DOMESTIC REVENUE MOBILISATION STRATEGY

Annual Budget Monitoring Report

Financial Year 2023/24

October 2024

Budget Monitoring and Accountability Unit
Ministry of Finance, Planning and Economic Development
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ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
AGO	Accountant Generals 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
MOFPED	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
RGI	Resource Governance Index
SOPs	Standard Operating Procedures
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 pursuing a 10-fold growth strategy that requires enhanced funding. To that effect, Government is committed to enhancing efficiency and effectiveness in the mobilization of its domestic revenue, to finance the strategy while reducing indebtedness. This will be attained through the implementation of various reforms agreed upon in its Public Finance Management Strategy and the Domestic Revenue Mobilization Strategy (DRMS). The DRMS interventions are broadly geared to raising additional revenues and encourage a healthy flow of investment, while addressing 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 financial year 2023/24.

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. Enhancing domestic revenue is a must in the quest for exponential economic growth. The challenges noted are not insurmountable to deter the achievement of the DRMS goals. During the annual programme budget monitoring assessments, inadequate funding continued to be one of the most critical binding constraints.

Ramathan Ggoobi
Permanent Secretary/ Secretary to the Treasury

EXECUTIVE SUMMARY

Introduction

This report reviews performance of interventions under the Domestic Revenue Mobilisation Strategy (DRMS) for the FY 2023/24. It is based on Tax Policy and Tax Administration indicators, to determine the progress achieved.

Methodology

The annual DRMS Monitoring Report FY 2023/24 is based on selected interventions under tax policy, and tax administration. The DRMS comprises a total of 80 interventions, of which 70 were directly assessable for annual performance. Out of these, 48 (70%) were assessed (26 tax policy and 22 tax administration).

Specifically, for Tax Policy, of the 32 interventions assessable, 26(81%) were appraised under the broader DRMS objectives as follows: Process reform and institutional changes, Strengthening the productivity of Value Added Tax (VAT), Corporate Income Tax (CIT), Personal Income Tax (PIT), Improve the Excise Duty Regime and Develop a Strong Extractive Industry. Others included, Promotion of International Trade, Improve the Effectiveness of Non-Tax Revenue, Harmonization of Local and Central Government Taxation, Taxation of Externally Funded Projects and Taxation of the Digital Economy.

Additionally, for Tax Administration, of the 38 interventions assessable, 22(58%) were assessed under the broader DRMS objectives of; Governance and management of URA, Lifting the human resource capacity at URA, Data management and analytics, Timely and accurate filing by taxpayers, Timely payment of taxes, Tax audit, Investigation and enforcement, Dispute resolution, and Processing of tax refunds.

The annual assessment covered interventions under Uganda Revenue Authority (URA), Tax Policy Department and Tax Appeals Tribunal (TAT) of the Ministry of Finance Planning and Economic Development (MOFPED). Other Ministries, Departments and Agencies (MDAs) that provided data in respect of interventions and indicators included; Domestic Revenue Mobilization 4 Development (DRM4D), Economic Policy Research Centre (EPRC), Local Government Finance Commission (LGFC), Ministry of Energy and Mineral Development (MEMD), Petroleum Authority of Uganda (PAU) Private Sector Foundation Uganda (PSFU), and Uganda Bureau of Statistics (UBOS). Others included Cities of: Fort-portal, Gulu, Hoima, Jinja, Lira, Masaka, Mbale, and Soroti.

Primary and secondary data was collected from sources through; Literature review; key informant interviews, and focus group discussions. Physical performance of the interventions was assessed through monitoring a range of indicators and linking the progress to planned targets, previous Financial Years (FYs) annual performance or the baseline and policy measures initiated in the FY. Data was collected by two monitoring teams, comprised of BMAU and URA staff.

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. Thus, performance was rated as; Very Good (Achieved at least 90% of indicator or target), Good (Achieved at least 70%), Fair (Achieved at least 50%) and Poor (Achieved below 50%).

Findings

Overall performance based on the DRMS interventions assessed was rated fair (56%). Of the 48 appraised interventions; 12 were rated good, 23 were fair, and 13 poor. Tax policy contributed most to both the interventions rated good, as well as those performing poorly.

Tax Policy Interventions

Tax policy comprised of 32 interventions of which six had no data available for assessment. Of the remaining 26 interventions the performance was fair overall. The interventions were respectively rated as good 10; fair 7 and poor 9. The detailed performance of the interventions is discussed as follows:

Good performance

1. **Elevate the status of taxation within MOFPED.** In the FY there was an in increase in the budget allocated to the Tax policy department (TPD), for the first time since the baseline year 2019/20. The department was expanded with a research section being created. Thus, some elements towards elevating the status of taxation were achieved.
2. **Re-assess registration threshold and rate.** The number of taxpayers registered whose turnover is less than Ug shs 150 million (voluntary registrations) increased by 4,739 compared to FY 2022/23. In terms of the average VAT paid per turnover, the highest threshold yielded a 32% (Ug shs 87bn) growth in revenue compared to FY 2022/23. There was improved efficiency in VAT administration costs attributed to the adoption of the Electronic Fiscal Receipting and Invoicing System (EFRIS).
3. **Maintain support for priority sectors (continue supporting the competitiveness of priority sectors of the economy).** The Tax buoyancy increased to 1.33 in FY2023/24 from -1.05 in FY 2022/23 which implies that the tax revenue growth rate improved more than that of the GDP. This performance was due to the rise in the total corporate income tax revenue to Ug shs 1,984.07bn in FY 2023/24 from Ug shs 1,749.66bn in FY 2022/23. This indicated support for priority sectors of the economy.
4. **Support workforce Education/Training.** During FY2023/24, the total number of staff trained increased by 145 staff. Of the 2,290 trained, 953 were from the domestic tax department and this was a significant increase[1] compared to the same period in FY 2022/23.
5. **Rebalance the nominal rate and the incentives, deductions and depreciation regime.** The allowable deductions as a percentage of gross income decreased to 17.4% in FY2023/24 from 29.65% in FY2019/20 (baseline). There was progress in rebalancing nominal rates by limiting deductions.
6. **Improve information sharing domestically and internationally.** The number of tax related requests reduced over the years indicating improved transparency on taxpayers' transactions. All incoming and outgoing requests were fully responded to, where agreements for cooperation existed.
7. **Address weaknesses in rules for taxing rental income.** In the FY2023/24, the URA registered a 28.16% (Ug shs 275.7bn) increase in the rental income tax collected compared to the FY 2022/23. The rental income tax revenue as a percentage of sectoral GDP

[1] Total number of DT staff trained in FY2022/23 was 808.

increased to 4.3% in FY 2023/24 from 3.96% in FY2022/23. Hence indicating improved efforts towards limiting weaknesses in rental tax.

8. **Fine-tune the framework for taxing the extractives industries.** The Extractives Industries Transparency Initiative (EITI) Board gave Uganda a "moderate" score of 78.5 points out of a possible 100. Uganda's validation score was based on the implementation of the 2019 EITI standard. The framework of taxing extractives was well developed.
9. **Balance the objectives of export promotion, revenue generation, and support to the domestic industry.** In FY2023/24, the average (world) effective duty rate decreased to 31.3% from 37.4% in FY 2022/23. This was 4.4 percentage points lower than performance in 2019/20 (baseline year). The clearance time achieved at the border posts was one day against a target of two days in FY 2023/24. This improved compared to 5.8 days against a 2-days target FY (2018/2019). Domestic industries were supported, and revenue generation encouraged.
10. **Address the impact of the digital economy on the tax base.** During FY 2023/24, Ug shs 17.3bn was collected from web-based businesses which was 167.8% (Ug shs 6.46bn) increase compared to FY 2022/23.This shows rules in taxing the digital economy improved.

