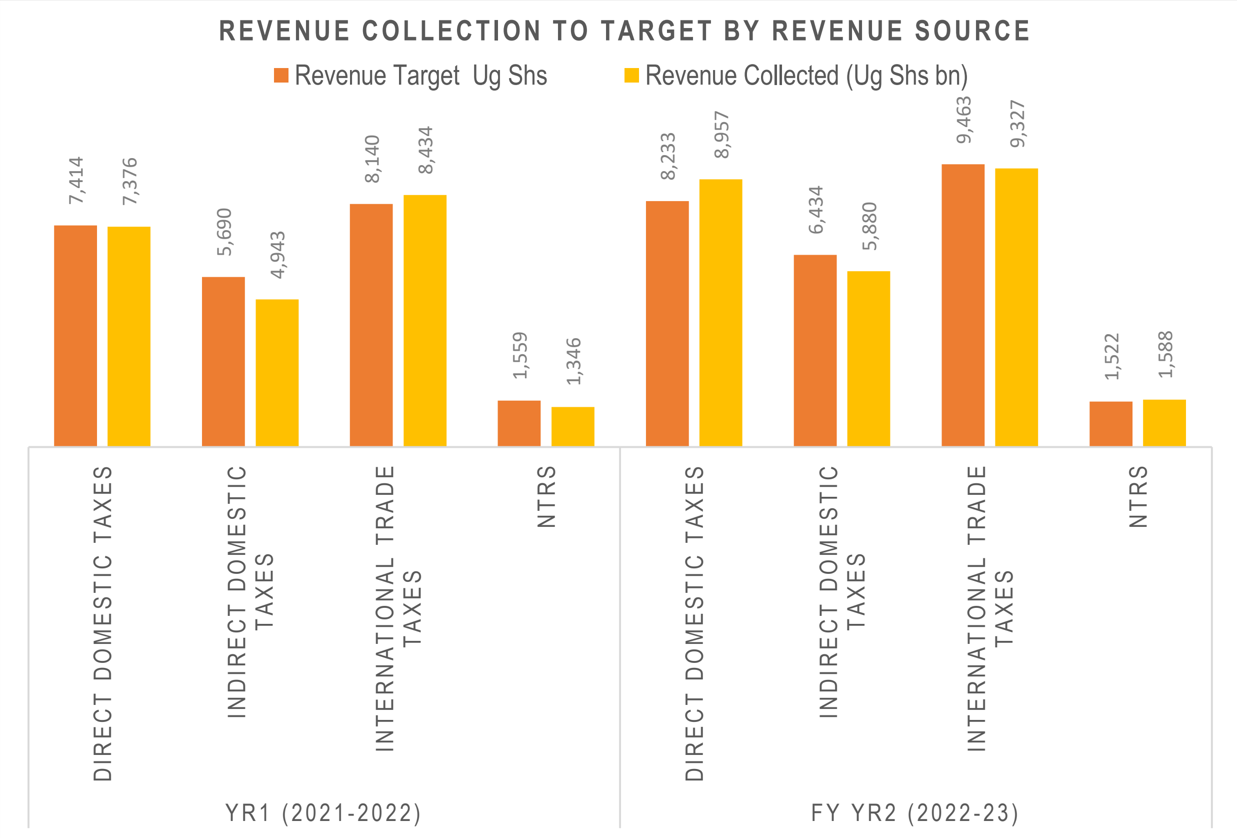
By 30th June 2022/23, the gross revenue collections were Ug shs 25,752.05bn, against a target of Ug shs 25,651.21bn leading to a slight surplus of (0.39%). Comparatively, in the same period FY 2021/22, the gross revenue collections were Ug shs 22,098.06bn against a target of Ug shs 22,802.61bn, indicating a tax deficit of 3.09%. The uncollected tax to target therefore reduced (from 3.09% to -0.39%) and there was a growth in revenue collected of Ug shs 3,653.99bn (16%) compared to a growth in the target of 12.5% (**Annex 3**).

This good performance is indicative of an increase in compliance by taxpayers as a result of the tax administrative measures and policies implemented during the FY. These included: increased working operational hours, improved arrears management, increased engagements with the taxpayers regarding compliance, use of the mobile offices, increased sensitization, use of alternative dispute resolution, data sharing, increased tax investigations and use of technology in custom processes (i.e. Bonded Warehouse Information Management System (BWIMS). Similarly, the implementation of the Electronic Fiscal Receipting and Invoicing System (EFRIS) and Digital Tax Stamps (DTS) as major sources of information has resulted in timely and improved accuracy in the declaration of VAT and Local Excise Duty.

However, the growth in revenue collected, is higher than that of the target, potentially implying that there is a need to increase the set targets, especially in light of all the new tax administrative measures currently being implemented.

At the tax head level, direct domestic taxes and non-tax revenue registered surpluses of 8.80% and 4.32% respectively, whereas indirect domestic taxes and international taxes both posted deficits of 8.60% and 1.44% respectively. Indirect Domestic Taxes continue to register the largest tax to target deficit, in comparison to the previous FY, although there has been a 6.5 percentage point collection improvement (Figure 2). Indirect Taxes have been greatly affected by the slow economic recovery post-COVID-19 pandemic. The contractionary policy implemented by the government in quarter one of the FY 2022/23 to control inflation, reduced consumption and resulted in the reciprocal effect of low demand and supply in the economy leading to low consumption tax yield. In addition, international taxes were affected by the global impact of the Russia-Ukraine war which affected global food supply and industrial agricultural input supply chain as well as fuel prices. Additionally, the recurrent ban on agricultural products by some East African Community partner states and the political instability in the Democratic Republic of Congo (DRC) and South Sudan, also reduced consumption, therefore widening the Balance of Trade (BOT) account deficit.

Figure 2: Revenue collection to target FY 2021/2022 and FY2022/23



Source: URA Database

2. Filing and On-time filing

This seeks to assess URA's efforts towards enforcing on-time filing. The desired outcome is an increase in the on-time filing rates.

During the FY 2022/23, the total number of expected returns were 895,065, of which 74% were filed and 68% were filed on-time which was an improvement from the previous FY (Table 3.28). Total Filing and On-time filing rates for the selected tax heads (Withholding (WHT), PAYE, VAT, and Local Excise (LED)) increased slightly, by 6.5 and by 4.87 percentage points respectively, from the previous year.

The improvement in filing ratios was a result of various interventions undertaken throughout the FY, such as; register cleaning, compliance advisories to taxpayers, acquisition of improved field devices that fast-tracked taxpayer registration, the upgrading and automation of most services such as acquisition of business names and trade licenses, the roll-out of the eLogRev[16] by the MoLG to three new sites and monthly reminders on timely filing.

Table 3.28: On-time filing rates FY 2021/22 and FY2022/23

Tax Type	FY 2021/22	FY 2022/23	%increase/decrease
1) Withholding Tax			
No. of expected returns in a year	91,997	114,796	25
No. filed	53,561	77,900	45

[16] ElogRev is Local Government Revenue Management Information System (LGRMIS). The mandate of this system is to automate the tax payers register.

Tax Type	FY 2021/22	FY 2022/23	%increase/decrease
No. filed on-time	43,518	69,880	61
% filed	**58.22%**	**67.86%**	17
% filed on-time	**47.30%**	**60.87%**	29
2) PAYE			
No. of expected returns in a year	455,110	486,304	7
No. filed	320,962	325,225	1
No. filed on-time	268,541	287,469	7
% filed	**70.52%**	**66.88%**	-5
% filed on-time	**59.01%**	**59.11%**	0
3) VAT			
No. of expected returns in a year	296,812	283,024	-5
No. filed	224,017	236,308	5
No. filed on-time	197,652	223,397	13
% filed	**75.47%**	**83.49%**	11
% filed on-time	**66.59%**	**78.93%**	19
4) Local Excise Duty			
No. of expected returns in a year	8,335	10,941	31
No. filed	6,675	8,666	30
No. filed on-time	5,602	8,050	44
% filed	**67.21%**	**79.21%**	18
% filed on-time	**80.08%**	**73.58%**	-8
6) Total (WHT, PAYE, VAT, Excise)			
No. of expected returns in a year	852,254	895,065	5
No. filed	605,215	648,099	7
No. filed on-time	515,313	588,796	14
% filed	**67.86%**	**74.36%**	10
% filed on-time	**63.25%**	**68.12%**	8

Source: URA Database

3. Proportion of tax arrears collected

The indicator seeks to assess URA's performance in terms of enforcing the collection of tax arrears. Tax arrears refer to past due debt or an unfulfilled tax obligation. The desired outcome would be a steady increase in the proportion of tax arrears collected in Domestic Tax and Customs Tax.

In FY 2022/23, the total arrears stock (Domestic and Customs Taxes), was Ug shs 4493.41bn of which 52% was collectable and 44% collected **(**Table 3.29). There has been a decrease in collectable arrears (by 32%) and an increase in total arrears collected (by 51%) from the previous year (FY2021/22). Specifically, in FY2022/23, the percentage of Domestic Tax arrears collected increased to 37.45%% from 27.78% in FY 2021/22 (9.67 percentage points). Similarly, the percentage of Customs Tax arrears collected increased to 199.99% in FY 2022/23 from 40.28% in FY 2021/22.

Despite a growth in the collection effort, for instance, customs arrears collected grew by over 400% (from Ug shs 64.90bn to Ug shs 379.52bn in FY 2021/22), the total customs arrears stock continues to rise (by 17.8%). Performance was therefore rated as fair and there is a need to strengthen the compliance function to mitigate the growth in arrears.

Table 3.29: Proportion of tax arrears collected FY 2021/22 and FY2022/

URA Tax Arrears by Department	FY 2021/22 (UG shs billion)	FY 2022/23 (UG shs billion)	%increase/decrease
Domestic Tax			
Total domestic arrears as at end June for the respective FY	**4,521.79**	**4,303.64**	-5
Collectable domestic arrears	3,428.19	2,304.59	-33
Domestic arrears collected	1,256.30	1,611.87	28
Arrears collected as % of total arrears	27.78%	37.45%	35
Arrears collected as % of collectable arrears	36.65%	69.94%	91
Customs Tax			
Total customs arrears as at end June for the respective FY	**161.10**	**189.77**	18
Collectable custom arrears	16.08	41.61	159
Arrears collected	64.90	379.52	485
Arrears collected as % of total arrears	40.28%	199.99%	396
Arrears collected as % of collectable arrears	403.59%	912.02%	126
Total			
Total arrears	**4,682.89**	**4,493.41**	-4
Collectable arrears	**3,444.27**	**2,346.20**	-32
Arrears collected	**1,321.20**	**1,991.39**	51
Arrears collected as % of total arrears	**28.21%**	**44.32%**	57
Arrears collected as % of collectable arrears	**38.36%**	**84.88%**	121

Source: URA Database

4. Growth in active taxpayer population

The indicator seeks to track URA's efforts in increasing the registered taxpayers' base and enforcing tax payments from the registered taxpayers. The desired outcome would be a steady increase in the growth rate of the active taxpayer population in each of the major tax categories (Income tax, VAT, Excise tax). The activity of the taxpayer is defined as filing or paying for the period under review.

By 30th June 2023, the taxpayer register had 3,500,294 taxpayers (Of these, 5% were non-individuals and 95% individual taxpayers). The total register grew by 882,286 new taxpayers (34%) and there was a 16% growth in the active taxpayer population of the selected tax categories (Income tax, VAT, Excise tax) from the previous year (Table 3.30). However, the growth rate declined by 17 and 4 percentage points, respectively, over the same period.

The tax category with the biggest growth was income tax (PAYE) which grew by 4,652 taxpayers. This was a result of increasing staffing levels due to a pickup in employment following the full re-opening of the economy, for example, Centenary Bank increased by 117 staff, Stanbic Bank by 170, CNOOC Uganda by 130, Total Energies EP Uganda by 119, and Uganda Revenue Authority by 772 staff.

Although there has been a growth in active taxpayers, the slight decline in growth rates indicates a need to strengthen initiatives towards widening the taxpayer base. Performance was therefore rated fair.

Table 3.30: **Growth rates in active taxpayer population FY2020/21, 2021/22 and 2022/23**

Tax Category	No. of active taxpayers			
	Baseline (2020/21)	FY 2021-2022	FY 2022/23	% increase/decrease
Income Tax				
➢ o/w PAYE	27220	32352	37004	14
➢ o/w CIT	-	-	-	-
➢ o/w Rental tax	-	-	-	-
VAT	19122	23051	27302	18
Excise Tax	450	756	982	30
Total	46,792	56,159	65,288	16

Source: URA Database

Challenges

1. Unfavorable business environment due to the Russia-Ukraine war which affected global food supply and industrial agricultural input supply chain as well as fuel prices.
2. The contractionary policy implemented by the government to control inflation impacted demand and supply in the economy.
3. There is no mechanism for monitoring public confidence in the URA**,** as such, perceptions regarding the integrity of tax officials and client satisfaction are unknown.
4. The lack of an official Tax-payers Ombudsman means there is no credible avenue for taxpayers to address administrative complaints, beyond corruption or assessment reviews, exists.

Conclusion

The overall performance towards the achievement of the objective, *Governance and Management of URA*, was rated as fair concerning the intervention monitored. URA surpassed its collection target and the amount of revenue collected has continued to grow. Concerning the alternative measures to assess URA's performance - filing and on-time filing rates have improved and there was a growth in arrears collected as % of total arrears (stock). However, some critical interventions have not been assessed. Although the intervention, Separate Internal Audit and Staff Compliance functions, was achieved, the data to assess the outcome has never been availed. Similarly, the survey to assess Managerial effectiveness has never been conducted, there is no mechanism for monitoring public confidence in the URA, and there is no data related to ethics or integrity. All of these interventions were considered medium to high priority so they must be implemented.

LIFTING THE HUMAN RESOURCE CAPACITY AT URA

Weak human resource (HR) management is a major obstacle to modernizing a tax administration. To support the achievement of the objectives of DRMS, the URA needs a productive, highly skilled, and motivated workforce. This objective is measured through various interventions - (i) Conduct an independent staffing review (ii) Implement a comprehensive training strategy and develop a URA tax training academy, and (iii) Review the URA performance management and reward system.

3.3.2: Conduct an independent staffing review

The DRMS envisaged URA conducting a staffing review, which would interrogate the current staff structure, and workload and examine where staff might be internally reallocated to improve efficiency, prioritisation, and productivity. It would also provide critical guidance necessary for new recruitment, such as front-loading hiring and redeployment to areas that will have the greatest impact on domestic revenue mobilisation.

This intervention is measured through two indicators, which were both tracked, and the following was noted;

1. **Taxpayer/technical staff ratio**

This intervention aims to track the number of taxpayers handled by each staff member. It is assumed that each technical/operational staff (Domestic and Customs) is expected to handle a maximum number of taxpayers to remain efficient. For instance, assuming an income tax assessor spends an average of 2.5 days on a medium taxpayer file, it would mean 2 files in a week, 8 files in a month, or 96 files in a year. As such, the appropriate taxpayer/staff ratio would be 96/1. Technical staff are assumed to include all staff that handle taxpayer affairs from a technical perspective (e.g., assessors, and auditors). Support functions such as IT, HR, and revenue management are excluded. An observed ratio that is below the ideal/appropriate ratio would indicate there is more that needs to be done to attain a balanced taxpayer/staff ratio.

By 30th June 2023, the ratio of taxpayers to URA staff had increased from 1: 87,296 in FY 2021/22 to 1: 109,077, because of an increment of taxpayers alongside a disproportionate increment of URA staff. The number of taxpayers increased by 34% from the previous FY, whereas the number of URA technical staff increased by 7%. This is therefore likely to compromise tax administration (Table 3.31).

However, URA undertook a workload analysis. The activity was only completed in Corporate Services, Domestic Taxes, Customs and Tax Investigations Departments. The same exercise for other departments was halted in June 2023 to prioritize revenue collection. It is envisaged that a workload assessment would help ensure optimal staffing within the different departments and ensure that tasks are evenly distributed to prevent inefficiencies in staffing. This performance was therefore rated as fair.