Fair Performance

1. **Address TPD structure and staffing/training needs.** During FY2023/24, 10 members of staff attended a specialized training, which was the same number in the previous FY. This shows progress in supporting training needs.
2. **Limit the range of zero-rated- supplies as far as possible.** The proportion of zero-rated supplies to the total value of supplies decreased to 3.74% in the FY 2023/24 from 6.06% in the FY 2022/23. This was a reduction in zero rated supplies, but not a reduction in items listed as desired.
3. **Review the policy on deeming to allow the VAT system to function normally.** In FY 2023/24 the proportion of the value of deemed supplies to total supplies to government reduced significantly to 18% in FY 2023/24 from 81% in FY 2022/23. The policy on deeming was not revised but there was a reduction in composition of deemed supplies over the total government supplies. Thus the risk of loss of revenue through deeming reduced.
4. **Review and renegotiate over-generous treaty provisions.** The Government of Uganda has 10 active treaties, of which it agreed to renegotiate 2; The Netherlands and Mauritius treaties. A consultant developed areas to be renegotiated, and for both treaties the revisions were ongoing.
5. **Strengthen international Tax rules and Enforcement.** In FY 2023/24, the Corporate Income Tax Effective Tax Rate for foreign firms was 20.01%, from less than 15% in the FY 2022/23. This indicates that the proportion of tax from income earned by foreign firms improved although still lower than 23.8% that local firms effectively paid. There were efforts to strengthen international tax rules and enforcement.
6. **Strengthen the framework for reporting and monitoring of NTR collections.** The Non Tax Revenue (NTR) as a percentage of GDP declined to 0.8% in the FY 2023/24 from 1.02% in FY 2022/23. Although the performance was more than 0.5% of GDP the ratio

has mostly remained within the same range (less than 1%). The framework reporting and monitoring NTR collections was not developed.

7. **Work with local government to strengthen analysis, monitoring, and reporting LG own revenue achievement rate.** The Local Government (LG) own revenue achievement rate increased to 89.3% in FY 2023/24 from 48.7% in FY2019/20 (baseline). However, there was a steady increase in the percentage of central government fund transfers to LGs. Thus, revenue efforts for monitoring and analysis of LG revenues were not achieved.

Poor Performance

1. **Reform of the tax policy-making process.** In the FY 2023/24 tax related proposals were received but were not distinguishable between non-state stakeholders and state stakeholders. It was also noted that no feedback was given to the stakeholders on what was adopted or not and why. Hence limited reforms were made to the tax policy making process.
2. **Enhance the analytical capacity of TPD and URA.** By the end of FY2023/24, no tax related analytical papers were confirmed to have been published, which was less than the 4 published the previous FY. Neither the number of the tax analytical papers done nor published was confirmed. This was the same case in FY2022/23. This shows limited efforts towards developing analytical capacity which is essential for tax policy.
3. **Strengthen partnership with URA and formalise arrangements.** In FY 2023/24, no paper was confirmed to have been jointly published. This is in comparison with the one paper[2] that was jointly published by URA and TPD in FY2022/23. The number of jointly published papers has continuously remained very low over the years and this is not the expected trend. This shows limited collaboration especially on research and analysis between TPD and URA.
4. **Review exemptions and consider alternative approaches.** The Personal Income Tax (PIT) effective tax rate increased to 27.64% in FY 2023/24 from 26.49% in FY 2022/23. 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) as required by a fair tax system. Exemptions were maintained with no alternative approaches developed.
5. **Address thresholds, bands, and rates.** Despite URA registering an 11.35% increase in the amount of PAYE collected in FY 2023/24, the lowest chargeable income per day was higher than the international poverty line. The poor are taxed more, as real purchasing power declines over the years indicating a less progressive tax system.
6. **Consider scope to encourage savings through PIT system.** Gross capital formation (dwellings) declined to -5.7% in FY 2023/24 compared to 30.04% registered in the FY 2022/23. This shows limited savings through the PIT and scope for policy review.
7. **Develop a broader scheme of environmental taxes.** Revenue from environmental tax as a percentage of expenditure on environmental control was 45% in the FY 2023/24. This was an improvement from 15% achieved in the FY 2022/23. The performance however

[2] Cost benefit analysis of VAT INCENTIVES FISCAL YEARS 2011/12 - 2021/22.

remains below 50% of the pollutant control expenditure. This shows limited effort towards broader environmental control.

8. **Rationalize multiple rates, designing an alternative incentive scheme promoting the use of local content.** Overall effective excise duty rates (average) for beer and soft drinks were lower (33%) than the potential (60%) that could be derived excise duties in FY 2023/24. By continuing to apply different rates, the effective revenue outturn is much lower than the actual potential. Hence multiple rates were not rationalised.
9. **Review the taxation of donor funded projects.** In the FY 2023/24 customs duties foregone on imports for externally funded projects increased to 33% from 30% registered in the FY 2022/23**.** Effectively revenue foregone was higher than 30% indicating continued revenue losses through broad exemptions on externally funded projects. The policy for externally funded projects was not reviewed.

(ii) Tax Administration

Tax Administration is comprised of 47 interventions; of which only 38 interventions are currently assessable, and of these, full information was availed for only 22 interventions (58%). These interventions performed fairly; with 2 registering good performance, 16 fair and 4 poor. The detailed performance of the interventions is discussed as follows:

Good performance:

1. **Intensify penalties for non-compliance and increase the number of tax investigations;** The number of tax investigation cases increased by 42% and the value by 47 %, indicating an improvement in investigation efforts. The largest growth was Tax Crime Investigations (110%), followed by Prosecution Cases (17%). Scientific investigation cases increased slightly, though revenue identified significantly increased. In addition, Customs country wide enforcement operations during the FY 2023/24 led to a recovery of Ug shs 149.63 bn as a consequence of 20,920 seizures.
2. **Streamline tax debt collection and improve transparency.** The tax debt management framework and a policy on enforcement action were not developed. However, with regards to the indicator performance, total arrears recovered increased by 26% in FY 2023/24 and increased by over 100% from the baseline (FY2019/20). Total arrears recovered as a percentage of total revenue collected increased marginally by 0.95 percentage points and total arrears recovered as a % of the arrears closing stock increased by 7 percentage points, over the same period. In addition, the value of arrears aged one year decreased by 31% in FY 2023/24 compared to the previous FY. The URA employed a number of arrears management initiatives that led to arrears recoveries worth Ug shs 363.86 billion, which boosted performance.

Fair performance:

3. **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. With regard to indicator performance, 3.17% of the

staff (in the selected functional areas) had been trained in data analytics, which is only 6.7 percentage points fewer than what was achieved at the end of the FY 2022/23. This is alongside 9% increase in staff and implies good performance, if this trend continues.