Table 3.31: Taxpayer to Technical Staff FY 2021/22 and 2022/23

	FY 2021 - 2022	FY 2022-23
No. of Taxpayers		
No. of URA technical/operational staff		
Taxpayer to technical/operational staff ratio	,	,

Source: URA Database

2. **Revenue per URA staff (by tax group)**

The goal is to monitor the contribution of each staff in terms of average revenue collected per staff. A decrease in the average revenue per staff would need to be examined if it is not due to additional staff recruited to ensure a balanced taxpayer/staff ratio.

Revenue collected in FY 2022/23 was Ug shs 25,752bn, of which Ug shs 16,425bn was domestic taxes and Ug shs 9,327bn customs taxes (Table 3.32). Total (operational) average revenue per staff increased by 9.5% from the previous (FY 2021/21) and by 13.4% from the baseline year (FY 2019/20).

Specifically, average revenue per staff for Domestic Taxes increased by 12% from the previous FY and was accompanied by an 8% growth in the number of staff. Similarly, average revenue per staff for Customs increased by 7% alongside a 3% increment in staff, over the same period. Both departments have experienced steady growth in average revenue performance from the baseline year. Improvements may be attributed to the implementation of customs non-intrusive inspection initiatives including but not limited to the electronic seals and scanners. Performance was therefore rated **fair**.

Table 3.32: **Average revenue per staff FY's 2019/20, 2021/22 and 2022/23**

Area	Baseline (2019/20)			FY 2021/22			FY 2022/23		
	Revenue collected (UGX Bn)	No. of staff	Per capita revenue	Revenue collected (UGX Bn)	No. of staff	Per capita revenue	Revenue collected (UGX Bn)	No. of staff	Per capita revenue
Total URA	17,126.41	1,805	18.82	22,098	2,236	19.49	25,752	2,366	21.35
- o/w Domestic taxes	10,679.82	939	11.374	13,664	1,270	10.76	16,425	1,367	12.02
- o/w Customs	6,446.60	866	7.444	8,434	966	8.73	9,327	999	9.34

Source: URA Database

3.3.3: Implement a comprehensive training strategy and develop a URA tax-training academy

The intervention seeks to facilitate staff onboarding, ensure that the necessary skills are acquired quickly, and achieve a higher level of productivity among all staff. The impact of the adoption of new technologies should be factored into this training plan, enabling URA to react better to changes in the tax environment due to disruptive technologies. This intervention was measured through one indicator, as follows:

1. **Proportion of operational staff that completed basic training in taxation**

The indicator aims to measure the capacity of operational staff to handle technical matters relating to domestic taxes. The indicator assumes that at least 95% of the staff should have completed basic training in taxation (Post Graduate Diploma in Taxation and Revenue Administration - PODITRA).

The percentage of Domestic Tax (DT) operational staff with PODITRA increased from 58.7% in FY 2021/22 to 71.2% in FY 22/23. This was due to a 68% increase in the staff with PODITRA (from 533 to 896) alongside a 38% growth in the number of DT operational staff from 909 to 1,259, indicating that the rate of training is surpassing the expansion of the workforce (Table 3.33).

URA is in the process of developing a competency framework to ascertain the skills gaps. By 30th June 2023, 89% of the staff had completed the self-assessments and 63% had completed both the self-assessment and the 360 assessments. In addition, URA allocated a total budget of Ug shs 7.914bn for staff development for the financial year 2022/23 and spent Ug shs 10.834bn (137%). A total of 2,971 (91%) staff had been trained across the different departments in the Authority, out of the 3,254 staff currently employed at URA. The Domestic Tax staff that benefited, were 808 out of 1,259 (64%), which is an increase of 13 percentage points from the previous FY.

Trainings covered various areas related to Domestic Taxation, including but not limited to - Big Data Analytics, Advanced Transfer Pricing in Vienna Austria, Client Relationship Management, Data Analysis (IDEA) Training and Using Science in Taxation. Lastly, whilst there are no plans to construct the training academy, as it was deemed unnecessary by Parliament, URA is developing curriculum and content for the core competency programs.

Table 3.33: Number of staff that completed basic training in taxation FY 2021/22 and FY 2022/23

	Annual FY2021/22	Annual FY 2022/23	%increase/decrease
No. of DT staff with PODITRA or some other recognised qualification*	533	896	68
Total No. of DT staff	909	1,259	39
Percentage staff with basic training (PODITRA)(%)	58.64	71.17	21

Source: URA Database

3.3.4: Review the URA performance management and reward system

Morale and motivation are low among URA staff. The DRMS seeks to consider expanding the salary structure to support career progression for high-performing technical staff. In addition, develop a framework based on clear Key Performance Indicators (KPIs) to reward staff for good performance, and introduce clear criteria for the retention of key staff that are nearing retirement. Furthermore, salaries should be periodically adjusted for inflation. This intervention is measured through one indicator, as follows:

1. **Staff attrition rate**

The indicator aims to track the number of staff that leave the URA before reaching retirement age, excluding deaths. It is assumed that poor terms and conditions of work are the key factors influencing staff to leave the institution before retirement.

There was a 7% increase in the number of staff in FY 2022/23, which was accompanied by a 23% increase in number of staff leaving, resulting in a rise in the total staff attrition rate by 1.96 percentage points from the same period in the previous financial year (Table 3.34). Domestic Taxes and Customs had the highest number of staff leaving across the two periods, 24 and 14 respectively, yet they are the most critical in tax administration and revenue mobilization. This implies that there is a need to improve the terms and conditions of work at the URA.

In terms of performance management, the following initiatives were instituted to support the implementation of the new Performance Management (PM) approach that is geared to foster a high-performance culture:

i. Introduction of monthly performance conversations themed "Monthly One-on-RAP" aimed at cultivating a culture of continuous performance monitoring and feedback.

ii. Introduction of Monthly PM validations for Senior Management.

iii. Development of the PM Rewards and Recognition paper which was awaiting Board approval.

iv. Development of the Enterprise Resource Planning (ERP) Performance Management System enhancements and requirements to guide automation of the new performance management system. Several engagements have been held with Information Technology and Innovations (IT and I) to conceptualize and model the user requirements.

v. Held an engagement with His Majesty Revenue and Customs (HMRC) to benchmark how to align and measure competencies in the new performance management system

Performance was therefore rated as fair, as despite there being an increase in attrition rate, the increase was slight.

Table 3.34: Staff Attrition FY 2021/22 and FY 2022/23

Department	FY 2021/22			FY 2022/23		
	No. of staff	No. of staff left	Attrition Rate (%)	No. of staff	No. of staff left	Attrition Rate (%)
CG's Office	115	2	**1.74**	134	1	**0.74**
Domestic Taxes	1,270	13	**1.02**	1,367	24	**1.75**
Customs	966	22	**2.28**	999	14	**1.40**
Corporate Services	261	6	**2.30**	277	12	**4.33**
Internal Audit	39	1	**2.56**	43	2	**4.65**
Tax Investigations	135	1	**0.74**	152	2	**1.31**
Information Technology and Innovation	153	4	**2.61**	173	4	**2.31**
Legal Services	60	2	**3.33**	64	4	**6.25**
Total URA	**2,999**	**51**	**1.70**	**3,209**	**63**	**1.96**

Source: URA Database

Challenge

Understaffing of several key functions particularly within the Domestic Taxes Department.

Conclusion

The overall performance towards the achievement of the objective of *lifting the human resource capacity* was rated as fair concerning the interventions assessed as two out of the four indicators performed. Whilst, the average revenue per staff is increasing and staff are being trained, the taxpayer-to-technical staff ratio has widened, which would imply that the current staffing rate is insufficient and staff are being overloaded. There has been more emphasis on performance management over rewards, which could be contributing to the increasing staff attrition rate. Additionally, some key strategies were not designed such as the Independent Staffing review strategy and the comprehensive training strategy. Although URA has attempted to implement their review, these must be done as per the DRMS requirements to ensure optimal results.

DATA MANAGEMENT AND ANALYTICS AND ICT GOVERNANCE AND INFRASTRUCTURE

While URA has increasingly adopted a data-driven approach, data analysis has not been fully exploited to promote revenue generation and enhance voluntary compliance. Weak data integrity lies at the heart of many of URA's challenges. Without clean data on the entire lifecycle of taxpayers and error-free account management, URA cannot have a full picture of their tax base or effectively manage compliance. In addition, it has become imperative that Information and Communications Technology (ICT) systems become less complex, more user-friendly, easily adjustable, and more intelligent, effectively moving to a level that allows for pre-populated returns.

This objective is assessed through the interventions: i) Prioritise a data quality improvement strategy and develop processes to maintain data quality, ii) Empower URA to access relevant third-party data, iii) develop a cross-government policy framework for data sharing and management to ensure that data is captured and stored in a systematic, standard way. This would make data usable across the government. iv) Create a formal data skills development plan, v) Design and implement a medium-term ICT strategy, vi) Standardize key government systems to improve integration.

3.3.5: Prioritise a data quality improvement strategy and develop processes to maintain data quality

The intervention aims to ensure that all data fields in URA's tax databases are populated with relevant and complete data. Where there are gaps, this affects the quality of the data available. This is what the indicator attempts to monitor. Any percentage below 100 percent would imply there is more room to improve data quality in the area affected. This intervention is assessed through one indicator as follows:

1. **Percentage of data records that are complete**

Although the percentage of data records completed was not availed, URA conducts register maintenance across all compliance centres. This is a deliberate action to cleanse the taxpayer register of inaccurate taxpayer information, missing information, duplicate and dormant Tax Identification Numbers (TINs), and cases for reactivations and deactivations.

By 30th June 2023, the completion rate was 98%, which was an improvement by 15.05 percentage points, from the previous financial year (Table 3.35). This implies that data quality is improving. However, without knowing the overall percentage of data records completed, it is impossible to assess if all data fields in URA's tax databases are populated with relevant and complete data.

In addition, to ensure data quality standards were upheld, URA undertook some data validation exercises, including but not limited to:

i. Harmonization of stock-keeping units (SKUs) across the e-Tax and DTS systems, and integration activities.
ii. Harmonization of old TINs registration in Excel and instant TINs to ensure they capture the same fields and are based on the same business rules.
iii. Validation of User Specification Documents for new systems to ensure adherence to the data standards manual.

Table 3.35: Performance of Register Maintenance/Clearing FY 2021/22 and 2022/23

Register Maintenance/Clearing	FY 2021/22	FY 2022/23
Target	20,658	64,491
Completed	17,147	63,236
Completion rate (%)	83.00	98.05

Source: URA Database

3.3.6: Develop a cross-government policy framework for data sharing and management

The goal of the intervention is to expand the URA tax base through the use of data obtained from other government departments. The law allows the URA to register or amend a taxpayer registration profile where the URA happens to obtain a taxpayer's information that the taxpayer is unwilling to declare to the URA. An increasing number of forced registrations will thus imply the implementation of the intervention is not bearing fruit. This intervention is assessed through one indicator as follows:

1. **No. of forced taxpayer registration made in a fiscal year**

The number of forced registrations was not availed. However, NITA-U developed the Uganda e-Government Interoperability Framework to outline the main principles and general guidelines enabling the development and implementation of shared electronic services for citizens, businesses, and MDA/LGs in the Ugandan Government.

The Interoperability Framework aims to improve cooperation between MDAs/LGs, thereby increasing administrative efficiency and reducing the administrative burden on citizens and businesses. The maintenance of the e-GIF document will be done by the Inter-Agency Digital Technical Implementation Committee and the e-Government working groups with the leadership of the Secretariat at the Ministry of ICT and National Guidance.

3.3.7: Create a formal data skills development plan

Good tax administrators should not only be conversant with the tax laws but also with data analytics — having a basic ability to analyse raw data to make conclusions about that information. To attain such abilities, staff need to be given the relevant training (in data analytics). This is what the indicator seeks to monitor. The desired outcome will be to have all staff trained, i.e., achieving 100 percent coverage. An indicator results of below 100% would imply there is more that needs to be done to achieve the goal of the intervention. This intervention is assessed through one indicator as follows:

1. **Technical staff trained in data analytics (%)**

The percentage of technical staff trained in data analytics decreased by 2.29 percentage points, from 5.44% in FY 2021/22 to 3.15% in FY 2022/23. Although the number of staff increased by 7%, the number of technical staff trained decreased by 38%. This is despite an increase in URA's capacity-building budget from Ug shs 6.40bn in FY 2021/22 to Ug shs 7.914bn in FY 2022/23. Functional areas that received the most training in data analytics were Domestic Taxes (4.68%), Tax investigations (3.29%), Corporate Services (3.25%) and Customs (2.20%). Whilst training in Domestic Taxes and Corporate services increased from the previous FY, Customs and Tax investigations experienced declines (Table 3.36).

Although URA has a training planner that is guided by a departmental capacity needs assessment, this decline in the percentage of technical staff trained in data analytics emphasises the necessity of the data skills development plan, to ensure that data analytics is prioritised as per the DRMS requirements.

Table 3.36: Staff trained in data analytics (%) FY 2021/22 and 2022/23

Functional area	YR 1 (2021/22)			YR2 (FY 2022/23)		
	No. of technical staff	No. of staff trained in data analytics	% share of staff trained in data analytics	No. of technical staff	No. of staff trained in data analytics	% share of staff trained in data analytics
CG's Office	115	0	0.00	134	0	0.00
Domestic Taxes	1,270	57	4.49	1,367	64	4.68
Customs	966	86	8.90	999	22	2.20
Corporate Services	261	2	0.77	277	9	3.25
Internal Audit and Compliance	39	3	7.69	43	0	0.00
Tax Investigations	135	8	5.93	152	5	3.29
Information Technology and Innovation	153	7	4.58	173	1	0.58
Legal Services	60	0	0.00	64	0	0.00
Total URA	**2,999**	**163**	**5.44**	**3,209**	**101**	**3.15**

Source: URA Database

3.3.8: Standardise key government systems to improve integration

This intervention seeks to enhance interfacing. To support the standardization of key government systems to improve integration, NITA-U developed a data-sharing and integration platform to enhance the delivery of services in the government and private sectors. This was created to tackle the challenges faced by MDAs in data sharing due to: low levels of automation, use of legacy systems, limited funding for Active Programming Interface (API) development, and lack of a mechanism through which data can be exchanged between MDAs in a rational, secure, efficient and sustainable way.

By 30th June 2023, the NITA-U had registered the following progress:

i) A data sharing and integration platform was created to enhance the delivery of services in government and private sector and by the end of FY 2022/23, this platform had been rolled out to 43 public and private entities against a target of 20. These were integrated onto the platform, bringing the cumulative number of entities onboarded to 116, of which 69 were utilizing services over the platform with a cumulative total of 93,790,610 transactions.

ii) The Digital Authentication and E-signatures platform was developed to offer two key services including - digital authentication to government services and provide e-signatures for seamless e-government services transactions.

iii) Eight applications utilized digital authentication to access services, these included the e-document management system (NITA-U E-Doc), IT Certification Office (ITCO) e-services portal, National Forestry Authority e-licensing System, National Lotteries Board e-licensing system, SMS Gateway, Anti-corruption Unit Case Management System and IT Certification System. Of these, the E-Document Management System and IT Certification Office systems have been activated to use e-signatures which will enable approval letters on IT certification and E-Doc systems to be signed digitally.

Similarly, URA Interfaced e-TAX with Uganda Registration Service Bureau's (URSB) Online Business Registration System (OBRS) that provides registration services: registration of companies, business names, legal documents, insolvency and other related services. Completed the development of the instant TIN Applications Programming Interfaces (APIs) on 23rd December 2022 and submitted for user-acceptance test (UAT) to the application support team which was subsequently passed to enable URSB deployment in production. Performance was therefore rated as good.

Challenge

Some MDAs do not have the systems required for integration into the Integration and Data Sharing Platform (UgHub). For instance, some do not have APIs developed which has hindered the rollout and onboarding of those entities onto the platform.