4. **Review the URA structure and consider re-organization to promote integration;** the Structural Review and Functional Alignment exercise was finalized and a report was presented and approved by the URA Board on 1st February 2024. Key changes under the new structure include; (i) the Integration and alignment of critical functions, (ii) the creation of new Departments (i.e. strategy and risk management, and Tax academy) and (iii) the elevation of relevant functions to divisional level (including risk management and procurement).
5. **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. At the tax head level, direct domestic taxes registered a surplus, while Non-Tax Revenue, indirect domestic taxes and international taxes registered shortfalls. The underperformance was attributed to a rise in non-vatable and non-dutiable goods, as well as external shocks such as crude oil price volatility.
6. **Conduct an independent staffing review;** this was not conducted. However, a comprehensive workload analysis was completed, covering the ranks of Manager, Supervisor and Officer. A comprehensive report was submitted to management as critical inputs to guide the organizational Structural Review and Functional Alignment. With regards to the indicator performance, the ratio of taxpayers to URA staff increased due to a decline in the number of URA technical/operational staff alongside a proportionate increment in the number of taxpayers. The number of URA technical staff decreased by 29.2% which implies that there are fewer staff handling more taxpayers.
7. **Implement a comprehensive training strategy and develop a URA tax training academy;** the training strategy was not in place and there is currently no funding for the Tax Academy. However, URA developed a training needs assessment tool to guide the identification of the departmental critical and competency-based needs. As per staff bonding, 17 staff were bonded from different departments and URA implemented several other capacity enhancement programs. With regards to the indicator; the number of staff with ITRAT/PODITRA has decreased which could be as a result of the disproportionate loss in staff with those qualifications.
8. **Prioritise a data quality improvement strategy and develop processes to maintain data quality;** the percentage of data records completed was not availed, however, 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. The completion rate was 97.6% of the annual target, which has relatively remained the same as the previous FY. 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.

9. **Empower URA to access relevant third-party data**: This intervention is assessed through three indicators which were not availed however URA has implemented the following: Updated the SOPs of managing external data for purposes of register maintenance/ Data driven registrations, developed dashboard that highlights the TINs that are meant to be registered based on external data among others.
10. **Introduce measures to strengthen the effectiveness of self-assessment.** Enforcing strict penalties for non-filing and late filing is one of the measures recommended to strengthen the effectiveness of self-assessment. The value of assessments/payable from penalties declined by 71% from the previous FY. Comparatively, on-time filing rates for the selected tax heads have declined by 24 percentage points over the same period. However, alongside the waiver, URA adopted a strategy of focused taxpayer visits to boost compliance and strengthen self-assessment.
11. **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 of acquiring office space for 13 Domestic Tax Offices across the country. By 30th June 2023/24, 61% were completed, 7% were almost completed and 31% were in the initial stages of the procurement process.
12. **Prioritise strategies to reverse the current arrears and audit trends:** in a bid to reverse the current arrears, URA encouraged clients to clear their principal tax as at 30th June 2024 in order for their penalties and interest that has accrued to that date to be waived. Total arrears increased slightly by 1% in FY 2023/24, which is a 51% increase from the baseline year (FY 2019/20). The Customs portfolio grew at over 100% from the previous FY, while the domestic tax portfolio decreased by 4%. The Domestic Tax Portfolio-Government Arrears increased by over 27% whereas non-government arrears decreased by 6%, over the same period. Arrears stock also amounted to 17% of net tax revenue, indicating that significant revenues are uncollected.
13. **Investigate options for enhancing the use of electronic payment methods, including mobile money;** over the counter payments continue to be the most popular at 41.44%, followed by Demand Draft at 19.25% and Electronic Funds Transfer at 15.85%**.** Mobile money services continue to constitute a small percentage of the total payments' methods (0.56%), although in absolute terms, payments have increased by 117% in F/Y 2023/24.
14. **Strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk targeting, and increasing the number of "mass audits".** By 30th June 2024, 98% of the total planned domestic audits, across the different initiatives, had been completed with an audit yield of 23%. Comparatively in the previous FY, 98% of the target was achieved but with a tax yield of 11%. This is an improvement from the previous FY, in terms of tax yield, however the planned targets set for this FY had drastically reduced (73%). This implies a reduction in audit effort. More emphasis was placed on conducting Spot inventory checks (99%), compliance advisories (98%), and compliance visit (98%). Comprehensive Audits, which are more detailed and labour intensive, have also significantly increased.
15. Implement the Automatic Exchange of Information and common reporting standards for tax purposes. The AEOI (Automatic Exchange of Information) Bill Convention on Mutual Administrative Assistance in Tax Matters (Implementation) Bill, 2023 was passed by

Parliament on May 16, 2023 and several activities have been implemented. In regard to the indicator, the number of tax evasion cases detected increased from 167 to 291 in FY2023/24 alongside an increase in recoverable revenue identified from Ug shs 174.64 bn to Ug shs 334.26bn.

16. **Publicize the results of enforcement initiatives;** by 30th June, 2024 the URA issued 32 media reports, which was a slight increase from the previous financial year, across numerous media outlets.
17. **Facilitate Tax Appeals Tribunal (TAT) to expeditiously deal with cases by increasing staff training and numbers;** this has not been done. TAT is still understaffed and training levels have remained stagnant. In terms of the indicator performance, the number of new tax disputes lodged to TAT increased to 251 (11.1%) from the FY 2022/23. In addition, the proportion of tax disputes resolved within six months of lodging the case increased by 17 percentage points, to 57% and the proportion of cases escalated to the high court reduced by 73.6% from 38 to 10.
18. **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 FY2023/24) decreased by 13% and the value increased by 5% from FY 2022/23. Comparatively, the proportion of refund claims processed timeously (within 30 days) increased by 5.3 percentage points, indicative of an improvement in turnaround time from the previous FY (2022/23).

Poor Performance:

19 **Conduct an independent staffing review;** this was not conducted however a comprehensive workload analysis was completed. With regards to the indicator performance, the total (operational) average revenue per staff increased by 13.1% from the previous financial year. However, it was accompanied by a 5% decline in the number of staff. The ratio of taxpayers to URA staff increased due to a decline in the number of URA technical/ operational staff alongside a proportionate increment in the number of taxpayers which implies that there are fewer staff handling more taxpayers.

20 **Review the URA performance management and reward system**; The Performance Management Approach, Process, Systems and Tools were revamped in order to enhance alignment. With regard to the indicator, the staff attrition rate increased by 1.04 percentage points, from 1.69% to 3%. This was due to 49% increase in staff leaving**.** In absolute terms, the Domestic Taxes Department continues to have the highest number of staff leaving (45), which is of concern as it is critical to revenue mobilization.

21 **Create a formal data skills development plan; t**his has not been done. With regards to the indicator performance, 1.33% of the staff (in the selected functional areas) had been trained in data analytics in FY 2023/24. This is 2.19 percentage points less than what was achieved at the end of the FY 2022/23.

22 **Fully implement the recently-adopted policy on digital tax stamps.** The number of firms using digital stamps increased from 827 to 980 in FY 2023/24 and by (557%) from the baseline. Conversely, the average Local Excise Duty (LED) paid by firms using DTS

decreased from Ug shs 1.41bn to Ug shs 1.4bn, over the same period, and by 62% from the baseline. Although the decline in this FY is minimal, average LED paid by complying firms (those on DTS) has continued to steadily decline across the years, implying the intervention is not working as expected.

Conclusion

Despite expectations that the DRMS would have resulted in a 16%-18% tax to GDP ratio within five years of implementation (by FY 2023/24), there remains significant work to be done. In the FY 2023/24 Ug shs 27,938.49bn was collected in revenues representing 13.82% of GDP. This comes against a backdrop of being the final year of the DRMS duration. On the policy side, the growth in domestic VAT (11%) was matched with that of the GDP (10%) as would be expected. This is mostly attributed to adoption of the EFRIS. However, the policy on deeming to allow the VAT system to function normally was not reviewed, revenue leakages persist as result of not limiting deeming to special circumstances. On the other hand, under personal income tax, some policies have continued to encourage exemptions of significant streams of income of certain citizens. The range of citizens with exempt incomes was maintained. Exemptions on incomes of certain citizens continue to negatively impact the revenues from personal income taxes and undermine the DRMS objective of equity and fairness. Other exemptions on externally funded projects performed poorly due to, slow progress in reviewing over treaty provisions and the unfavorable international policies on tax rules.