Conclusion

The overall performance towards the achievement of the objective, *Data Management and Analytics and ICT Governance and Infrastructure* was rated as poor. Of the six interventions that contribute to the objective, full information was only availed for two interventions. Critical instruments and frameworks have yet to be designed i.e. the skills development plan, the data quality improvement strategy and medium-term ICT strategy. In addition, indicators such as percentage of data records completed, percentage of URA internal ICT-related key performance indicators achieved and number of forced taxpayer registrations were not availed. Without these, progress towards achieving the objective is hindered.

Recommendation

The Ministry of ICT and National Guidance should continue to engage MDAs to plan for the Application Programming Interfaces for their respective systems to ease the integration processes.

TAXPAYER REGISTRATION

Taxpayer register is the cornerstone of any tax administration. Any lack of accuracy, reliability and credibility in the taxpayer register will in turn lead to deficiencies in collection and enforcement, increasing administrative and compliance costs. Identifying and registering taxpayers is thus vital for undertaking the full spectrum of compliance functions, such as detecting stop-filers and managing tax arrears.

This objective is assessed through five interventions; i) regularly detect and de-register inactive taxpayers to cleanse the taxpayer register, ii) expand the use of the biometric National Identity for registration, (iii) Improve URA access to external data to identify potential taxpayers, (IV) Adopt a simple and fully online registration system for those with internet access, (v) Promote political messaging supportive of a "civic duty to register."

3.3.9: Regularly detect and de-register Inactive taxpayers to cleanse the taxpayer register

The DRMS intervention requires URA to cleanse the existing taxpayer register, detect and deregister inactive and enhance real-time crosschecking of taxpayer information with other databases. Proper cleansing will result in an initial decline in the number of registered taxpayers and improve operational certainty. This intervention is assessed through one indicator as follows:

1. **No. of inactive taxpayers identified and deactivated as a percent of total registered taxpayers**

The indicator aims to monitor URA's efforts towards identifying and eliminating inactive taxpayers from the taxpayer register. A flag will need to be raised if the indicator returns zero inactive taxpayers deactivated.

The number of inactive taxpayers on the register across the identified functional areas (Income tax, VAT, Excise Duty) grew by 29.6% in FY 2022/23, while the number of inactive taxpayers deactivated increased by over 100% (Table 3.37). This resulted in an increase in the percentage share of inactive taxpayers deactivated by 5.13 percentage points.

Specifically, the percentage share of inactive taxpayers deactivated increased significantly for excise duty and income tax and slightly for VAT. The URA continued to implement various strategies to ensure the accuracy of the taxpayer register. URA must maintain a clean register to avoid incurring unnecessary administrative costs. This performance was rated good.

Table 3.37: Percentage share of inactive taxpayers deactivated FY 2021/22 and FY 2022/23

Functional area	Annual 2021/22				Annual 2022/23			
	No. of registered taxpayers	No. of inactive taxpayers	No. of inactive taxpayers deregistered	% share of inactive taxpayers deregistered	No. of registered taxpayers	No. of inactive taxpayers	No. of inactive taxpayers deregistered	% share of inactive taxpayers deregistered
Income tax	1,414,427	492,905	5,865	1.19	3,358,601	640,114	40,804	6.37
VAT	29,044	7,861	1,037	13.19	35,140	8,925	1,352	15.15
Excise Duty	854	133	24	18.05	1141	186	87	46.77
Total	**1,444,325**	**500,899**	**6,926**	**1.38**	**3,394,882**	**649,225**	**42,243**	**6.51**

Source: URA Database

3.3.10: Improve URA access to external data to identify potential taxpayers

This intervention requires improvement in the identification of potential taxpayers and verification of information through better access to and use of external data. This will assist in identifying potential taxpayers and verification of information. To minimize the need for cumbersome data requirements from taxpayers for registration, e-Tax should be linked to the Uganda Registration Services Bureau (URSB), NIRA, National Social Security Fund (NSSF), the Ministry of Foreign Affairs, and more licensing and utilities databases. This intervention is assessed through one indicator as follows:

1. **No. of new potential taxpayers identified and registered from external data**

It aims to track the usage of information obtained from external sources as far as identifying new taxpayers is concerned.

By 30th June 2023, the total number of new taxpayers registered had increased by 5% (from 834,455 to 882,286). Of the new taxpayers registered, only 37,497 (4%) obtained data from various external sources as listed in Table 3.38. This represents a decline of 88% from the previous financial year. The Uganda Bureau of Statistics (UBOS), National Water and Sewerage Corporation (NWSC), private schools, and Kampala Capital City Authority (KCCA) accounted for the largest share of the new taxpayers identified.

Although the number of new taxpayers identified has increased slightly, the percentage share of those identified through external data is low and has declined. Consequently, the URA had planned to generate Ug shs 317.00bn by expanding the taxpayer register through the use of third-party data. However, by 30th June 2023, the estimated revenue gain from all new taxpayers was only Ug shs 9.43bn (2.97%). This is indicative of a need to strengthen the collaborative efforts with relevant MDAs to further expand the register. Therefore, performance was rated **poor**.

Table 3.38: No. of new potential taxpayers identified and registered from external data

Entity data source	New taxpayers identified and registered from external data	
	FY 2021/22	FY 2022/23
KCCA trade licence data	30,932	824
UBOS	119,772	32,969
Ministry of Education	634	378
Private schools data	1,529	938
Pharmacist Association	125	29
Architecture Association	1	0
Umeme	655	0
KCCA property data	28	0
Landlords data	11,220	0
NWSC	150,318	2,359
Local government data	2,728	0
Total	**317,942**	**37,497**
New Registered Taxpayers	**834,455**	**882,286**
% registered through external data	**38%**	**4%**

Source: URA Database

3.3.11: Enforce registration as a qualifying requirement for professions and key trades

This intervention aimed to improve the regulation of certain sectors, trades and professional bodies to improve enforcement and registration. This will ensure that all actors in these sectors are fully registered or barred from operation and enable URA to enhance compliance.

Although there is no regulation/law specifically to enforce this, URA engaged professionals and by 30th June 2023, a total of 223 (35%) law firms were registered out of 635 identified for registration from data of registered law firms and their associated persons received from the Law Council. Therefore, performance was rated as **fair**.

Challenges

1. Although Memorandum of Understanding (MoU) or even data-sharing capabilities with different entities exist; these legal documents have limitations that restrict matching of data across entities. Therefore, this limits the level of productivity of the data shared.
2. Lack of Active Programming Interface (API) for live data matching hence data comparisons were static to specific periods in time.
3. Lack of regulation or law to enforce registration as a qualifying requirement for professionals and traders.

Conclusion

The overall performance towards the achievement of the objective, *Taxpayer registration*, was rated as poor. The objective is measured through five interventions, and data was fully availed for only two and partly for one. Of these three, only one is progressing as intended. The register is regularly and effectively maintained. However, third-party data is not being maximally exploited to expand the register.

Recommendations

1. The Ministry of ICT and National Guidance should work with the MDAs to identify all the potential security risks related to sharing NINs of individuals with third parties and establish how these risks can be mitigated.
2. The MFPED (Tax Policy Department) should draft statutory instruments or regulations to empower URA to enforce registration.

TIMELY AND ACCURATE FILING

The tax system relies heavily on timely, accurate and complete reporting by taxpayers in their tax declarations. To mitigate fraud and revenue losses, tax administrations should therefore undertake a range of actions to ensure compliance. This includes verification activities (such as tax audits, investigations, and matching against third-party data) and proactive initiatives promoting cooperative compliance.

This objective is assessed through three interventions: (i) Introduce measures to strengthen the effectiveness of self-assessment, (ii) Adopt monitoring of inaccurate reporting as part of URA's routine work, (iii) Work more closely with relevant regulators to improve filing compliance, (iv) Address infrastructure constraints by offering points for connection across the country.

3.3.12: Introduce measures to strengthen the effectiveness of self-assessment

The intervention aims to: (a) move taxpayer filing towards a fully online system, allowing for automatic cross-checking, and later introducing pre-populated returns with data from third-party sources, and (b) enforce strict penalties for non-filing and late filing. This intervention is measured through one indicator, as follows:

1. Penalties collected for non-filing and late filing of returns

Enforcing strict penalties for non-filing and late filing is one of the measures recommended to strengthen the effectiveness of self-assessment. Thus, this is what the indicator aims to track.

The value of assessments/payable from penalties declined by 23% from Ug shs 6.28bn in FY 2021/22 to Ug shs 4.82bn in FY 2022/23 (Table 3.39). Similarly, on-time filing rates had improved performance over the same period. On-time filing rates for the selected tax heads - WHT, PAYE, VAT, and Local Excise (LED) increased by 4.87 percentage points respectively, from the previous year. Therefore, the decline in penalties payable implies that the intervention is working as expected as there is a corresponding improvement in on-time filing ratios.

In addition, URA conducted various taxpayer education activities, specifically; Webinars/Virtual/Zoom (14), Weekly Tax Snippets (18), Mobile Bus (*Tujenge*) (17) and client interventions (87). These engagements aimed to create a tax-paying culture by educating clients about their obligations and equipping them with the information necessary to make them more compliant, thereby indirectly strengthening self-assessment. Therefore, the performance was rated as **fair**.

3.3.13: Adopt monitoring of inaccurate reporting as part of URA's routine work

The DRMS wanted to combat the potential for mis- and under-reporting which is common among both individual and non-individual taxpayers. Some providers of professional services minimise their tax liability by under-reporting income or claiming excessively. This intervention is measured through one indicator, as follows:

1. **Additional revenue identified (and realized) from audit of returns for inaccurate reporting as a percentage of total tax collected from large taxpayers and high net worth individuals**

The indicator will assist in monitoring URA's efforts in detecting inaccurate reporting by taxpayers. The focus is on the large taxpayer sector and high-net-worth individuals. Zero additional revenue identified from these groups will mean the intervention is probably not being implemented.

The revenue collected from audits cannot be directly provided as audits issued in one financial year are not typically paid in full within that same year and therefore it's hard to tag time and money for audits. However, the DRMS sought to address the challenge of inaccurate reporting on returns (mis- and under-reporting) which can be assessed by measuring URA's audit effort.

In FY 2022/23, a total of 186 comprehensive audits and 2,084 issue audits were completed against a target of 270 and 2,356, indicating a completion rate of 69% and 88%, respectively. Comparatively, in FY 2021/22, 227 comprehensive audits and 967 issue audits were completed against a target of 493 and 1,482, indicating a completion rate of 46% and 65%, respectively (Table 3.40). Thus, there has been an improvement in completion rates. However, the actual number of comprehensive audits completed reduced by 18%, alongside a reduction in the target. Whilst the number of issue audits grew by over 100%.

Therefore, there has been a slight increment in audit effort, in terms of completion rates, but with more emphasis placed on issue audits over comprehensive. More audits conducted increase the chances of URA identifying inaccurate reporting by taxpayers.

With regards to High Net Worth Individuals (HNWIs), a unit under the Large Taxpayers Office was operationalized to specifically handle HNWIs separately from Very-Important-Persons (VIPs). It was envisaged that this would enhance personal income tax collections, filing of PIT returns and reduce incidences of tax evasion. During the FY, the unit's register for High Net Worth Individuals stood at 1,344 registered taxpayers. From the normal flow returns, HNWIs received a total of 116 on-time returns out of the expected 120 returns thus performing at 97% on-time filing. As a result of a combination of Issue audits, compliance advisories and compliance visits, a total of Ug shs 2.92bn was assessed and Ug shs 1.04bn was paid. Therefore, performance was rated as **fair.**

Table 3.40: Audit Targets and completion rates FY's 2021/22 and 2022/2023

	FY 2021/22				FY 2022/23			
Initiative	Target	Completed	Completion Rate (%)	Tax assessed (Ug shs bn)	Target	Completed	Completion Rate (%)	Tax assessed (Ug shs bn)
Comprehensive Audit	493	227	46	84.38	270	186	69	188.73
Issue Audit	1,482	967	65	215	2356	2084	88	298.31

Source: URA Database

3.3.14: Work more closely with relevant regulators to improve filing compliance

This intervention is assessed through one indicator as follows**: No. of taxpayers denied renewal of licenses due to failure to meet their tax obligations as percent of the total number of non-filers identified.** The indicator seeks to monitor TPD/URA's efforts in collaborating with regulators to enforce tax compliance.

The number of taxpayers denied renewal of licenses due to failure to meet their tax obligations could not be tracked. However, during the FY, URA engaged professional bodies to share data for tax registration purposes and the bodies that shared data included: The Architects Registration Bureau, the Law Council of Uganda, and the Pharmaceutical Society of Uganda. The absence of specific and strong penalties for professional bodies that do not follow provisions of the law continues to promote non-compliance of these bodies. Performance was thus rated as **poor.**

3.3.15: Address infrastructure constraints by offering points for connection across the country

This intervention is assessed through one indicator as follows: **No. (percentage) of returns filed through URA-sponsored connection points.** This indicator aims to monitor the effectiveness of the intervention regarding improving tax filing rates using URA-sponsored connection points. An increasing proportion will imply the intervention is working.

The number of returns filed through URA connection points could not be tracked, however, URA began the procurement process of acquiring office space for 13 Domestic Tax Offices across the country, thereby working towards bridging assess constraints. By 30th June 2023, three were completed, while 10 were in varying stages of the procurement process (Table 3.41). In addition, URA continued to utilize service channels such as the mobile bus, contact centre, URA TV, media platforms and mail to address some of the infrastructure challenges. The plan on how to strategically use the mobile bus was developed, shared with the Public and Corporate Affairs (PCA) Department and is being implemented. This will bring URA services closer to taxpayers and hence growth in the tax base. Performance was therefore rated as fair.

Similarly, NITA-U successfully commissioned the Regional Communications Infrastructure Program (RCIP) to address infrastructure constraints, through which the National Backbone Infrastructure (NBI) was extended to an additional 52 sites, against a target of 70 (74%). This brings the cumulative total to 1,466 sites with a total of 1,250 sites utilizing the service. The target was not achieved due to a delay in approving the Uganda Digital Acceleration Project (UDAP).

Table 3.41: Procurement of Office Space Status

District Offices affected	Status as at 30th June 2023
Moroto	Completed; The Tenancy Agreement was signed and staff shifted to the new office premises on 31st May 2023.
Mubende	Completed: The Tenancy Agreement was signed and staff shifted to the new office premises on 1st April 2023
Mpondwe	Completed: 2 staff were deployed in Mpondwe on 15th May 2023 and were facilitated with all equipment required.
Kitgum DT	The new tenancy agreement is expected to be in place on 1st September 2023.
Soroti DT	The new tenancy agreement is expected to be in place on 1st November 2023.
Kasese (Staff Quarters and Office Space)	The new tenancy agreement is expected to be in place on 1st November 2023.
Gulu DT	Clarification was sent to the bidder due to insufficient documents attached to the bid.
Luweero	Pending negotiation with the bidder since the bidder's price was above the CGV's recommended price
Kyotera DT	Estates drafted a renovation plan for the Administration Department Management's approval. Thorough renovations to be concluded by 30th September 2023
Moyo	Re-tender recommended by the evaluation team. This is after 2 years of following up on this particular need.
Nansana DT	Field inspection report to be submitted to the contracts Committee for approval of the bidding process.
Hoima	Field inspection report submitted to contracts Committee for approval of the bidding process.
Nebbi DT	The new tenancy agreement is expected to be in place on 1st November 2023.

Source: URA

Conclusion

The overall performance towards the achievement of the objective - *timely and accurate filing*, was rated as fair concerning the interventions assessed. Of the four interventions that contribute to the objective, complete data was only availed for two. There was a decline in penalties payable, which was reflective of a significant improvement in filing rates, more office space was acquired, and a few professional bodies were engaged to share data. However, data to assess the performance of interventions undertaken to address infrastructure constraints and to improve filing compliance through relevant regulators is lacking. These were rated as medium to high-priority interventions, therefore it is important that they are implemented as per the DRMS requirements and that information is provided to assess performance.

TIMELY PAYMENT

Taxpayers are expected to pay their taxes by the due dates defined in the tax laws and regulations. The collection of tax arrears is costly and time-consuming. Achieving a low incidence of tax arrears depends on a high level of on-time filing to establish amounts owed and quick follow-up when payment is due.

This objective is assessed through four interventions: (i) Prioritise strategies to reverse the current arrears and audit trends, (ii) Investigate options for enhancing the use of electronic payment methods, including mobile money, (iii) Streamline tax debt collection and improve transparency and (iv) Prepare management reports regularly to allow for better-informed tax collection policies. Three of these were monitored and performance was detailed as follows:

3.3.16: Prioritise strategies to reverse the current arrears and audit trends

The DRMS requires emphasis to be placed on non-government debts and tax arrears at the courts. It also highlights the need for the development of an automatic procedure that would enable the writing-off of small amounts of debts and the provision for payment in instalments. This is measured through two indicators and both are reported on as follows:

1. Total arrears stock at close of Fiscal Year

The total arrears stock as at the end of the FY 2022/23 was Ug shs 4,493.41bn, of which 96% were domestic tax arrears and 4% were customs tax arrears. Comparatively, the total arrears stock as at the end of FY 2021/22 was Ug 4,682.89bn, of which 97% were domestic tax arrears and 3% were customs tax arrears (Table 3.42).

Therefore, the total arrears decreased by 4% in FY 2022/23 but increased by 50% from the baseline year (FY 2019/20). The customs portfolio grew by 18% from the previous FY, while the domestic tax portfolio decreased by 5%. The Domestic Tax Portfolio-Government Arrears increased by over 100% whereas Non-Government[17] arrears decreased by 9.5%, over the same period.

Although there has been a slight decrease in total arrears stock at the close of the Fiscal Year, it was minimal and the stock remains high compared to the baseline. This implies that more needs to be done to strengthen the compliance function and enhance recoveries, with particular emphasis placed on Domestic Non-Government Arrears.

However, during the period under review, the department continued to follow a normal flow monitoring compliance calendar. The Compliance Improvement Plan (CIP) for the FY 2022/2023 was implemented. In addition, URA introduced other strategies to reverse arrears, which included; (i) Focused follow-up on the third parties to ensure that agency notices (i.e. banks and suppliers) are recovered quickly, (ii) Fast-tracking of ledger reconciliation cases and (iii) follow up on Taxpayers with MoUs (instalments payment plans) to recover the tax due. Performance was rated **fair.**

Table 3.42: Total arrears stock

	Baseline FY 2019/20	FY 2021/22	FY 2022/23
Total Arrears Stock at Close of Fiscal Year (Ug shs bn)	**2,989.52**	**4,682.89**	**4,493.41**
o/w Domestic (Ug shs bn)	**2,884.28**	**4,521.79**	**4,303.64**
(i) Government (Ug shs bn)	19.58	56.97	263.77
(ii) Non-Government (Ug shs bn)	2,864.70	4,464.82	4,039.87
o/w Customs (Ug shs bn)	**105.24**	**161.1**	**189.77**

Source: URA Database

[17] Non-government arrears include contractors/suppliers to government.

2. **Annual arrears recovery**

The aim is to monitor and assess URA's efforts in recovering the tax arrears. By 30th June 2023, the total arrears recovered had decreased by 3% from Ug shs 1,321.20bn in FY 2021/22 to Ug shs 1,277.92bn in FY 2022/23 and increased by 43.3% from the (FY2019/20) baseline (Table 3.43). Total arrears recovered as a percentage of total revenue collected decreased from 6.10% in FY 2020/21 to 4.96% in FY 2021/22, conversely, total arrears recovered as a % of the arrears closing stock increased slightly from 28.2% to 28.44%over the same period.

The increase in arrears recovered as a percentage of arrears closing stock is very small (0.23 percentage points) and is a decline from the previous FY, where the increase was 4 percentage points. From the baseline year (2019/20), this represents an increase of only 4 percentage points. This marginal increase is consistent with the decrease in the total arrears stock by 4% in FY 2022/23.

Specifically, this FY the URA employed some arrears management initiatives that led to the recovery of arrears worth Ug shs 273.11bn from PAYE, Ug shs 521.17bn from Corporation Tax and Ug shs 33.07bn from Gaming. Some of the tax arrears recovery initiatives employed included - audits, return self-assessments and reconciliations. This performance was rated as **fair.**

Table 3.43: Total Tax Arrears Recovery

	Baseline FY 2019/20 (Ug shs bn)	FY 2021/22 (Ug shs bn)	FY 2022/23(Ug shs bn)
Tax arrears recovered	724.26	1,321.20	1,277.92
Annual revenue collected (net revenue collections)	16,751.64	21,658.01	25,752.05
Total tax arrears at close of the Fiscal Year	2,989.52	4,682.89	4,493.41
Annual arrears recovery as a percentage of arrears closing stock	24.23%	28.21%	28.44%
Total arrears recovered as a % of total revenue collected	4.32	6.10	4.96

Source: URA Database

3.3.17: Investigate options for enhancing the use of electronic payment methods, including mobile money

The DRMS places particular emphasis on mobile money. It requires that clarity be sought about how much banks and other financial institutions may charge customers for payment of taxes and consider ways to make this service free to taxpayers. This is measured through one indicator, which is reported as follows:

1. **Distribution of payments by payment method**

The aim is to monitor the extent to which payment of taxes is eased including through the use of mobile money. An increase in the share of mobile money payments to total payments will imply the intervention is working.

In terms of distribution of payment methods, over-the-counter payments continue to be the most popular at 40.5%, followed by Demand Draft at 18.8% and Electronic Funds Transfer at 16.4% (Table 3.44). Mobile money services continue to constitute a small percentage of the total payment methods (0.3%), although, in absolute terms, payments have increased from Ug shs 35.04bn in FY 2021/22 to Ug shs 72.21bn (106%) in FY 2022/23, and by over 400% from the baseline year (2020/21). In addition, URA acquired a USSD code to facilitate payments and ease access to information for taxpayers.

An increase in mobile money payments and other alternatives to banking is expected to ease the burden of making payments for taxpayers and thus improve timeliness. However, there are several payment options, which indicates high levels of flexibility. Performance was therefore rated as **fair.**

Table 3.44: Distribution of payments by payment method

Tax payments methods	FY 2021/22 Ug shs bn	% share of payment method	FY 2022/23 Ug shs bn	% share of payment method
Bank Counter	12,185.52	55.1	10,433.07	40.5
Cheque	1,086.16	4.9	1,782.45	6.9
Demand Draft	1,123.52	5.1	4,845.08	18.8
Electronic Funds Transfer (EFT/Internal Transfer)	4,219.80	19.1	4,216.54	16.4
Mobile Payment	35.04	0.2	72.21	0.3
Point Of Sale Payment	423.33	1.9	707.36	2.7
Real Time Gross Settlement (RTGS)	0.18	0.0	0.46	0.0
Swift Transfer	-	0.0	0.13	0.0
Visa/MasterCard Payment	3,024.51	13.7	3,694.74	14.3
Total gross revenue collected	**22,098.06**	**100**	**25,752.05**	**100**

Source: URA Database

3.3.18: Streamline tax debt collection and improve transparency

The DRMS requires that a tax debt management framework is developed which would provide end-to-end procedures for accounting, reporting, collecting, and managing debt. This should include developing a policy on enforcement action, the engagement of third parties to collect tax (such as auctioneers), the issuance and removal of agency notices, and a policy on paying in instalments. This is measured through three indicators, one of which is reported as follows:

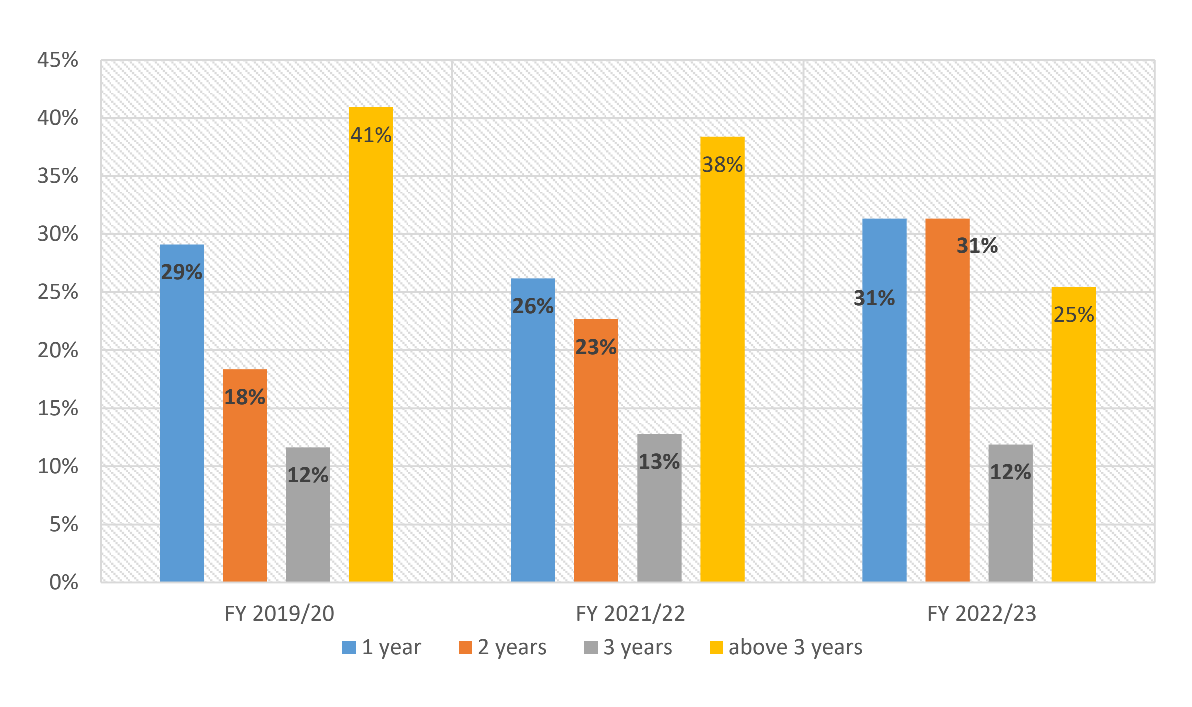
1. **Arrears age analysis**

The aim is to track the age of the tax arrears to establish the next course of action. For instance, arrears that have overstayed for more than 7 years could be declared unrecoverable and steps taken to request Parliament to write them off as bad debts.

The value of arrears aged one year increased slightly from Ug shs 1,183.52bn in FY 2021/22 to Ug shs 1,292.00bn in FY 2022/23 (Figure 4). Comparatively, the value of arrears aged above three years, decreased from Ug shs 1,735.42bn to Ug shs 1,048.91bn, over the same period. More arrears are concentrated in the above one-year category (31%), which is a shift from last FY where most were concentrated in the above three-year category (38%). Best practices require that more emphasis should be placed on recovering arrears aged less than two years, where prospects for recovering them could be high.

The percentage share of arrears aged 3 years and above decreased from 38% in FY 2021/22 to 25% in FY2022/23, and by 11% from the baseline year (FY 2019/20). Arrears that have stayed longer than seven years have a lower chance of recovery as they get older. Therefore, performance was rated as **fair.**

Figure 4: Percentage share of Total Arrears by Age FYs 2019/20, 2021/22 and 2022/23 (Arrears Age Analysis)



Source: URA Database

Challenges

1. The stock of tax arrears is very high and comprises both old and new debt. The rate at which arrears are reduced is slow.
2. The government is one of the biggest contractors in the economy, yet no data exists on government payments.

Conclusion

The overall performance of the objective - *Timely payment of taxes* was rated as fair, concerning the interventions assessed. The debt management initiatives undertaken by URA have resulted in a slight decrease in total arrears stock and a reduction in the stock of arrears aged three years and above. Though the URA has provided flexibility in payment methods, more needs to be done about the usability of these methods to make them more attractive to taxpayers. The compliance function needs to be strengthened to enhance recoveries and mitigate the growth in the total stock of arrears by improving the timeliness of payments.

Recommendations

1. The URA should create and implement an action plan to reduce the stock of tax arrears with special emphasis on non-government debts and tax debt at courts. This plan would hinge on continued analysis of tax debts by age, size, or complexity.
2. The URA should be properly empowered to track payments made by the government to contractors to enforce compliance.

INVESTIGATIONS AND ENFORCEMENT

URA's Investigations Department carries out annual risk and threat assessments to determine problem areas. The identified areas are then investigated using information sourced internally and externally. However, poor access to technology, a lack of specialized skills, and low staff numbers have limited the ability to effectively tackle tax fraud, particularly as sophisticated tax crimes have proliferated, and transactions have become increasingly difficult to trace online.

This objective is assessed through interventions: (i) Implement the Automatic Exchange of Information and common reporting standards for tax purposes, (ii) Enhance resources to equip scientific laboratories and investigations personnel, (iii) Intensify penalties for non-compliance and increase the number of tax investigations, and (iv) publicize the results of enforcement initiatives.

3.3.19: Implement the Automatic Exchange of Information and common reporting standards for tax purposes

The DRMS envisaged that adopting these protocols would help URA to combat international tax evasion, detect illicit financial flows and transfer pricing issues through enhanced cooperation with other tax jurisdictions. Expanding the sources of information available to URA will enable the investigations department to detect evasion, as well as find new taxpayers. This intervention is assessed through two indicators, of which one was assessed as follows:

1. **No. of tax evasion cases detected**

The aim is to monitor URA's efforts in collating and using available information from sources such as banks and whistle-blowers to detect tax evasion as well as find new taxpayers. An increasing number of tax evasion cases recorded in a given period will imply the intervention is working as expected.

The number of tax evasion cases detected decreased from 223 in FY 2021/22 to 167 in FY2022/23 alongside a decrease in recoverable revenue identified from Ug shs 329.4bn to Ug shs 174.64bn (Table 3.45). This implies that there was a reduced effort to detect and deter tax evasion. However, URA implemented various administrative initiatives to enforce compliance including; intelligence, investigation, scientific analysis and forensic document examination to deter, detect and prevent tax fraud and systematic noncompliance tendencies. This could account for the reduction in tax evasion cases.

In addition, the Automatic Exchange of Information (AEOI) Bill Convention on Mutual Administrative Assistance in Tax Matters (Implementation) Bill, 2023 was passed by Parliament on May 16, 2023. These protocols would help to combat international tax evasion and detect illicit financial flows and transfer pricing issues through enhanced cooperation with other tax jurisdictions. They also expand the sources of information available to URA. Performance was therefore rated as **fair.**

Table 3.45. No. /Value of tax evasion cases detected

	Annual 2021/22	Annual 2022/23
Number of tax evasion cases detected at the URA	223	167
Recoverable revenue identified (Ug shs Bn)	329.355	174.64

Source: URA Database

3.3.20: Enhance resources to equip scientific laboratories and investigations personnel

The DRMS requires that URA adopts international standards, particularly to allow for the admittance of evidence into court. Resources to facilitate the acquisition of relevant technologies, skilled staff, and necessary training should also be prioritized. This intervention is assessed through one indicator, which was assessed as follows:

1. **No. of forensic tax investigations completed**

The objective of the intervention is to ensure URA adopts international standards particularly to allow for the admittance of (such) evidence into court. Initiating and completing an increasing number of forensic tax investigations will imply the intervention is working.

The number of forensic tax investigations completed increased by over 100% from 61 as at 30th June 2021/22 to 138 during the same period in FY 2022/23. In addition to the forensic cases, the scientific labs conducted 88 disposals and 106 science laboratory cases.

In terms of enhancing resources for the scientific labs, the budget towards the Science and Forensic laboratories was Ug shs 1.175bn, which was unchanged from the previous FY. The labs therefore maintain an unfunded budget of Ug shs 6.09bn, necessary to procure the required equipment and machinery to lift them to international standards. The laboratory undertook a gap analysis in reference to the International Standard 17025:2017 to determine what is missing to achieve international accreditation.