Conversely under tax administration FY 2023/24, the uncollected tax to target increased by 0.7 percentage points. However, in absolute terms there was an increase in revenue collection of Ug shs Ug shs 2,287.28bn. This performance was attributed to arrears management initiatives and non-intrusive scans and inspections. Others included, engagements with the taxpayers, use of the mobile office, and the handholding approach to support taxpayers. Additionally, the number of audits conducted and completed improved for both domestic taxes and customs post clearance,

Nonetheless, it was noted that key DRMS interventions that would enhance revenue performance were not implemented as desired. Several strategic documentations, plans and systems remain at various levels of partial completion. For example, the plan to manage offsets and refunds, data quality improvement strategy and the structural review and functional realignment, among others. As a result, several indicators did not perform as expected. For instance, the staff attrition rate increased by 0.56 percentage points, of which the Domestic Taxes department continues to have the highest number of staff leaving (45). This is a concern as it is not only critical to revenue mobilization but also benefits from the largest share of the training budget. It is crucial that talent is both attracted and maintained for optimal performance. In addition, although the taxpayer register grew by 29.2%, the growth rate has declined slightly by 5 percentage points.

Consequently, it is increasingly imperative to address the constraints to full implementation of the DRMS. This would necessitate an urgent -Review to revise interventions and targets in light of what was achieved. Additionally, there is need to engage stakeholders and renew commitment especially MOFPED-TPD

CHAPTER 1: INTRODUCTION

1.1 Background

The mission of the Ministry of Finance, Planning and Economic Development (MOFPED) 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 Mobilisation Strategy (DRMS) 2019/20-2023/24 was developed. 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 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 keep 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; and

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). This is done using performance indicators of Tax Policy and Tax Administration and is aimed at supporting the Government's efforts to improve its domestic revenue mobilisation efforts. The annual assessment for FY2023/24 includes a detailed description of the performance of the DRMS interventions. The DRMS status of implementation matrix is included in annexes 6 and 7.

CHAPTER 2: METHODOLOGY

2.1 Scope

The annual DRMS Monitoring Report FY 2023/24 was based on selected interventions under tax policy and tax administration. The DRMS comprises a total of 80 interventions, of which 70 (32 tax policy and 38 tax administration) were directly assessable. Out of these, 48(70%) were assessed.

Specifically, for Tax Policy, of the 32 interventions assessable, 26(81%) were appraised under the broader DRMS objectives (11 out of 12) 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 Externally (Donor) Funded Projects
11. Taxation of the Digital Economy

Under Tax Administration, of the 38 interventions, 22 (58%) for which full information was availed, were appraised under the broader objectives (9 out of 12) as follows:

1. Governance and management of URA
2. Lifting the human resource capacity at URA
3. Data management and analytics
4. Timely and accurate filing by taxpayers
5. Timely payment of taxes
6. Tax audit.
7. Investigations and enforcement
8. Dispute resolution
9. Processing of tax refunds

The annual assessment covered interventions under Uganda Revenue Authority (URA); Tax Policy Department and Tax Appeals Tribunal (TAT) of the Ministry of Finance Planning and Economic Development (MOFPED). Other Ministries, Departments and Agencies (MDAs) that provided data in respect of interventions and indicators included; Domestic Revenue Mobilisation 4 Development (DRM4D), Economic Policy Research Centre (EPRC), Local Government Finance Commission (LGFC), Ministry of Energy and Mineral Development (MEMD), Petroleum Authority of Uganda (PAU), Private Sector Foundation Uganda (PSFU), and Uganda Bureau of Statistics (UBOS). Others included Cities of: Fort-portal, Gulu, Hoima, Jinja, Lira, Masaka, Mbale, and Soroti.

2.2 Approach and Sampling Methods

Performance of interventions, and outcomes was assessed through monitoring a range of indicators and linking the progress to planned targets. The selection of interventions assessed was based entirely on the availability of sufficient data for the period under review.

2.3 Data collection and Analysis

Data collection

Both primary and secondary data was collected. Secondary data was collected through a literature[3] review. The primary data was collected through informant interviews, focus group discussions and observations. Consultations and key informant interviews were held with staff of the DRM4D, EPRC, MOFPED's Tax Policy Department and TAT; URA, UBOS, PAU, PSFU, and Minerals Department under MEMD. Field visits to URA border stations and the cities were conducted. These were accompanied with interviews and observations of processes.

Data was collected by two monitoring teams, comprised of BMAU and URA staff.

Data analysis

Qualitative and quantitative approaches were used to analyse 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 annual 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. The ratings are shown in table 2.1.

Table 2.1 Assessment Guide to Measure Performance of DRMS Semi Annual FY 2023/24

Score	Comment
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; Assigned staff of the Tax Policy Department (MOFPED), Top management of URA, and Accounting Officers and or technical staff of MDAs upon commencement of the monitoring exercises. Consent was sought for all information obtained during the monitoring exercise.

[3] References are annexed

2.4 Limitations of the Report

The key problem was lack of data for a number of high-priority interventions and indicators for both Tax Policy and Tax Administration. As such performance of key interventions was left out. In addition, a number of high-level interventions remained unassigned to a responsible entity and therefore were still entirely outstanding in the final year of implementation of the DRMS (Annex 6 and 7).

2.5 Structure of the Report

The report has four chapters. Chapter 3 gives the Performance assessments, while Chapter 4 is the Conclusion and Recommendations.

CHAPTER 3: PERFORMANCE OF THE DRMS INTERVENTIONS

3.1: STATUS AND PROGRESS MADE IN IMPLEMENTATION OF DRMS

Overall performance based on the DRMS interventions assessed was rated fair (56%). Of the 48 appraised interventions: 12 were rated good, 23 were fair, and 13 poor. Tax policy contributed most to both the interventions rated good, as well as those performing poorly.

3.2 PERFORMANCE OF TAX POLICY INTERVENTIONS

Every stage of tax policymaking has an impact on the next. 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 policymaking and the strength of the tax system.

A total of twelve 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[4] include: P1) Process reform and Institutional changes 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) Developed 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 MOFPED, iii) Enhance 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 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

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

within 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 2023/24 no tax related proposals were confirmed to have been received from non-stake holders. Tax related proposals received from stakeholders within government increased to 61.9% in the FY 2023/24 from 48.6% in FY 2022/23. In addition, 52 tax related proposals were submitted to parliament for approval although it was not confirmed if they were adopted.

The performance was therefore rated **good**.

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 (TPD). 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 has limited the department's ability to undertake 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 percent of MFPED budget.**

The Tax Policy Department's (TPD) appropriated budget increased to Ug shs 14.63bn[5] in FY2023/24 from Ug shs 12.75bn in FY 2022/23 representing 14.7% increase, whereas the total MFPED budget increased by 1.6%

The intervention proposes to see a significant and steady increase in the budget allocated to TPD, as well as an expansion in the department. In FY 2023/24 there was an in increase in the budget allocated to TPD, this was the first time it had an increase since the baseline year 2019/20. The department was expanded where a research desk/unit was created. Therefore, the indicator was achieved, hence performance was rated **good**.