Some of the missing equipment identified included: (i) Forensic Laboratory - Questioned Document and Handwriting Equipment, field data acquisition equipment, and data decryption tools; (ii) Scientific Laboratory - Isotope Ratio Mass Spectrometer and DNA Laboratory equipment for determining the geographical origin and authenticity of products, an Inductively coupled plasma-optical emission spectrometry (ICP-OES) for determining the elemental composition in assorted products, equipment for satellite laboratories at boarder points and a mobile laboratory with portable laboratory equipment. Performance was therefore rated as **fair.**

3.3.21: Publicize the results of enforcement initiatives

The DRMS asserts that enforcement programs will have limited deterrent effects if they are not visible, and thus not as threatening. It therefore requires that the successes of efforts to curb non-compliance by specific taxpayers are publicized. This intervention is assessed through one indicator, which was assessed as follows:

1. **No. of media reports on results of URA tax enforcement initiatives**

The aim is to monitor URA's efforts in improving tax compliance through traditional media (excluding the URA website and social media). The indicator assumes that the dissemination of news relating to tax enforcement activities will send a message to taxpayers especially non-compliant taxpayers that business is no longer as usual.

By 30th June 2023, the URA had issued 24 media reports across numerous media outlets (refer to **Annex 4**) and made two appearances on radio and television. Increasingly publicizing the result of enforcement activities should act as a deterrent to taxpayers. This performance was rated as fair.

Challenge

Inadequate funding to adequately equip the science laboratories and conduct the necessary trainings.

Conclusion

The overall performance of the objective, - *Tax investigations and enforcement*, was rated as fair concerning the three interventions assessed. The number of forensic tax investigations completed is increasing, the Automatic Exchange of Information Bill was drafted to combat international tax evasion, and URA continued to publicize the results of enforcement initiatives as a deterrent measure. However, there was inadequate funding for the scientific labs. In addition, information for the remaining two interventions that contribute to the objective should be provided to the monitoring team.

Recommendation

The MFPED should allocate funds to address the unfunded priorities within the scientific laboratories at URA.

DISPUTE RESOLUTION

Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and receive a fair hearing on time. In Uganda, this process is enshrined in the legal framework and taxpayers can dispute: (i) the accuracy of the facts used by the auditor, (ii) the correctness of the interpretation of the tax law, and (iii) the amount of penalties imposed by URA. This objective is assessed through the following intervention:

3.3.22: Facilitate Tax Appeals Tribunal (TAT) to expeditiously deal with cases by increasing staff training and numbers

The DRMS intended to see the TAT properly resourced, specifically requiring the Chairperson of TAT to be appointed as a full-time position, as well as extending the terms of services of TAT members to enable them to gain the necessary experience and contribute meaningfully. It also sought to have its staffing levels, financial resources, equipment infrastructure and training budget enhanced, requiring that the same principle used to provide a budget to URA be extended to TAT and increase its presence and accessibility to taxpayers across the country.

The intervention is assessed through one indicator which was tracked and the following performance was noted:

1. **No. of tax objections and appeals**

The indicator aims to monitor the implementation of the DRMS interventions relating to the tax dispute resolution process within URA and the Tax Appeals Tribunal.

In FY 2022/23, the number of new tax disputes lodged to TAT reduced by 8.2% from FY 2021/22. Cases lodged at TAT were impacted by the introduction of the Alternative Dispute Resolution (ADR) as an administrative measure at URA. The ADR Unit was established on 22nd July 2022 and in FY 2022/23, a total of 865 DT cases and 302 legal cases were completed under ADR with tax recovered amounting to Ug shs 31.67bn and Ug shs 11.51bn respectively (Table 3.46).

The number of disputes resolved within FY 2022/23 from the total stock increased by over 100% from 65 in FY 2021/22 to 227. However, the proportion of tax disputes resolved within six months of lodging the case reduced to 40% from 74% in FY 2021/22 and the proportion of cases escalated to the high court increased from 12 to 38, over the same period. This implies inefficiencies within and a lack of confidence in TAT.

The Tax Appeals Tribunal is still understaffed with only three lawyers out of the desired seven, and two accountants out of the three desired. They also require records officers and transcribers to work in the registry and courts, as well as additional internal auditors to assist the accountants. This level of understaffing is affecting their ability to swiftly conclude cases. In addition, the Chairperson of TAT is not appointed to a full-time position as per requirement of the DRMS and the terms of services of the TAT members have not been extended to enable them to gain the necessary experience and contribute meaningfully. Performance was therefore rated as **poor.**

Table 3.46: Tax disputes resolution process indicators FY2021/22 – FY2022/23

Tax disputes sub-indicators	FY 2021/22	FY 2022/23
1. No. of outstanding tax disputes (excluding new cases)	53	242
2. Tax value of outstanding tax disputes (TAT) (Ug shs bn)	239.87	451.05
3. No. of new tax disputes lodged to TAT	243	223
4. Tax value of new tax disputes lodged to TAT (Ug shs bn)	235.25	290.71
5. No. of tax disputes resolved	65	227
6. Value of tax disputes resolved	5%	339.96
7. Proportion of tax disputes resolved within 6 months of lodging the case	74%	40%
8. Proportion of TAT cases escalated to the High Court	12	38
9. Tax value of cases escalated to the High Court	133.81	152.76

Source: TAT

Challenges

1. The TAT is underfunded which is impacting its performance negatively.
2. Inadequate office space to enable TAT to efficiently enact their mandate i.e. library, courtrooms, fully furnished registry, and IT equipment to digitalize the different processes.

Conclusion

The overall performance was rated as fair, as the intervention that contributes to the objective - *Dispute resolution*, did not perform as expected. Although the number of cases resolved increased, thereby improving the stock, the proportion resolved within six months decreased. This implies that the pace of case resolution is not keeping up with the pace of new cases lodged, rendering progress minimal. Delays in resolving cases impact severely Uganda's competitiveness, as it increases the cost of production and render our goods and services uncompetitive.

Recommendation

The MFPED should increase the budget allocations to TAT to enable it to handle its mandate effectively and efficiently.

PROCESSING OF TAX REFUNDS

In line with best practice, the DRMS requires all refund claims to be subjected to automatic risk assessment and review by a URA officer. Claims that are considered suspicious are subjected to a pre-refund audit, while credible cases receive lighter checks. This objective is measured through one intervention as follows:

3.3.23: Develop a plan to streamline the management of offsets and refunds, including automatic cross-matching of taxpayer declarations

The intervention requires: (1) Transparency in offset and refund management, which would be enhanced by improving online access to information about the amount and status of refunds due, (2) Use of big data to control compliance and management of tax refunds, (3) e-Tax inter-module integration and effective eTax-Automated System for Customs Data (ASYCUDA) interfacing to improve the effectiveness of refund processing. This intervention is assessed through one indicator**:**

1. **No. (and value) of tax refunds**

The indicator monitors URA's efforts towards managing tax refunds in a way that does not narrow the revenue base.

The number of approved tax refund claims (of the claims received in FY2022/23) increased by 20% and the value by 3.8% from FY 2021/22 (Table 3.47). Comparatively, the proportion of refund claims processed timeously (within 30 days) increased by 16.7 percentage points, indicative of an improvement in turnaround time from the previous FY (2021/22), almost proportionate to the increase in the number and value of refund claims. The turnaround time has improved by 40 percentage points from the baseline year. A reduction in the refund processing time limits the potential for fraud and leakages and gives the impression that the refund system is robust.

The turnaround time was affected by lengthy audits, delays in the submission of additional documentation by taxpayers to support the audit process, pending objection applications and delays in TAT rulings. Performance was rated as **fair.**

Table 3.47: Tax Refunds FY 2019/20, 2021/22, and FY 2022/23

Tax disputes sub-indicators	Baseline FY 2019/20	FY 2021/22	FY 2022/23
A. Tax refunds			
1. No. of tax refund claims	3,992	4,049	4,704
2. Value of tax refund claims (Ug shs bn)	817.07	656.71	1,066.73
3. No. of refund claims approved	1,453	2,161	2,600
4. Value of refund claims approved Ug shs bn)	202.55	520.86	540.88
5. No. of refund claims audited	1,530	2,495	4,290
6. Value of refund claims audited (Ug shs bn)	582.44	625.02	879.58
7. No. of tax refund claims disallowed	77	334	1,690
8. No. of tax refund claims disallowed as % of total claims received	1.93%	8.25%	35.93%
9. No. of tax refunds paid	684	1,913	2,733
10. Value of tax refunds paid (Ug shs bn)	58.86	309.76	495.72
11. Proportion of refund claims processed timeously (within 30 days)	11%	35.00%	51.68%

Source: URA Database

Conclusion

Overall performance was rated as fair, as the intervention that contributes to the objective - *Tax refunds,* was fairly attained. Whilst the number and value of approved tax refund claims and offsets have consistently grown, the turnaround time for processing refunds has improved. However, the DRMS required that a plan be developed to streamline the management of offsets and refunds and this was not done.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1: Conclusion

The DRMS through the interventions, was projected to result in a 0.5 percentage point growth per annum in the tax-to-GDP ratio, assuming limited reform to the tax system, some improvement in compliance, and no adverse shocks. On this trajectory, Uganda is expected to reach the 16%-18% tax-to-GDP target by FY2023/24.

However, the prospect of meeting the DRMS target by FY2023/24 is fading due to a combination of delayed conclusions of tax policy reforms, a growing untapped informal sector, and limited leveraging of digital systems and third-party data. In addition, a lack of ownership and engagement by key stakeholders responsible for the implementation of critical interventions has also affected the DRMS' performance.

Tax Policy

The DRMS implementation is not fully on track, most of the aspirations especially policy initiatives are yet to be met. For instance, changes to tax laws in respect of VAT and excise duties, and renegotiations concerning over-generous treaty provisions need to be fast-tracked to conclusion for effective turnaround of policy interventions. Additionally, for government plans to be funded, it is crucial to improve domestic resource mobilization. The performance for the FY 2022/23 indicates that there remain huge opportunities in the DRMS that have not been exploited. Adopting a strict regime for incentives and exemptions would give a full analysis of the impact of exemptions and incentives.

Other glaring areas include the removal of certain VAT exemptions, restricting the deemed VAT regime to only the extractives sector, charging optimum taxes/considering minimum lower tax rate and strengthening oversight for non-tax revenues. Furthermore, revenues from local governments, the extractives sector, and the digital economy have a great growth potential therefore interventions should be strengthened.

More pragmatic policies would be required to tackle the informal sector including the transport sector. In addition, there is a need to strengthen areas of international tax rules to realize better returns from foreign firms that currently effectively contribute 19% less than local firms. Others would require reviews to exemptions of certain incomes for some categories of citizens.

Additionally, the capacities of the TPD to conduct the necessary research, analysis and impact assessments were inadequate. The expected high-quality and regular reports and information from research conducted to assess the impacts of policies that are essential outputs of the TPD were not readily available.

Tax Administration

The tax-to-GDP ratio improved from 13% (in FY 2021/22) to 13.68% in FY2022/23, resulting in a revenue growth of 16%. This was attributed to the implementation of some strategic administrative measures and initiatives geared towards enhancing compliance, such as the development and use of strategic electronic systems (i.e. e-LogRev, e-tax, and ASYCUDA), improved arrears management, increased engagements with the taxpayers regarding compliance, use of the mobile offices, procurement of office space across the country, deliberate compliance engagements with the taxpayers, use of alternative dispute resolution and increased tax investigations.

On the other hand, there were minimal efforts geared towards widening the tax base during the financial year. Most notable is the underutilisation of third-party data which has been hampered by a lack of data-sharing platforms and necessary legislation. Thus, while the total number of new taxpayers registered had increased by 5%, only (4%) were obtained through data from various external sources. This was a sharp decline (38%) from the previous financial year.

In addition, URA lacks key strategies to support the optimal use of data – these include the medium-term ICT strategy, data quality improvement strategy, and the data skills development plan. Addressing these challenges is crucial to improving voluntary tax compliance, as well as the ability to detect tax evasion.

4.2: Key Challenges

1. The continued delays in the completion of necessary legislative changes are affecting the timely unlocking of the anticipated gains from the interventions, for example, laws affecting VAT, weak international tax rules, taxation of online businesses, and environmental taxes are incomplete.
2. The TPD is involved in a wide range of policy issues, but inadequate skills impact the level of analysis undertaken.
3. Inadequate funding to enable the TPD and URA to fully execute their mandate and expanded scope envisaged in the DRMS interventions.
4. A significant stock of total tax arrears, indicative of an increased risk of potential revenue loss.
5. Limited access to relevant data impacts the level of modelling purposes. While it is important to honour taxpayer confidentiality protocols, TPD and the URA should be able to easily access the relevant data to ensure their successful operation.
6. Limited options in tackling the large informal sector result in non-declaration of incomes by a large section of potential taxable sources, thus limiting the income tax yield.
7. Lack of an official taxpayer's ombudsman. There is no credible and dedicated avenue for taxpayers to address administrative complaints, beyond corruption or assessment reviews.

4.3 Recommendations

1. The MFPED-TPD and the Parliament should urgently conclude the drafting, discussion and passing of the necessary tax laws impacting the DRMS.
2. The MFPED-TPD should expedite revisions to unfavourable provisions of key double tax agreements and other treaties including the one with Netherlands and Mauritius.
3. The MFPED-TPD budgets should prioritize the allocation of resources in building capacity to support policy development and implementation.
4. The MFPED should increase funding to URA to enable them to fulfil their mandate.
5. The NITA-U and MFPED should insist on facilitating information access, exchange and sharing of data among key entities in the implementation of the DRMS.
6. The URA should further strengthen mechanisms to collate and collaborate existing data sets of taxpayers and citizen information, as well as enhance information sharing inter and intra-country.
7. The URA should explore options that can support revenue recovery without impairing sustainability of the sources such as a more facilitative approach with taxpayers to encourage voluntary compliance and settlement of arrears.
8. The MFPED/DRMS focal unit should urgently review essential interventions in the DRMS and allocate responsibility centres for their implementation and action.

REFERENCES

Budget Monitoring and Accountability Unit, September 2021. Domestic Revenue Mobilization Strategy Monitoring Framework

Joseph O. Okuja, 2019. Domestic and International Taxation in Uganda

Lakuma, P., 2019. Working Paper: Raising the VAT Threshold, Kampala: Economic Policy Research Centre

Lakuma, P., 2018. Uganda's VAT Gap Analysis, Kampala: Economic Policy Research Centre.

Ministry of Finance, Planning and Economic Development, November 2022. Domestic Revenue Mobilization Strategy Annual Monitoring Report FY 2021/22.

Ministry of Finance, Planning and Economic Development, April 2023. Domestic Revenue Mobilization Strategy Semi-Annual Monitoring Report FY 2022/23.

Ministry of Finance, Planning and Economic Development, November 2022. Domestic Revenue Mobilization Strategy 2019/20- 2023/24

Ministry of Finance, Planning and Economic Development, 2018. Result-Based Tax and Non-Tax Revenue Monitoring Framework.

MFPED Budget Speech, FY 2022/23

MFPED Approved Estimates of Revenue and Expenditure, FY 2022/23

MFPED Ministerial Policy Statements (MPS) FY 2022/23

MFPED Quarterly Progress Reports and Work Plans FY 2022/23

National Planning Authority: The third National Development Plan (NDP III)

Sserunjogi, B. and Lakuma, C. P., 2019. Court Actions and Boosting Domestic Revenue Mobilization in Uganda, Kampala: Economic Policy Research Centre

Uganda Revenue Authority, 2022. Semi-Annual Revenue Performance Report FY 2022/23

URA Quarterly Progress Reports and Work Plans FY 2022/23

Uganda Revenue Authority, 2022. Annual Revenue Performance Report FY 2022/23

Uganda Revenue Authority, 2022. Annual Revenue Performance Report FY 2021/22

Uganda Revenue Authority Database, July 2022 – January 2023

Uganda Revenue Authority, September 2018. Institutional Assessment Report

Uganda TADAT Performance Assessment Report February 2019

ANNEXES

Annex 1: Value and proportion (%) of exempt supplies by type of supply

Type of zero-rated supplies	Baseline FY2019/20 (Ug Shs bn)		FY 2021/22 (Ug Shs bn)		FY 2022/23 (Ug Shs bn)[18]	
Unprocessed foodstuffs, agricultural products, and livestock	277.69	1.84%	446.71	1.96%	113.02	1.28%
Postage stamps	204.18	1.35%	0.65	0.0028%	0.64	0.01%
Financial and insurance services	2549.19	16.9%	3,767.83	16.54%	1,223.58	13.81%
Education services	12.96	0.09%	25.13	0.11%	7.37	0.08%
Veterinary, medical, dental, and nursing services	1048.15	6.95%	993.59	4.36%	306.65	3.46%
Social welfare services	1.37	0.01%	2.17	0.01%	1.26	0.01%
Betting, lotteries, and games of chance	8.58	0.06%	5.89	0.03%	6.42	0.07%
Passenger transportation services, except travel and tour operators	20.3	0.13%	12.98	0.06%	7.64	0.09%
Petroleum fuels subject to excise duty	10233.96	67.85%	16,639.51	73.03%	6,724.24	75.88%
Dental, medical, and veterinary equipment	181.82	1.21%	310.77	1.36%	233.05	2.63%
Animal feeds and premixes	372.03	2.47%	375.52	1.65%	192.74	2.17%
Machinery, tools, and implements suitable for use only in agriculture	39.76	0.26%	50.16	0.22%	14.07	0.16%
Crop extension services	21.57	0.14%	13.28	0.06%	4.91	0.06%
Irrigation works, sprinklers and ready-to-use drip lines	24.01	0.16%	32.33	0.14%	14.07	0.16%
Deep cycle batteries, composite lanterns,	0.06	0.00%	0.29	0.0013%	0.30	0.00%

[18] Performance for at half Year (2022/23) was maintained at 30th June 2023 as there were no updates made by the URA.

Type of zero-rated supplies	Baseline FY2019/20 (Ug Shs bn)		FY 2021/22 (Ug Shs bn)		FY 2022/23 (Ug Shs bn)[18]	
and raw materials for their manufacture						
Photosensitive semiconductor devices, light emitting diodes, solar water heaters, solar refrigerators, and solar cookers	71.08	0.47%	70.41	0.31%	0.99	0.01%
Lifejackets, life-saving gear, headgear, and speed governors	7.9	0.05%	8.64	0.04%	5.17	0.06%
Bibles, Qur'ans, and textbooks	9.11	0.06%	28.24	0.12%	5.98	0.07%
TOTAL	15,083.79	100%	22,784.09	100%	8,862.10	100%

Annex 2: Effective Protection Rates (EPR) FY's 2019/20, 2020/21, 2021/22, 2022/23

Chapter Description	Effective Duty Rate			
	2019/20 (baseline)	2020/21	2021/22	2022/23
01-LIVE ANIMALS	0.9%	1.4%	2.2%	2.6%
02-MEAT AND EDIBLE MEAT OFFAL	23.4%	22.6%	20.1%	14.7%
03-FISH and CRUSTACEAN, MOLLUSC and OTHER AQUATIC INVERTEBRATE	1.1%	1.4%	4.1%	16.0%
04-DAIRY PROD; BIRDS' EGGS; NATURAL HONEY; EDIBLE PROD NES	49.5%	22.4%	19.4%	33.4%
05-PRODUCTS OF ANIMAL ORIGIN, NES OR INCLUDED	0.8%	3.2%	0.9%	3.9%
06-LIVE TREE and OTHER PLANT; BULB, ROOT; CUT FLOWERS ETC	0.6%	0.3%	0.4%	2.5%
07-EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	4.3%	5.3%	4.4%	5.2%
08-EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUIT OR MELONS	18.6%	15.6%	20.0%	22.2%
09-COFFEE, TEA, MATE AND SPICES	29.1%	6.7%	25.5%	26.9%
10-CEREALS	22.4%	14.2%	14.1%	23.7%
11-PROD MILL INDUST; MALT; STARCHES; INSULIN; WHEAT GLUTEN	7.2%	25.1%	30.0%	31.5%
12-OIL SEED, OLEAGI FRUITS; MISCELL GRAIN, SEED, FRUIT ETC	1.8%	0.1%	0.2%	1.8%
13-LAC; GUMS, RESINS and OTHER VEGETABLE SAPS and EXTRACTS	21.9%	18.1%	19.3%	18.5%
14-VEGETABLE PLAITING MATERIALS; VEGETABLE PRODUCTS	36.8%	35.6%	36.8%	31.3%

Chapter Description	Effective Duty Rate			
	2019/20 (baseline)	2020/21	2021/22	2022/23
15-ANIMAL/VEG FATS and OIL and THEIR CLEAVAGE PRODUCTS; ETC	17.5%	18.2%	29.6%	29.1%
16-PREP OF MEAT, FISH OR CRUSTACEANS, MOLLUSCS ETC	20.6%	19.0%	11.0%	12.0%
17-SUGARS AND SUGAR CONFECTIONERY	29.2%	28.2%	29.1%	27.2%
18-COCOA AND COCOA PREPARATIONS	83.4%	77.5%	57.8%	59.9%
19-PREP OF CEREAL, FLOUR, STARCH/MILK; PASTRYCOOKS' PROD	37.9%	28.2%	33.2%	29.1%
20-PREP OF VEGETABLE, FRUIT, NUTS OR OTHER PARTS OF PLANTS	43.6%	37.1%	33.0%	45.5%
21-MISCELLANEOUS EDIBLE PREPARATIONS	24.3%	24.0%	24.7%	28.0%
22-BEVERAGES, SPIRITS AND VINEGAR	122.6%	127.6%	59.8%	123.0%
23-RESIDUES and WASTE FROM THE FOOD INDUST; PREPR ANI FODDER	0.7%	1.9%	1.0%	1.4%
24-TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	312.3%	320.7%	342.3%	308.0%
25-SALT; SULPHUR; EARTH and STON; PLASTERING MAT; LIME and CEM	23.1%	8.3%	20.5%	21.4%
26-ORES, SLAG AND ASH	17.4%	18.3%	17.7%	15.2%
27-MINERAL FUELS, OILS and PRODUCT OF THEIR DISTILLATION; ETC	24.7%	48.7%	48.1%	20.2%
28-INORGN CHEM; COMPDS OF PREC MET, RADIOACTIVE ELEMENTS ETC	18.6%	18.0%	17.2%	17.7%
29-ORGANIC CHEMICALS	9.7%	8.7%	10.1%	10.5%
30-PHARMACEUTICAL PRODUCTS	0.1%	0.2%	0.1%	0.1%
31-FERTILISERS	1.1%	0.8%	0.1%	0.2%
32-TANNING/DYEING EXTRACT; TANNINS and DERIVS; PIGM ETC	21.4%	24.6%	24.3%	20.0%
33-ESSENTIAL OILS and RESINOIDS; PERF, COSMETIC/TOILET PREP	31.5%	29.7%	30.2%	28.0%
34-SOAP, ORGANIC SURFACE-ACTIVE AGENTS, WASHING PREP, ETC	29.2%	32.0%	31.7%	31.9%
35-ALBUMINOIDAL SUBS; MODIFIED STARCHES; GLUES; ENZYMES	29.6%	28.6%	30.7%	27.2%
36-EXPLOSIVES; PYROTECHNIC PROD; MATCHES; PYRO ALLOY; ETC	6.7%	7.6%	2.2%	5.0%
37-PHOTOGRAPHIC OR CINEMATOGRAPHIC GOODS	27.8%	23.6%	21.4%	23.1%
38-MISCELLANEOUS CHEMICAL PRODUCTS	2.5%	4.3%	4.6%	5.6%
39-PLASTICS AND ARTICLES THEREOF	20.6%	20.3%	24.6%	24.0%
40-RUBBER AND ARTICLES THEREOF	30.2%	26.3%	29.2%	29.5%
41-RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	18.0%	18.6%	18.6%	2.9%
42-ARTICLES OF LEATHER; SADDLERY/HARNESS; TRAVEL GOODS ETC	47.7%	46.1%	53.3%	53.0%
43-FURSKINS AND ARTIFICIAL FUR; MANUFACTURES THEREOF	31.2%	51.8%	53.5%	52.2%

Chapter Description	Effective Duty Rate			
	2019/20 (baseline)	2020/21	2021/22	2022/23
44-WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	40.4%	36.9%	37.3%	40.1%
45-CORK AND ARTICLES OF CORK	27.5%	21.1%	16.4%	18.0%
46-MANUFACTURES OS STRAW, ESPARTO/OTHER PLAITING MAT; ETC	14.8%	22.5%	38.0%	39.4%
47-PULP OF WOOD/OF OTHER FIBROUS CELLULOSIC MAT; WASTE ETC	19.0%	18.7%	19.0%	18.2%
48-PAPER and PAPERBOARD; ART OF PAPER PULP, PAPER/PAPERBOARD	25.0%	25.1%	23.8%	23.4%
49-PRINTED BOOKS, NEWSPAPERS, PICTURES and OTHER PRODUCT ETC	4.2%	8.0%	11.6%	19.6%
50-SILK	57.4%	66.7%	36.7%	34.1%
51-WOOL, FINE/COARSE ANIMAL HAIR, HORSEHAIR YARN and FABRIC	47.1%	41.3%	55.1%	58.9%
52-COTTON	41.0%	31.3%	11.9%	17.3%
53-OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN and WOVEN FAB	3.1%	7.1%	3.6%	25.7%
54-MAN-MADE FILAMENTS; STRIP AND THE LIKE OF MAN-MADE TEXTILE MATERIALS	22.4%	23.9%	24.9%	12.1%
55-MAN-MADE STAPLE FIBRES	33.4%	35.9%	35.4%	34.1%
56-WADDING, FELT and NONWOVEN; YARNS; TWINE, CORDAGE, ETC	26.4%	25.1%	27.3%	25.8%
57-CARPETS AND OTHER TEXTILE FLOOR COVERINGS	48.1%	48.9%	47.3%	43.8%
58-SPECIAL WOOVEN FAB; TUFTED TEX-FAB; LACE; TAPESTRIES ETC	45.2%	48.1%	53.7%	45.0%
59-IMPREGNATED, COATED, COVER/LAMINATED TEXTILE FABRIC ETC	24.2%	26.9%	29.5%	29.5%
60-KNITTED OR CROCHETED FABRICS	14.3%	15.2%	15.0%	26.9%
61-ART OF APPAREL and CLOTHING ACCESS, KNITTED OR CROCHETED	52.9%	51.0%	49.7%	67.8%
62-ART OF APPAREL and CLOTHING ACCESS, NOT KNITTED/CROCHETED	51.6%	44.0%	60.1%	51.1%
63-OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHING ETC	45.7%	44.8%	59.3%	45.9%
64-FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	43.4%	45.3%	45.8%	54.8%
65-UMBRELLAS, WALKING-STICKS, SEAT-STICKS, WHIPS, ETC	10.6%	16.1%	19.4%	18.8%
66-UMBRELLAS, WALKING STICKS,WHIPS, RIDING CROPS AND PARTS THEREOF	52.2%	51.3%	48.9%	42.2%
67-PREPR FEATHERS and DOWN; ARTI FLOWER; ARTICLES HUMAN HAIR	51.8%	44.6%	39.6%	41.9%
68-ART OF STONE, PLASTER, CEMENT, ASBESTOS, MICA/SIM MAT	26.7%	33.7%	37.7%	37.1%
69-CERAMIC PRODUCTS	44.5%	44.7%	44.8%	40.4%
70-GLASS AND GLASSWARE	25.1%	27.4%	27.3%	27.9%

Chapter Description	Effective Duty Rate			
	2019/20 (baseline)	2020/21	2021/22	2022/23
71-NATURAL/CULTURED PEARLS, PREC STONES and METALS, COIN ETC	0.0%	0.0%	0.1%	0.1%
72-IRON AND STEEL	17.5%	17.6%	18.3%	16.9%
73-ARTICLES OF IRON AND STEEL	14.3%	20.5%	26.1%	17.6%
74-COPPER AND ARTICLES THEREOF	19.8%	22.3%	21.9%	20.8%
75-NICKEL AND ARTICLES THEREOF	38.2%	39.3%	22.8%	33.2%
76-ALUMINIUM AND ARTICLES THEREOF	12.7%	13.5%	15.7%	21.4%
78-LEAD AND ARTICLES THEREOF	8.3%	29.8%	30.4%	20.1%
79-ZINC AND ARTICLES THEREOF	18.1%	18.1%	18.1%	18.0%
80-TIN AND ARTICLES THEREOF	9.5%	5.8%	10.9%	6.1%
81-OTHER BASE METALS; CERMETS; ARTICLES THEREOF	17.5%	18.0%	18.0%	18.1%
82-TOOL, IMPLEMENT, CUTLERY, SPOON and FORK, OF BASE MET ETC	24.8%	24.1%	24.3%	21.0%
83-MISCELLANEOUS ARTICLES OF BASE METAL	39.0%	39.4%	32.4%	38.3%
84-NUCLEAR REACTORS, BOILERS, MCHY and MECH APPLIANCE; PARTS	7.6%	10.2%	12.2%	5.7%
85-ELECTRICAL MCHY EQUIP PARTS THEREOF; SOUND RECORDER ETC	16.8%	23.3%	20.8%	19.5%
86-RAILW/TRAMW LOCOM, ROLLING-STOCK and PARTS THEREOF; ETC	11.7%	5.5%	0.6%	9.5%
87-VEHICLES O/T RAILW/TRANW ROOL-STOCK, PTS and ACCESSORIES	46.7%	38.7%	42.5%	49.7%
88-AIRCRAFT, SPACECRAFT, AND PARTS OF	0.0%	0.0%	0.0%	0.0%
89-SHIPS, BOATS AND FLOATING STRUCTURES	8.0%	1.8%	2.6%	0.5%
90-OPTICAL, PHOTO, CINE, MEAS, CHECKING, PRECISION, ETC	5.8%	3.0%	0.8%	1.8%
91-CLOCKS AND WATCHES AND PARTS THEREOF	54.2%	53.3%	51.9%	54.6%
92-MUSICAL INSTRUMENTS; PARTS AND ACCESS OF SUCH ARTICLES	37.8%	35.4%	35.8%	34.6%
93-ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF	0.2%	0.0%	0.1%	0.5%
94-FURNITURE; BEDDING, MATTRESS, MATT SUPPORT, CUSHION ETC	40.1%	40.7%	39.1%	29.6%
95-TOYS, GAMES and SPORTS REQUISITES; PARTS and ACCESS THEREOF	50.3%	48.3%	51.6%	54.0%
96-MISCELLANEOUS MANUFACTURED ARTICLES	19.1%	16.7%	16.7%	18.5%
97-WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES	33.4%	38.7%	29.6%	9.8%
Not categorized	15.4%	22.1%	28.7%	39.0%
Total	**17.3%**	**18.5%**	**24.1%**	**34.4%**

Source: URA Database

Annex 3: Uncollected Tax to Target (FY 2021/22 and FY 2022/23)

Revenue source	Yr1 (2021-2022)				FY YR2 (2022-23)			
	Estimated revenue target	Revenue collected	Uncollected Tax	%tax revenue target unexploited	Estimated revenue target	Revenue collected	Uncollected Tax	%tax revenue target unexploited
Direct domestic taxes								
➢ PAYE	3,193.45	3,634.26	(440.81)	-14%	3,793.68	4,454.20	(660.52)	-17.41%
➢ Corporate Tax	1,747.42	1,635.86	111.56	6%	1,838.22	2,077.03	(238.81)	-12.99%
➢ Rental tax	341.07	156.10	184.96	54%	171.09	215.10	(44.02)	-25.73%
➢ Presumptive taxes	37.96	7.46	30.50	80%	12.70	14.38	(1.68)	-13.26%
➢ Withholding Tax	1,298.52	1,177.41	121.10	9%	1,477.53	1,330.81	146.71	9.93%
➢ Tax on Bank Interest (w/o BoU)	92.60	96.90	(4.31)	-5%	109.36	125.49	(16.12)	-14.74%
➢ Treasury Bills (BoU)	565.54	551.35	14.20	3%	643.51	586.54	56.96	8.85%
➢ Casino Tax	31.01	53.68	(22.67)	-73%	35.28	75.75	(40.46)	-114.69%
➢ Other	106.29	62.61	43.68	41%	151.44	78.12	73.32	48.42%
Indirect domestic taxes								
➢ Excise duty	1,873.37	1,646.70	226.67	12%	2,114.63	1,920.66	193.96	9.17%
➢ VAT	3,816.13	3,295.90	520.23	14%	4,319.21	3,959.63	359.58	8.33%
International trade								
➢ Petroleum duty	2,617.25	2,686.27	(69.02)	-3%	2,978.06	2,825.17	152.89	5.13%
➢ Import duty	1,676.49	1,557.12	119.37	7%	1,707.60	1,982.77	(275.17)	-16.11%
➢ Excise duty	261.05	268.69	(7.64)	-3%	323.54	268.19	55.35	17.11%
➢ VAT on imports	2,850.70	3,291.64	(440.93)	-15%	3,688.69	3,527.12	161.57	4.38%
➢ Withholding tax on imports	201.23	167.78	33.45	17%	228.97	205.18	23.79	10.39%
➢ Surcharge on Imports	238.21	257.21	(19.00)	-8%	271.04	256.12	14.93	5.51%
➢ Temporary Road Licenses	97.40	78.80	18.59	19%	110.82	123.48	(12.66)	-11.42%
➢ Infrastructure levy	120.45	114.31	6.14	5%	137.06	117.96	19.10	13.93%
➢ Export levy	77.70	12.41	65.30	84%	16.92	20.67	(3.75)	-22.17%
Non-Tax Revenue								
➢ Motor vehicle fees (Traffic Act)	145.14	131.47	13.66	9%	164.00	131.44	32.56	19.85%
➢ Drivers Permits	61.50	70.05	(8.55)	-14%	67.87	77.08	(9.21)	-13.57%