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 up skilling to remain abreast of issues and exposure to international best practice.

This intervention is measured through two indicators, and performance is 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 FY2023/24, 11 tax related analytical papers were confirmed to have been published, which was more than the 5 published the previous F/Y.The performance was thus rated **good**.

[5] This includes transfers to TAT Ug shs 8bn and EITI Ug shs 1.3bn, Exclusively TPD was Ug shs 5bn

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 FY2023/24, it was established that TPD, in consultation with the URA had published 5 tax analytical papers as opposed to the previous year where none had been done. Which indicates a **good** performance.

3.2.4: Address TPD structure and staffing/training needs

The intervention aims at establishing an appropriate structure for TPD commensurate to 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 specialized training in a year**:

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

During FY2023/24, 3 members of staff attended a specialized training, which indicated a decline from the previous FY (4 staff members were trained) **(Table 3.1)**.

The training was in the areas of evidence-based policy research and principles of transfer pricing. On the other hand, the number of staff members did not increase in FY2023/24. The TPD is expected to achieve a fully-staffed structure to complement their wide mandate.

Thus, performance of the intervention was rated **fair**.

Table 3.1 Number of TPD Staff that attended specialised training in a year

	FY2021/22	FY2022/23	FY 2023/24
Number of TPD staff that attended any specialised training	1	4	3
Number of TPD Staff	29	29	29
TPD staff that attended specialised training (%)	**3.4**	**13.8**	**10.3**

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 2023/24, no paper was jointly published. This is in comparison with the one paper[6] that was jointly published by URA and TPD in FY2022/23. The number of jointly published papers has continuously remained very low over the years and this is not the expected trend. The intervention to strengthen partnership with URA and formalize arrangements was not achieved. The performance was rated **poor.**

Conclusion

Overall, there was an improvement in some areas that included the enhancement of TPD budget and analytical capacity of TPD and URA. However, areas such as joint publication of analytical papers by TPD and URA underperformed. This indicates that strengthening of partnerships with URA remained outstanding in FY 2023/24. Strengthening collaboration between these two critical institutions remains essential for improving tax policy and administration in Uganda.

Elevating the status of taxation within MFPED attained some progress by way of budget increase for TPD. This enabled the creation of a research unit. However, this was just the first step towards addressing the structural and staffing challenges that continue to hinder the department's overall effectiveness.

STRENGTHENING THE PRODUCTIVITY OF VALUE- ADDED TAX (VAT)

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.

The list of the zero-rated and scope of exempt supplies were expanded in the VAT Act amendments made in FY 2023/24 which negatively impacts the VAT growth rate by eroding the tax base. As a share of GDP, Uganda's domestic VAT revenue contributed 2.4% (Ug shs 4,433.5bn) in FY 2023/24 up from 2% of GDP FY 2022/23. Although the performance improved, it was below the potential. It is thus 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 2023/24 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.

[6] Cost benefit analysis of VAT INCENTIVES FISCAL YEARS 2011/12 - 2021/22.

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 affected in the law.

The proportion of zero-rated supplies to the total value of supplies decreased to 3.74% in the FY 2023/24 from 6.06% in the FY 2022/23 (Table 3.2). Relatedly, the proportion (3.74%) decreased when compared to 6.76% registered in the FY 2019/20 (baseline). The increase in value of declared supplies was attributed to the increased adoption of the Electronic Fiscal Receipting and Invoicing System (EFRIS). The ratio remained within the same range for the previous FYs with a significant change registered in the FY 2023/24. The trend indicates no change in the existing policy. The intervention aims to reduce zero-rated supplies by removing certain items from the zero-rated list which was not achieved thus the performance was rated **fair**.

Table3.2: Zero-rated supplies as % of total supplies FYs 2021/22 to FY 2023/24.

	FY 2019/20	FY 2021/22	FY 2022/23	FY 2023/24
Value of Zero-rated supplies (Ug shs bn)	8,260.93	10,177.44	12,382.56	20,306.99
Total Value of declared supplies (Ug shs bn)	122,266.72	138,855.91	204,168.32	543,068.58
Zero-rated supplies as % of total supplies (%)	**6.76**	**7.33**	**6.06**	**3.74**

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 seeks to register a reduction in the list of zero-rated items that are non-export.

During FY 2023/24, the ratio of zero-rated supplies (non-export items) as a percentage of total zero-rated supplies increased to 66.81% in FY2023/24 from 61.38% in FY 2022/23. The proportion increased by 0.48 percentage points when compared with the baseline FY 2019/20 (Table 3.3). The intervention however requires that a policy restricting non-export zero-rated supplies to a minimum as far as possible is adopted. The ratios kept within the same range, indicating no policy change, the target was not achieved and thus 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	FY 2023/24
Value of zero-rated supplies (Non-Export Items) (Ug shs bn)	8,260.93	11,431.22	12,382.56	20,306.99
Zero-rated supplies (Exports) (Ug shs bn)	4,193.63	4,565.37	7,792.58	10,088.7
Total zero-rated supplies (Ug shs bn)	12454.56	15,996.59	20,175.14	30,395.69
Zero-rated supplies (non-export items) as % of total zero-rated supplies (%)	**66.33**	**71.46**	**61.38**	**66.81**

Source: URA database

i) 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 95% in FY 2023/24 compared to 96% in the FYs 2023/24. International transportation of goods and passengers increased to 2.51% in the FY 2023/24 from 0.23% in FY2022/23 (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 in value and proportion to 1.08% in FY 2023/24 from 1.61% in the FY 2022/23 (Table 3.4). This was due to the continued local manufacturing of these materials.

The value and proportion of supplies of agricultural items, i.e. seeds, fertilizers, pesticides decreased to 0.64% in the FY 2023/24 from 1.35% in FY2022/23. Supplies of cereals grown and milled in Uganda increased to 0.51% in proportion from 0.18% in FY 2022/23 (declined from 0.65% in FY 2019/20 baseline). This was attributed to increased agricultural productivity achieved from the irrigation of land. As well, sanitary towel supplies decreased in proportion to 0.25% in FY 2023/24 from 0.3% in FY 2022/23 (further decline from 1.14% in FY 2019/20 baseline**).** These are expected to increase to support the poor which was not the case. This indicates a need to appropriately target the section of the population that cannot, for example, afford sanitary towels and tampons and the inputs for manufacturing.

Handling services concerning medical supplies and supply of leased aircraft, parts, and maintenance equipment and repair services had no information. This has been the case over the years implying that no returns have been filed for those supplies, thus the performance was rated **fair.**

Table 3.4: Value of zero-rated supplies by type of supply and proportions (%) FYs 2019/20-24

Type of zero-rated supplies	FY 2019/20		FY 2021/22		FY 2022/23		FY 2023/24	
	(Ug shs bn)	%	(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	20,306.99	95
2.International Transportation of goods and passengers	18.73	0.19	22.12	0.17	39.41	0.23	536.88	2.51
3. Domestic supply of:	1,359.3	14.11	1,021.62	8.69	598.49	3.00	528.77	2.47
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	230.35	1.08

Type of zero-rated supplies	FY 2019/20		FY 2021/22		FY 2022/23		FY 2023/24	
	(Ug shs bn)	%	(Ug shs bn)	%	(Ug shs bn)	%	Ug shs bn	%
b) Seeds, fertilizers, pesticides, and hoes	68.48	0.17	78.37	0.61	234.83	1.35	135.71	0.64
c) Cereals where these are grown, milled or produced in Uganda	62.37	0.65	33.23	0.26	31.90	0.18	108.42	0.51
d) Sanitary towels and tampons and the inputs for their manufacture	109.59	1.14	103.31	0.81	51.82	0.3	54.27	0.25
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**	**21372.65**	**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:

i) 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 decreased to 7.54% in the FY 2023/24 from 9.84% in FY 2022/23. This decrease was 2.93 percentage points from the baseline FY 2019/20 (Table 3.5). The proportion of exempt supplies decreased and thus expanded the taxable base. The value of declared supplies increased significantly which was attributed to the use of EFRIS. Overall, the objective of the intervention to remarkably reduce the proportion of exempt supplies vis-à-vis total supplies was slightly achieved considering a declining trend of the ratio. Hence the performance was rated **fair**.