Revenue source	Yr1 (2021-2022)				FY YR2 (2022-23)			
	Estimated revenue target	Revenue collected	Uncollected Tax	%tax revenue target unexploited	Estimated revenue target	Revenue collected	Uncollected Tax	%tax revenue target unexploited
➢ **Passport Fees**	**62.50**	**116.15**	(53.65)	-86%	**55.30**	**92.23**	(36.93)	-66.77%
➢ **Migration Fees**	**153.40**	**189.87**	(36.47)	-24%	**160.81**	**248.73**	(87.92)	-54.67%
➢ **Land Transfer Fees**	**5.26**	**4.57**	0.69	13%	**14.53**	**4.94**	9.59	65.98%
➢ **Transport Regulation Fees**	**8.99**	**7.43**	1.56	17%	**13.34**	**7.98**	5.36	40.15%
➢ **Company Regulation Fees**	**0.40**	**0.18**	0.22	55%	**0.40**	**0.22**	0.18	45.47%
➢ **High Court Fees**	**10.58**	**12.48**	(1.90)	-18%	**6.30**	**16.03**	(9.73)	-154.43%
➢ **Mining Fees and Royalties**	**14.12**	**11.26**	2.86	20%	**19.12**	**13.14**	5.98	31.30%
➢ **Uganda Reg Services Bureau**	**46.56**	**57.05**	(10.48)	-23%	**69.66**	**67.76**	1.90	2.73%
➢ **Occupational Safety and Health (Gender)**	**9.39**	**12.97**	(3.58)	-38%	**12.39**	**69.66**	67.76	546.86%
➢ **Other NTR (MDAs)**	**968.73**	**618.86**	349.87	36%	**812.99**	**746.86**	14.23	1.75%
➢ **Stamp Duty and Embossing Fees**	**72.22**	**113.26**	(41.04)	-57%	**125.17**	**111.63**	802.10	640.81%
Summary								
Direct domestic taxes	**7,413.85**	**7,375.64**	**38.22**	**1%**	**8,232.80**	**8,957.42**	**(724.62)**	**-8.80%**
Indirect domestic taxes	**5,689.50**	**4,942.60**	**746.90**	**13%**	**6,433.83**	**5,880.29**	**553.54**	**8.60%**
International trade taxes	**8,140.49**	**8,434.23**	**(293.74)**	**-4%**	**9,462.70**	**9,326.64**	**136.05**	**1.44%**
NTRs	**1,558.78**	**1,345.60**	**213.18**	**14%**	**1,521.88**	**1,587.69**	**(65.81)**	**-4.32%**
Total	**22,802.61**	**22,098.06**	**704.55**	**3%**	**25,651.21**	**25,752.05**	**(100.84)**	**-0.39%**

Annex 4: Media Reports on results of URA tax enforcement initiatives

SOURCE	ACTIVITY DATE	MEDIA HOUSE	PROOF OF RUN
NEWS	28th July 2022	URA nabs smuggler masquerading as UPDF officer(https://businessfocus.co.ug	Business Focus (28th July
NEWS	24th July 2022	URA pledges more support to support women in Cross-border trade	Chimpreports (24th July 2022
Press Conference	July 27th 2022	Handover of 7,421kgs of ivory and other items to UWA	https://businessfocus.co.ug/uras-customs-department-hits-ground-running-in-shs-9.7-trillion-target-recovers-shs-2-8-billion-in-smuggled-goods/
			https://walletnews.com/ura-recovered-ugx82b-in-fy2021-22-in-nforcement-operations-nkwasire/
			https://youtu.be/_wRHBliVm44
Press Conference	August 9th 2022		https://wallnetnews.com/ura-hands-over-of-7421-of-ivory-and -other-items-to-uganda-wildlife-authority/
			https://businessfocus.co.ug/ura-hands-over-7421kgs-of-ivory-other-items-to-uganda-wildlfie-authority/
			https://joripress.com/ura-hands-over-7421-kgs-of-ivory-and-other-seized-illicit-items-to-uganda-wildlife-auhoriy-for-disposal
			https://youtu.be/FOGyqrwLaf0(Ebisolo byomunsiko)
			https://youtu.be/ZvwbWqErUwA(Okukukusa Amasanga G'ensolo)
			https://mulengeranews.com/ura-uwa-patnership-pays-off-as-tons-of-ivory-pangoli-ets-get-recovered
			Ab'omusolo bakutte Amasanga
			URA handed over illegal wildlife parts (Next Radio)
			URA has handed over an assortment of seized illegal wildlife parks (Radio City)
			URA has handed over illegal wildlife parts (Spice FM)

SOURCE	ACTIVITY DATE	MEDIA HOUSE	PROOF OF RUN
			URA on the smuggled ivory(CBS 1)
			War on poaching (N.V-4th August)
			Smuggling wildlife products (UBC TV)
Press Conference	Wednesday 3rd August 2022	UDB Business Development Capacity building Launch Pressor	https://youtu.be/7qHDpU20K1M
			(*Okuyamba Abaliko Kyebekoledde Bannabizinesni Basabiddwa okuzi----*
			Tax Obligations for SMEs

Annex 5: Status of DRMS Tax Administration Interventions

Status of Implementation of Key Tax Administration Interventions in the DRMS

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
Objective 1: Governance					
1.	Review the URA structure and consider reorganisation to promote integration	2020/21	Managerial Effectiveness Index	H	Annual survey required but not assigned. This intervention is pending and long overdue
2.	Expand the range of measures for assessing URA's performance to reduce reliance on collection targets	2020/21	Tax collection to target	H	The uncollected tax to target has improved to -0.4% in FY 2022/23 from 11% in FY 2019/20 (baseline). In addition, collections have increased by 31%. Over the same period.
			Growth in active taxpayer population	H	There has been a 40% growth in the active Tax payer population from the baseline year of 2020/21
			% filed on-time filing and payment rates.	H	• URA is still unable to provide On-time payment rates. • Filing rates (for WHT, PAYE, VAT, Excise) have declined from the baseline year (2029/20) by 8 percentage points to 72%. • On-time filing rates have improved by 25 percentage points to 91%.
			Proportion of tax arrears collected	H	Although the total arrears stock has increased by 49% from the baseline year (2019/120), the Arrears collected as % of total arrears has also increased by 20 percentage points over the same

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
					period. This implies that the collection effort is growing. (Also note within the same year the MFPED wrote off tax arrears for different taxpayers for domestic and customs taxes amounting to Ug shs 809.73 bn)
			Tax effort	H	Not Assessed
3.	Strengthen the oversight function of the URA Board and the Minister	2020/21	Proportion of URA Board resolutions implemented by URA. No. of formal meetings between the URA Board and Minister of Finance	H	Not Assessed
4.	Separate Internal Audit and Staff Compliance functions to enhance dedicated attention given to corruption and staff integrity issues	2021/22	Public perceptions of corruption among tax officials (% respondents saying "most" or "all" of tax officials are corrupt) The proportion of URA job applicants that passed the ethics test.	M	The internal Audit and staff compliance functions have been separated. However, indicator data has never been provided to enable tracking of outcomes.
5.	Establish a separate Taxpayers' Ombudsman to investigate service-related complaints	2021-23	No. of taxpayer complaints received relating to mistakes, omissions, and oversights in tax administration, undue delays, poor or misleading information, unfair treatment, and staff behaviour at URA.	H	A separate Taxpayers' Ombudsman has not been established. Indicator data is not available.
Objective 2: Lifting the Human Resource Capacity at URA					
6.	Conduct an independent staffing review	2020/21	Taxpayer/technical staff ratio by tax group	H	The ratio of taxpayers to technical staff has increased from 1:67607 in the baseline year (2019/20) to 1: 109077. This is despite an increase in technical staff by 36% from the baseline.
			Revenue per URA staff (by tax group)	H	Revenue per capita has increased by 2 percentage points from the baseline year (2019/20).
7.	Complement a comprehensive training strategy and develop a URA tax training academy	2021-2023	Proportion of technical staff that completed basic training in taxation.	H	The proportion of technical staff that completed basic training in taxation has increased by 16 percentage points from the baseline year (2020/21).
8.	Review the URA performance management and reward system	2021-2023	Staff attrition rate	M	The staff attrition rate has declined by 4 percentage points from the baseline year (2019/20).

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
Objective 3: Data Management and Analytics					
9.	Prioritise a data quality improvement strategy and develop processes to maintain data quality	2021/22	Percentage of data records that are complete.	**H**	Not Assessed; Progress could not be tracked due to the unavailability of data
10.	Empower URA to access relevant third-party data	2021/22	PAYE filers as a % of total NSSF contributors employers	M	Data scarcely availed. This intervention is pending and long overdue. There are MoUs in place but the data sharing is not at the level as intended by the DRMS.
			Active TINs (rental income tax) as % of active NWSC non-domestic clients		
			Active TINs (income tax) as % of active UMEME commercial clients		
			Active TINs as % of potential taxpayers identified from overall third-party data		
11.	Develop a cross-government policy framework for data sharing and management	2021/22	No. of forced taxpayer registrations made in a fiscal year	**H**	Not assessed progress could not be tracked as data was not available for quantitative analysis.
12.	Create a formal data skills development plan	2021-2023	Proportion of staff trained in data analytics	**M**	No formal data plan is in place and the proportion of staff trained in data analytics has declined by 2 percentage points from the previous financial year (there is no baseline data available).
Objective 4: Information, Communication, and Technology Infrastructure.					
13.	Design and implement a medium-term ICT strategy	2021/22	Percentage of URA internal ICT-related key performance indicators achieved.	**H**	Not on track. There was no ICT strategy with verifiable indicators in place. We have had no response on this indicator for the past 3 years.
14.	Review options available and based on a proper assessment of costs, benefits, and needs, upgrade or invest in a new eTax system	2021/22	Development of etax2 is underway.	**H**	Ongoing.
15	Standardise key government systems to improve integration	2021-2024	To be determined	**H**	Indicator not developed yet is a high priority. However NITA-U has developed a data sharing and integration platform and by the end of FY 2022/23, this platform had been rolled out to forty-three (43) public and private entities.
Objective 5: Taxpayer Registration					

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
16	Regularly detect and de-register "ghost" taxpayers to cleanse the taxpayer register	2021-2024	1. Number of new taxpayer registration 2. % reductions in duplicate TINs, taxpayer profiles cleaned 3. %age of revenue collected against the target	M	There has been an effort to deregister inactive Taxpayers within the select functional areas (Income Tax, VAT and Excise duty) This has improved by 5 percentage points from the baseline year (2020/21).
17	Expand the use of the biometric National ID for registration	2021/22	Percentage of personal TINs linked to NINs.	H	This only became a requirement in January of 2022. No data was provided in FY 2022/23.
18	Improve URA access to external data to identify potential taxpayers	2021/22	No. of new potential taxpayers identified and registered from external data(NSSF, NWSC, UMEME)	H	Not on track. Although the number of new taxpayers identified has increased slightly from the baseline year, the percentage share of those identified through external data is low and has declined by 88% from last FY (no baseline data available).
19	Adopt a simple and fully online registration system for those with internet access	2021-2023		M	On track. A simple online registration system for taxpayers was completed in December 2021 and is in use.
20	Enforce registration as a qualifying requirement for professions and key trades	2021/22	No. of forced or amended registrations effected.	H	Not on Track. URA doesn't collect data on forced registrations.
21	Promote political messaging supportive of a "civic duty to register	2020/21	Voluntary registrations as % of new registrations	H	Information for FY 2022/23 was not availed though it has been previously tracked.
Objective 6: Taxpayer Education, Services and Communication					
22	Develop and test a taxpayer engagement strategy premised on research and survey analysis	2021-23	Revenue-related strategies adopted from feedback from tax education and compliance campaigns as a percent of total revenue-related strategies adopted and implemented by URA.	H	Requires a survey and this hasn't been assigned or funded.
23	Produce clear, comprehensive, and easy-to-navigate tax guides for taxpayers	2021-2024	Tax administration competence perceptions index. Tax compliance costs as % of tax paid.	M	Requires a survey and this hasn't been assigned or funded.
24	Make online services more user-friendly and intuitive	2021-2024		M	The indicator requires review to enable assessment. Requires a survey and this hasn't been assigned or funded.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
25	Regularly conduct taxpayer perception surveys	2021-2024	Conduct a survey where sampled taxpayers would be asked the amount of time and money spent on compliance activities (reviewing tax rules, maintaining financial books and other business records for tax purposes, preparing tax records (including money paid to tax advisors), completing and submitting all tax forms, costs incurred while making tax payments).	H	Requires a survey and this hasn't been assigned or funded.
Objective 7: Timely and Accurate Filing					
26	Introduce measures to strengthen the effectiveness of self-assessment	2021/22	Penalties collected for non-filing and late filing of returns. Enforcing strict penalties for non-filing and late filing is one of the measures recommended to strengthen the effectiveness of self-assessment.	M	Not on Track. Value of assessments/payable revenue from penalties for late filing has reduced by 89% from the baseline year of 2019/20 alongside a 24% improvement in on-time filing rates over the same period.
27	Adopt monitoring of inaccurate reporting as part of URA's routine work	2021-2024	Additional revenue identified (and realised) from audit of returns for inaccurate reporting as percent of total tax collected from large taxpayers and high net worth individuals.	H	Indicator needs review. The revenue collected from audits cannot be directly provided as audits issued in one financial year are not typically paid in full within that same year and therefore it's hard to tag time and money for audits.
28	Work more closely with relevant regulators to improve filing compliance	2020/21	No. of taxpayers denied renewal of licences due to failure to meet their tax obligations as percent of the total number of non-filers identified.	H	Indicator needs review. No response from the KCCA. BoU and the Local Governments do not deny licences, instead, they work with them to get all the requirements.
29	Address infrastructure constraints by offering points for connection across the country	2021/22	No. (and percentage) of returns filed through URA-sponsored connection points.	M	Indicator needs review.
Objective 8: Timely Payment					
30	Prioritise strategies to reverse the current arrears and audit trends	2021/22	total tax arrears at the start of the fiscal year	H	Progress noted: Total arrears stock (at the start of the fiscal) has increased by 24% from the baseline year (2019/20). However, tax arrears recovered have increased by 74% over the same period.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
31	Investigate options for enhancing the use of electronic payment methods, including mobile money	2021-2023	To be determined	M	Progress noted: Although payment through Bank counters remains the most popular, there has been an increase in the use of electronic payments, i.e Mobile Banking has increased by 106% in absolute terms.
32	Streamline tax debt collection and improve transparency	2020/21	Tax arrears collected as % of total outstanding tax arrears	H	Progress noted: This has improved by 4 percentage points from the baseline (2019/20).
			Proportion of tax arrears collected through third parties.		Consider reviewing the indicator; URA does not use external tax arrears collectors. They use MOUs, Agency notices and Alternative dispute resolutions.
			Tax arrears written off as percent of uncollectible arrears		Data not availed.
33	Prepare management reports regularly to allow for better-informed tax collection policies	2021-2023	No. of reports on the status of tax arrears discussed by MoFPED top management- policy action taken on the findings in these reports.	H	Consider a review of the indicator.
Objective 9: Audit					
34	Consider the adoption of real-time digital sales and production monitoring systems	2020-2023	Percent increase in average amount of VAT paid by firms- minimize tax evasion through under-declaration of sales, especially VAT supplies	H	Information for this FY (2022/23) not availed.
35	Strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk-targeting, and increasing the number of "mass audits"	2020-2023	Tax audits conducted. (i) No. of tax audits conducted by tax type (ii) Automated audits as % of total tax audits, (iii) Additional tax assessed from audit. (iv) Additional tax assessed from audit of the hospitality sector (v) Audit yield (% of tax assessed from audit that was collected) (vi) No. of lifestyle audits undertaken among risky individuals, and Additional tax assessed from lifestyle audits.	H	Partially on track. All tax audits are automated although the other information was not availed this FY.
36	Bring the entire audit and payment process online	2021/22	(vii) Online tax audits as % of total tax audits conducted	H	This indicator needs to be revised or deleted. All Audits are online.
37	Promote audit process integration	2021-2023	No. of joint tax audits conducted (involving VAT, income taxes, excise taxes and customs)	M	This indicator needs to be revised or deleted. URA doesn't base joint audits on tax heads. It