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

	Baseline FY 2019/20	FY 2021/22	FY 2022/23	FY 2023/24
Value of exempt supplies (Ug shs bn)	12,807.14	16,329.29	20,236.12	47,698.67
Total Value of declared supplies[7] (Ug shs bn)	122,293.86	171,405.02	205,702.85	632,715.07
Exempt supplies as a % of total supplies (%)	**10.47**	**9.53**	**9.84**	**7.54**

Source: URA database

ii) 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 2023/24 review of items on the VAT Second Schedule (exempt supplies) 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)supply of goods as part of a transfer of business as a going concern v) agricultural insurance premiums or policies, vi)menstrual cups vii) any goods and services to the contractors and subcontractors of hydroelectric power, solar power, geothermal power or biogas, and wind energy power projects, vii) supply of movie productions viii) Photosensitive semiconductor devices, light emitting diodes, solar water heaters, solar refrigerators, and solar cookers.

The same items did not have values in the FY 2022/23, this was attributed to non-compliance. 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 that does not distinguish items to support reporting the performance. This trend could indicate existing weaknesses in data management for tax purposes by the URA.

Supply of i) Petroleum fuels subject to excise duty, ii) Animal feeds and premixes; iii) Crop extension services; iv) Lifejackets, life-saving gear, headgear, and speed governors v) Bibles, Qur'ans, and textbooks had decreased proportions of the exempt supplies in FYs 2022/23 and 2023/24. These items tend to address social, welfare and equity objectives. The decline in supply of exempt items was attributed to the current economic conditions where the population's consuming power has reduced.

In FY2023/24, the highest proportions of exemption supplies continued to be registered under financial and insurance services (49.50%) and petroleum fuels subject to excise duty (35.14%).
Even though the prices of petroleum products reduced slightly, their costs are still high thus the need for exemptions. The same items continued to constitute the highest share of exempt supplies in the FYs 2022/23, 2021/22 2020/21 and 2019/20 (Annex 1).
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[8] 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 that ratio. The ratio should remain within baseline levels. A remarkable increase raises concern, as it indicates erosion of the VAT base.

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

In FY 2023/24 the proportion of the value of deemed supplies to total supplies to government reduced significantly from 81% in FY 2022/23 to 18%. This indicates a decreased composition of deemed supplies over the total government supplies thus decreasing the risk of loss of revenue through deeming. The value of VAT foregone on account of deeming also decreased by 76 percentage points from Ug shs 1,030bn in FY 2022/23 to Ug shs 245.3bn in FY 2023/24. This was attributed to a decline in imports for ongoing government projects especially the oil exploration.

The objective for the intervention is to narrow the deeming provisions to special circumstances, which has been under review but not concluded over the FYs 2020/21-23/24. However, there was an improvement in the proportion of deemed supplies registered, thus performance was rated **fair** (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	FY 2023/24
Value of deemed supplies (Ug shs bn)	4,317.91	6,771.94	5,727.69	1,362.77
Value of VAT foregone on deemed supplies (Ug shs bn)	777.223	1,218.95	1,030.98	245.2986
Total supplies to Government (Ug shs bn)	7,195	10,179	7,028.11	7,335
Value of deemed supplies as a % of total supplies made to Government (%)	**60**	**66**	**81**	**18**

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[9] to voluntarily register for VAT is 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:

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 indicator**; No. of VAT payers compared with the revenue generated.**

The number of taxpayers per turnover band in FY 2023/24 increased to 12,626 registered taxpayers in the less than 150 million (voluntary registrations) from 7,887 in FY 2022/23. Conversely the numbers in the rest of the bands reduced in the FY 2023/24. The thresholds between Ug shs 0.45bn and 0.55bn experienced the least reduction (182) in taxpayer registrations (Table 3.7). In addition, there was a 9% reduction in the VAT paid in FY 2023/24 compared to FY 2022/23. The increase in VAT from small businesses (less than 150 million turnover level), indicates limited consistence with the objective of the intervention, however digitization of the VAT reduces administrative costs, thus the performance was rated **fair.**

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

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		FY 2023-24	
	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)	No. of registered VAT payers	VAT paid (Ug shs bn
Less 150	8,171	41.18	6672	27.94	7887	34.39	12,626	138.39
150-250	1,388	18.59	1,627	22.25	2,000	28.80	1,905	87.20
250-350	948	14.67	1,161	21.63	1,414	28.16	1,167	44.80
350-450	661	14.33	881	21.07	970	24.19	791	33.29
450-550	526	12.69	643	15.94	770	21.55	588	35.91
550-750	817	25.62	931	31.67	1,113	41.14	819	53.62
750-1000	665	23.23	868	35.23	1,028	44.87	647	46.21
Greater than 1000	4,521	2,403.85	5,370	2,805.69	6,025	3,976.83	3,877	3,377.55
Total	**17,697**	**2,554.15**	**18,153**	**2,981.42**	**21,207**	**4,199.94**	**22,420**	**3,816.98**

Source: URA database

2) Tax paid per turnover bracket

In terms of the average VAT paid per turnover, the greater than 1000 threshold yielded the most average revenue of Ug shs 0.87 bn; representing 32% growth outturn in FY 2023/24. The less than Ug shs 150m registered average revenue of Ug shs 0.01bn; representing 151% growth revenue outturn. 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	FY 2023/24	%ge outurn
Less 150	0.01	0.002	0.003	0.01	151
150-250	0.01	0.01	0.01	0.05	218
250-350	0.02	0.02	0.02	0.04	93
350-450	0.02	0.02	0.02	0.04	69
450-550	0.02	0.02	0.03	0.06	118
550-750	0.03	0.03	0.04	0.07	77
750-1000	0.03	0.04	0.04	0.07	64
Greater than 1000	0.53	0.52	0.66	0.87	32
Total	**0.14**	**0.16**	**0.20**	**0.17**	**1,114.8**

Source: URA database

Challenges

1. The list of zero-rated supplies and exemptions did not change significantly but kept varying depending on the circumstances government sought to address. These negatively impacted the tax base which negatively affected the tax base.
2. 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.
3. The necessary research to support policy measures taken to exempt certain items in support of certain sections of the population was not conducted.

Conclusion

Despite the significant digitalisation targeting the VAT, the yield in revenue has only slightly increased from 1.87% of GDP in the FY 2019/20(baseline) to 2.4% in the FY 2023/24.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 that entails closing of compliance and policy gaps. Although exemptions and zero-rated supplies have varied objectives, periodic analysis for continued relevancy, effectiveness and appropriate targeting is necessary for exempted and zero-rated supplies.

Although performance on deeming improved, this was on account of reduced imports. The policy surrounding deeming of supplies requires streamlining to minimize abuse and potential revenue leakages. The lowest threshold (turnover band) of less than Ug shs 150m registered increases in number of payers over the years and the average VAT paid. These improvements especially in the number of VAT payers were attributed to the implementation of EFRIS.