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
	across taxpayer offices at URA				bases them on the risks identified.
38	include reports on audit activities and outcomes as an integral aspect of reports to MFPED	2021-2024	No. of reports on tax audit activities discussed by MFPED top management.	M	This indicator needs to be revised or deleted.
Objective 10: Investigations and Enforcement					
39	Prioritise information from internal risk assessment indicators when initiating cases	2020/21	No. of tax audit or investigation cases initiated based on information from internal risk assessment indicators	H	This indicator needs to be revised or deleted.
40	Implement the Automatic Exchange of Information and common reporting standards for tax purposes	2020/21	No. of tax evasion cases detected at URA	H	On track. Tax evasion cases detected have increased by 17% from the baseline (2020/21).
			No. of new taxpayers identified through tax investigations		This indicator needs to be revised or deleted.
			Count of Tax Treaties signed		This indicator needs to be revised or deleted.
			Revenue-gained from treaties		This indicator needs to be revised or deleted.
41	Enhance resources to equip scientific laboratories and investigations personnel	2020-2023	No. of forensic tax investigations completed.	H	On track. Investigations have increased by over 100% from the baseline (FY 2020/21).
42	Intensify penalties for non-compliance and increase the number of tax investigations	2020-2023	Tax investigations and related enforcements conducted- (i) No. of tax investigations initiated, (ii) No. of tax investigations completed, (iii) Tax value of tax investigations completed, (iv) Amount of penalties collected for tax non-compliance, (v) No. of cases against which asset seizure was done, (vi) No. of criminal prosecutions initiated relating to tax non-compliance	M	This indicator needs to be revised or deleted. Information not availed for this FY.
43	Publicise the results of enforcement initiatives	2021-2024	No. of media reports on results of URA tax enforcement initiatives.	L	On Track. URA has consistently been publishing and tracking engagement.
Objective 11: Despite Resolution					
44-47	Facilitate TAT to expeditiously deal with cases by increasing staff numbers and training	2021/22	(i) No. of outstanding tax disputes, (ii) Tax value of outstanding tax disputes, (iii) No. (and tax value) of cases lodged at the Objections and Appeals Unit (OAU), (iv) No. (and tax value) of		Not on Track: 1. the No. of outstanding tax disputes (excluding new cases) has increased by over 100% from last FY (2021/22), the proportion of tax disputes resolved within 6 months of lodging the case

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
			cases resolved by the OAU, (v) No. of new tax disputes lodged to TAT, (vi) Value of new tax disputes lodged, (vii) No. of tax disputes resolved, (viii) Value of tax disputes resolved, (ix) Proportion of tax disputes resolved within 6 months of lodging the case, (x) Proportion of TAT cases escalated to the High Court, (xi) Tax value of cases escalated to the High Court, (xii) TAT expenditure as % of net revenue collected by URA, (xiii) TAT Capex as % of total TAT expenditure, (xiv) TAT expenditure on training as % of total TAT expenditure.	H	has reduced by 34 percentage points and the proportion of cases escalated to the high court increased from 12 to 38, over the same period. 2. TAT is still very much underfunded and understaffed.
45	Provide adequate funding for TAT to cover infrastructure and resource constraints	2021/22	No. (and value) of tax objections and appeals	M	The indicator requires review. Mismatch with intervention.
46	improve the perception of OAU and TAT among the public	2021-2024	Proportion of taxpayers that perceive the OAU and TAT to be fair and independent	H	Requires a survey that hasn't been assigned, so no progress is registered.
Objective 12: Processing of Tax Refunds					
47	Develop a plan to streamline the management of offsets and refunds, including automatic cross-matching of taxpayer declaration	2020/21	(i) No. (and value) of tax refunds, (ii) No. (and value) of refunds approved, (iii) No. (and value) of refund claims audited, (iv) No. (and value) of tax offsets (including VAT offsets), (v) VAT offsetting taxpayers as % of total VAT registered payers, (vi) Proportion of refund claims processed timeously (within 30 days), (vii) No./value of tax refunds paid, and (viii) Tax refund claims rejected as % of total claims received.	H	Progress noted; Proportion of refund claims processed timeously (within 30 days) has improved by 40 percentage points from the baseline year (2019/20).

Source: MFPED Tax Policy and Field Findings

Annex 6: Status of DRMS Tax Policy Interventions

S/No	Intervention	Implementation timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
Objective 1: Process reform and institutional changes					
1.	Reform of the tax policy-making process	2021/23	No. of tax-related proposals received from non-state stakeholders in a year. No. of tax-related proposals received from stakeholders within the Government in a year No. of revenue measures adopted from tax proposals from non-stakeholders in a fiscal year	H	Tax-related proposals were received but were not distinguishable between non-state stakeholders and from other stakeholders. The performance declined from 66% achieved in FY 2021/22 to 10% in FY 2022/23.
2.	Elevate the status of taxation within MFPED	2022/23	Tax policy department budget as % of MFPED budget	H	The Tax Policy Department's (TPD) appropriated budget decreased from Ug shs 13.2bn to Ug shs 12.75bn in FY 2022/23 representing a 5.56% decrease, whereas the total MFPED budget greatly increased by 6.9%.
3.	Enhance the analytical capacity of TPD & URA	2021/23	No. of tax-related analytical papers published per year. No. of related analytical papers published by TBD/URA staff per year.	H	The No. of tax-related analytical papers published per year reduced significantly in FY2022/23. Four tax-related analytical papers were published, which was less than the 10 published in the previous F/Y2021/22.
4.	Address TPD structure and staffing/training needs	2021/23	No. of TPD staff attended specialised training in a year.	H	Ten members of staff attended a specialised training, which indicated a slight improvement from the previous FY when no trainings were conducted.
5.	Strengthen partnerships with URA and formalize arrangements	2020 /22	No. of tax-related analytical papers jointly published by TPD and URA staff	H	One paper was jointly published by URA and TPD. In the same period, FY2021/22, two analytical papers were jointly published.
Objective 2: VAT					
6.	Limit the range of zero-rated-supplies as far as possible	2021/23	Zero-rated VAT supplies as % of total VAT supplies	H	The proportion of export goods to total zero-rated supplies was 96% in FY 2022/23 compared to 91% in the FYs 2021/22.
			Zero-rated VAT supplies (non-export items) as % of total VAT zero-rated supplies	H	International transportation of goods and passengers increased by 0.06 percentage points in FY2022/23.
			Zero-rated supplies (export items) as % of total exports	H	Supplies of educational materials used in schools, colleges and institutions decreased by 5.38

S/No	Intervention	Implementation timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
					percentage points in FY 2022/23, indicating a reduction in imports and an increase in local production.
7.	Remove unnecessary VAT exemptions to curb unjustifiable revenue leakages	2021/23	VAT-exempt supplies as % of Total VAT supplies Value (and proportion) of VAT-exempt supplies by type of supply	M	The value of exempt supplies as a proportion of total supplies increased to 17% in FY 2022/23 from 14.33% in FY2021/22. This increase was 1.26 percentage points from the baseline (FY 2019/20).
8.	Narrow deeming provisions	2021/23	Value of deemed supplies as a % of total supplies made to government	H	The proportion of the value of deemed supplies to total supplies to the government was 81%, this was an increase from 66% and 60% registered in FYs 2021/22 and 2020/21 respectively. The value of VAT foregone on account of deeming decreased slightly from Ug shs 1,218.949bn in FY 2021/22 to Ug shs 1,030bn in FY 2022/23, representing a 15% decrease.
9	Re-assess the registration threshold and rate	2021/23	No. of VAT payers and tax paid per turnover bracket. Review the current VAT threshold Conduct study in FY2021/22. Looking at the impact of adjusted VAT rate and threshold	M	The number of taxpayers per turnover band in FY 2022/23 increased in all bands compared to FY 2021/22. Those whose turnover is less than Ug shs 150 million (voluntary registrations) registered the highest increase in the number of taxpayers.
10	Standardize government best practices	2021/23			Not assessed.
Objective 3: CIT					
11	Maintain support for priority sectors	N/A	Tax buoyancy	H	The tax revenue decreased more than the GDP. Thus support to priority sectors of the economy was not achieved.
12.	Support workforce education/training	2021/23	Proportion of technical staff handling domestic taxes that have requisite qualifications (PODTRA)	H	The Domestic Tax (DT) staff were trained in 21 different fields and this translated into a 68.1% increase in the number of DT staff trained compared to the previous FY 2021/22.
13.	Rebalance the nominal rate and the incentives, deductions, and depreciation regime.	2021/24	CIT Effective Tax Rate Allowable deductions as % of gross income in a year	H	Substantial declines in profitability of companies due to elevated operational costs.

S/No	Intervention	Implementation timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
14.	Review and renegotiate over-generous treaty provisions	2022/24	Tax value of approved applications for DTA from taxation as a % of taxable income	H	The negotiation of the Uganda-Turkey DTA was done and the ratification process of the Uganda-Mauritius DTA was in progress.
			No. of applications for DTA-related exemption/reduction from taxation		
15	Strengthen international tax rules and enforcement	2021/23	Effective corporate tax rate (foreign firms)	H	The CIT-ETR for foreign firms was 2.32%, a decline from 2.65% in FY 2021/22. However, this was much lower by 19% percentage points compared to the CIT-ETR for local firms indicating lower tax revenues from foreign firms.
15	Improve information-sharing domestically and internationally.	2021 /24	Percentage of [outgoing] tax-related information requests honoured.	M	The number of tax-related requests reduced over the years indicating improved transparency on taxpayer's transactions.
Objective 4: PIT					
17	Review exemptions and consider alternative approaches	2021/22	PIT effective tax rate	H	Ongoing. The PIT effective tax rate increased by 18 percentage points in FY2022/23.
14.	Address thresholds, bands, and rates	2021 /23	Number (and proportion) of taxpayers by income bands	M	Uganda taxes the poor through PAYE resulting in reduced disposable income and limited savings. A large informal sector that is untaxed.
19	Consider scope to encourage saving through the PIT system	2021/24	Percent increase in gross capital formation (dwellings)	M	On track. The percentage increase in gross capital formation (dwellings) in FY 2022/23.
			Level of savings in Uganda		
10	Address weaknesses in rules for taxing rental income	2021/22	Effective rental income tax rate	H	Not on track. URA has not yet tapped into 50% of its employed tax base as only 3.3 of the 9 million employed population filed for taxes at the end of the FY.
			Rental income tax revenue as % of sectoral GDP (real estate activities)		
			Active rental income taxpayers as % of total rental income taxpayers (commercial buildings)		
			Active rental income taxpayers as % of total rental income taxpayers (residential buildings)		
Objective 5: Incentives and Exemptions					
21	Consider measures to encourage youth into the formal workforce	2022/24	Not Assessable	H	Not assessed, Indicator under review. The original indicator was **"Tax revenue foregone through tax incentives for the youth"**.

S/No	Intervention	Implementation timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
22	Establish and publish a Tax Expenditure Governance Framework	2021	Value (and share to total revenue) of tax expenditures Tax exemptions as % of GDP	**H**	Not assessed.
Objective 6: Excise Duties					
23	Develop a broader scheme of environmental taxes	2021/24	Revenue from environment-related taxes as a percentage of public expenditure on environmental control	**M**	Ongoing
24	Rationalise multiple rates	2021/23	Not Assessable	**L**	Ongoing
24	Introduce and enforce strict regulations for excisable industries	2021/22	No. of drivers arrested for drink driving in a year. % respondents indicating they know school pupils consuming alcohol and tobacco	**M**	Not Assessed, Indicators under review.
26	Consider revised approach to inflation adjustments.	2021/22	Effective excise duty rates by excisable items	**M**	Not assessed.
Objective 7: Extractives Industry					
27	Fine-tune the framework for taxing the extractives industries	2021/22	Average effective tax rate (oil) Average effective tax rate (mining) Resource Governance Index score for Uganda	**H**	Ongoing
Objective 8: International Trade					
28	Balance the objectives of export promotion, revenue generation, and support to domestic industry	2021/22	Effective import duty rates Percent change in value of non-oil exports Percentage change in selected imports vis-à-vis sales and exports of similar domestically produced commodities.	**H**	The Effective Protection Rate (EPR) was significantly low, i.e. with the EPR below 10% covers a 21% proportion of the total items which is big and lower than the nominal tariff rate.
29	Improve inter-agency coordination and infrastructure	2021-2024	Time taken to clear imported goods (non-warehoused goods) Time taken to clear exports % variance in mirror statistics on imports from selected trading partners	**M**	On track. The clearance time at the border points has improved to 1.02 days in FY 2022/23 from 5.8 days in the baseline year (2018/2019) against a target of 2 days. This implies that there is improved data sharing among trade regulatory agencies and faster document processing times.
Objective 9: Non-Tax Revenue					
30	Streamline the policy on NTR	2020/21	NTR as a percent of GDP	**L**	The NTR as a percentage of GDP increased to 1.02% in FY 2022/23 from 0.98% in FY 2021/22. The performance was more than 0.5% of GDP and has steadily increased over the FYs. The Policy especially in regards to determining NTR

S/No	Intervention	Implementation timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
					targets and sources, and directives to have NTR collections done through the URA system needs strengthening.
Objective 10: Local Government Taxes					
31	Work with local government to strengthen analysis, monitoring, and reporting	2021-2024	LG own revenue achievement rate	L	Ongoing. The LG own revenue achievement rate increased to 61% in FY 2022/23 from 48.7% in the baseline year FY2019/20.
			Transfers from central government to local governments as % of total LG revenue		
			LG own revenue as % of GDP		
			Active LG taxpayers as % of total number of LG taxpayers		
			Develop a guiding framework for LG taxation and the linkage with CG tax systems.		
			Adopt an integrated approach to the introduction of LG fees and charges		
Objective 11: Donor-Funded Projects					
32	Review the taxation of donor-funded projects	2021-2023	Effective duty rate (imports of donor-funded projects)	M	Not assessed.
			Income tax paid by expatriates for donor-funded projects as % of total income tax from non-residents.		
			VAT revenues on imports		
			• PAYE revenues from foreign expatriates		
			• Value of donor projects in Uganda		
			• Custom duty revenues for aid projects		
Objective 12: Digital Economy					
33	Address the impact of the digital economy on the tax base	2021/22	Revenue collected from web-based businesses as % of total URA revenue	H	On track. There was an increase in the ratio relating to revenue collected from digital businesses i.e., from 0.00277% in FY2021/22 to 25.63% in FY2022/23.
			No. of active taxpayers classified as web-based businesses		

Source: MFPED Tax Policy and Field Findings