Recommendations

1. MOFPED-TPD should conduct the necessary research and impact analyses to inform the policy measures undertaken under the VAT regime.
2. The URA should strengthen the data management and analysis of tax returns which in turn inform policy decisions of Government.

CORPORATE INCOME TAX (CIT)

One of the DRMS objectives was to enhance the income tax system through the various instruments which include corporate income tax. Revenue yield from CIT as a percentage of GDP in Uganda is lower than other EAC countries[10], despite having the same CIT rate.

The Corporate Income Tax (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 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.

[10] Domestic Revenue Mobilisation Strategy 2019/20.

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. 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.

The Tax buoyancy increased from to 1.33 in FY2023/24 from -1.05 in FY 2022/23 due to the rise in the total corporate income tax revenue from Ug shs 1,749.66 bn in FY 2022/23 to Ug shs 1984.07bn in FY year 2023/24. The Tax buoyancy of 1.33 was good as it was more than one, implying that for the FY 2023/24, the tax revenue increased more than the GDP. This performance was attributed to the recovery of the economy which caused significant increases in the total CIT payable and the gross turn over (Table 3.9). Comparatively, the tax buoyancy in FY2022/23 was very low due to the increased exemptions for certain manufacturers.

The objective of maintaining support for priority sectors (continue supporting the competitiveness of priority sectors of the economy) was achieved as the tax buoyancy increased in FY 2023/24. The performance was therefore rated **good.**

Table 3.9: Tax buoyancy FY 2019/20-FY 2023/24

	Baseline FY 2019/20	Annual 2020/21	Annual FY 2021/22	Annual 2022/23	Annual 2023/24
Total corporate income tax revenue CIT (Ug shs bn)	1,292.46	1,413.64	1,963.42	1,749.66	1,984.07
ΔCIT	0	121.17472	549.78	-213.77	234.41
Gross income/turnover BCIT (Ug Shs bn)	100,843.68	99,668.36	103,798.76	127,269.46	141,507.17
ΔBCIT	0	-1,175.32	4,130.40	23,470.70	14,237.71
GDP(Y) Bn[11]	139,718	148,328	162,883	184,288	202,131
ΔY	7,613	8,610	14,555	21,405	17,843
Tax Bouyancy	**0.00**	**1.48**	**3.13**	**-1.05**	**1.33**

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 likely 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 number of qualified technical staff handling income tax work.

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

It is measured through one indicator:

1) Proportion of technical staff handling domestic taxes that are graduates of PODTRA
By 30th June 2024 a total of 2,290 staff had been trained across the different departments at the URA against a total headcount of 3,254. Although the total headcount decreased by 50[12] staff during FY2023/24, the total number of staff trained in the same period increased by 145 staff. Of the 2,290 trained, 953 were from the domestic tax department and this was a significant increase[13] compared to the same period in FY 2022/23. The Domestic Tax(DT) staff were trained in different fields including; Advanced Tax Audits (ATAF) - OECD: 2023 Transfer Pricing blended learning cycle, Automated Deemed VAT and VAT Exemptions, Business Intelligence(BI) Training for DT,DT and TREP Officers training, Exam booking fees in taxation (ADIT) ,Exchange of Information, Excise Duty, Geographic Information System(GIS) and data analytics, ICPAU annual seminar, Returns Examination, Tax Amendments 2023-24,Tax Audit Module, TOT on New DT Business Processes, Training for the DT STE's and TREP Officers, and Transfer Pricing.

URA does not have staff that handle income tax only, they handle different taxes under domestic tax therefore the indicator calculation could not be done.

However, the performance was rated **good** as the proportion of staff handling domestic taxes that achieved requisite training increased.

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

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

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 increased by 2.43 percentage points from the previous FY 2022/23.Although it has continued to decrease compared to the base year; this means that substantial tax losses continue to be minimised thus stabilising the CIT yield. The CIT ETR decreased to 23.8% in FY2023/24 from 37.24% in FY2019/20**.** The CIT ETR was less than the statutory rate (30%), which was attributed

[12] Total headcount of 3,234 staff in FY 2022/23.
[13] Total number of DT staff trained in FY2022/23 was 808.

to the low corporate income tax revenue collected **(Table 3.10)**. Therefore, the performance was rated **fair** as the objective to minimise tax losses from being entirely forwarded has not yet been implemented.

Table 3.10: CIT effective tax rate FY 2019/20- 2023/24.

	Annual FY2019/20	Annual 2020/21	Annual FY 21/22	Annual FY 22/23	Annual FY 23/24
Total corporate income tax revenue collected (payable)(Ug shs bn)	1,292.46	1,413.64	1,963.42	1,749.66	1,984.07
Total taxable income (corporate profits before taxes).(Ug shs bn)	3,471.06	3,595.62	7,710.87	8,186.09	8,328.75
CIT effective tax rate (%)	**37.24**	**39.32**	**25.46**	**21.37**	**23.8%**

Source: URA database

2). Allowable deductions as % of gross income in a year

The aim of the intervention is to partly restructure the allowable deductions with a view to expand the taxable income. The aim of the indicator is therefore 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.

Total deductions registered a declining trend compared to the gross income declared. In FY 2019/20 the total deductions were Ug shs 30,183.14bn and decreased to Ug Shs 24,623.31 in FY2023/24 (Table3.11). Furthermore, the gross income declared increased from Ug shs 99,731.54bn in FY 2021/22[14] to Ug shs 141,507.17 in FY 2023/24. The allowable deductions as a percentage of gross income decreased from 29.65% in FY2019/20 to 17.4% in FY2023/24 which indicates that the intervention was achieved compared to FY2021/22. Therefore, the intervention performance is rated **good.**

Table 3.11: Allowable deductions as a percentage of gross income in FYs

	Annual FY 2019/20	Annual FY2020/21	Annual FY 2021/22	Annual FY 23/24
Total deductions declared by corporate taxpayers	30,183.14	30,829.91	29,149.44	24,623.31
Gross income declared	101,792.38	101,821.55	99,731.54	141,507.17
Allowable deductions as a %age of gross income in a year.	**29.65 %**	**30.28%**	**29.23%**	**17.40%**

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 to the principles of the approved DTA policy. This intervention is measured under two indicators, of which one was monitored as follows;

[14] Figures for FY 2022/23 were not availed

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

The aim of this indicator is to track revenue foregone through double taxation agreements and how they erode the taxable income. The ratio is expected to decrease (relative to baseline) after the DTA provisions are renegotiated as required in the intervention.

The Government of Uganda has 10 active treaties, of which it agreed to renegotiate 2 of them; The Netherlands and Mauritius treaties. A consultant developed areas to be renegotiated, and both the Netherlands and Mauritius treaties revisions were ongoing. The tax value of approved applications for DTAs was not availed. A cost- benefit analysis needs to be done in order to determine how much is foregone in each of the treaties. The performance was therefore rated **fair.**

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 policy-makers 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/Multinational).**

Preferably, the Effective Tax Rate (ETR) should be close 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 2023/24, the CIT ETR for foreign firms was 20.01%, which indicates that the proportion of tax from income earned by foreign firms was still lower than 23.8% in FY 2019/20 baseline **(Table 3.12).** In addition, the performance was 4 percentage points lower in comparison to the CIT ETR for local firms in the FY 2023/24 (**Table 3.10**). This shows that local firms are taxed more than foreign firms and this has been the case over the previous financial years.

Additionally, taxable income declared by foreign firms increased over the FYs whilst its CIT ETR continued to decline. The objective of strengthening international tax rules and enforcement was not entirely met as the effective corporate tax rate for foreign firms declined to 20.01% in FY 2023/24 from 21.14% in the FY 2022/23. Moreover, CIT ETR for foreign firms was 10 percentage points lower than the statutory rate of 30%, therefore the performance was thus rated **fair.**

Table 3.12 Effective corporate tax rate (foreign firms/Multinational)

	Annual 2019/20	Annual 2020/21	Annual FY 2021/22	Annual FY 2022/23	Annual FY 2023/24
CIT revenue paid by foreign firms	289.42	410.70	395.65	415.07	487.20
Taxable income declared by foreign firms	1217.057	1511.36	1414.37	1963.53	2434.28
Effective corporate tax rate (foreign firms)	**23.8%**	**27.17%**	**27.97%**	**21.14%**	**20.01%**

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.

Uganda continued to pursue its obligations under the Exchange of Information Protocols. During the FY2023/24, The Foreign Assets Voluntary Disclosure Program (VDP) was launched in November 2023. The VDP launch was a major milestone in the Automatic Exchange of Information (AEOI) implementation journey.

In FY 2023/24 Eighteen (18) staff members were trained in Exchange of Information procedure and use of the information obtained. This was the second cohort of staff trained in EOI. Additionally, on Industry Consultations, the Exchange of Information (EOI) commenced industry consultation engagements with Tax Auditors in March 2024.

The Automatic Exchange of Information (AEOI) – Reporting System; two benchmarks to Nigeria and Mauritius were concluded in September 2023 and January 2024 respectively. From the benchmark visit to Mauritius, lessons were drawn to support the development of the EOI System internally.

Uganda made 7 requests for information from her treaty partners in FY2023/24 and responded to 12. In FY 2021/22, 14 requests were made and 8 responded to from all treaty partners **(Table 3.13**). The number of tax related requests has reduced over the years indicating improved transparency on taxpayers' transactions. All incoming and outgoing requests were fully responded to where agreements are in place.

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 3.13: Percentage of outgoing tax related information requests honoured

	Annual FY 2020/21	Annual FY 2021/22	Annual FY 2022/23	Annual FY 2023/24
Number of Requests for information made	20	14	10	7
Number of Requests for information responded to	14	8	8	12
Outgoing tax related information requests honored (%)	100	100	100	100

Source: URA database

Challenges:

1. The low CIT ETR for multinational enterprises highlights that more needs to be done to strengthen international tax enforcement and reduce revenue leakage from foreign firms.

2. The foregone revenue through DTAs needs careful review to prevent erosion of Uganda's taxable income.

Conclusion

Overall, CIT revenue increased in FY 2023/24, leading to an improvement in tax buoyancy. The CIT revenue growth rate was more than that of GDP. The increase in CIT buoyancy reflects the economic recovery, especially the significant increases in gross turnover and CIT payable

Significant investment in workforce education and training in the domestic tax department improved tax collection efficiency.

Progress was made in renegotiating DTAs, but the tax value of approved DTA applications still needs to be established for better renegotiations. Information exchange domestically and internationally improved, with a 100% response rate to tax-related information requests, showcasing progress in transparency and collaboration.

Recommendations:

1. URA and MoFPED should focus on limiting allowable deductions and losses to align with international best practices and minimize revenue loss from large companies.
2. TPD should conclude renegotiating treaties with key partners to reduce revenue losses and ensure DTAs reflect Uganda's economic interests.
3. TPD and URA should implement stringent rules for taxing multinational enterprises to raise the ETR closer to that of local firms, ensuring fairness in the tax system.

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 PIT system, 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 with a view 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 PIT effective tax rate increased to 27.64% in FY 2023/24 from 26.49% in FY 2022/23. This was 8.12 percentage points higher as compared to FY (2019/20) baseline **(Table 3.14).** However, this increase relative to the baseline was not attributed to any reviews of exempt incomes noted above, as required by the intervention. Thus, performance was rated **poor.**

Table 3.14: PIT Effective Tax Rate

	Annual FY 2019/20	Annual FY 2020/21	Annual FY 2021/22	Annual FY 2022/23	Annual FY 2023/24
Total individual income tax revenue payable (Ug shs bn)	2,745.71	2,961.30	1,981.88	4,890.63	5331.92
Total taxable income relating to PAYE and presumptive taxes. (Ug shs bn)	14,067.94	13,892.62	9,597.70	18,460.01	19,292.26
PIT Effective tax Rate (%)	**19.52**	**21.32**	**20.65**	**26.49**	**27.64**

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 disadvantages 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 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 $2.15 per day. Thus, the lowest chargeable income should not be expected to fall below $2.15 per day or $64.5 per month or $784.75 per year. A ratio of 100% and below would imply that the poor are being taxed.

Despite URA registering an 11.35% increase in the amount of PAYE collected in FY 2023/24, the lowest chargeable income per day as a percentage of the international poverty line ratio slightly improved to 98.2% from 97.2% in FY 2022/23. The performance declined by 1.9 percentage points compared to 100% in FY (2019/20). This has over the years remained below 100% (**Table 3.15)**. The lowest chargeable income per day taxed was Ug shs 7,833 which is less than the international poverty line of approximately Ug shs 8,063 ($2.15).

Uganda has an employed population of 9 million people (UBOS, 2017); of which 1,045,814 (11.6%) remitted PAYE in FY 2023/24. This was a decline from 1,672,501 (18.5%) registered in FY 2022/23 and 1,447,126 (11.6%) in FY 2021/22 respectively. This indicates that; i) Uganda continues to tax the poor through PAYE resulting into reduced disposable income and limited savings ii) There is a large untaxed informal sector thus an eroded tax base. The tax is not progressive as it continues to unfairly charge the poor. The performance was thus rated **poor**.

Table 3.15: Lowest chargeable income threshold per day as % of international poverty line

	Baseline FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Lowest chargeable income per day (Ug Shs bn)	7833	7833	7833	7833	7833
Current exchange Rate (Ug shs bn)	3640	3754	3780	3750	3,726
International poverty line ($)	2.15	2.15	2.15	2.15	2.15
Lowest chargeable income threshold per day as % of international poverty line	**100.1**	**97.0**	**96.4**	**97.2**	**98.2**

***Source: BOU, UBOS data*.**

3.2.18: Consider scope to encourage savings through 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)[15] 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).

Gross capital formation (dwellings) declined to -5.7% in FY 2023/24 compared to 30.04% registered in the FY 2022/23. (**Table 3.16**). This indicates the earners had no savings to invest in acquiring fixed assets such as buildings in FY 2023/24. The performance was rated **poor**.

Table 3.16: Percent increase in gross capital formation (dwellings)

	Baseline FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Value of gross capital formation (dwellings) in current year (Ug shs bn)	449	460	496	645	608
Value of gross capital formation (Previous FY dwellings) (Ug shs bn)	448	449	460	496	645
Percent increase in gross capital formation (dwellings) (%)	**0.22**	**2.45**	**7.83**	**30.04**	**-5.7**

Source: UBOS data.

3.2.19: Address weaknesses in rules for taxing rental income

The challenge was 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 tax due and have been exploiting the law that exempts resident owners from paying tax. Furthermore, information from various

[15]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

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 minimize abuse and profit shifting. It is measured as follows.

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 the FY2023/24, the URA registered a 28.16% increase in the rental income tax revenue collected compared to the FY 2022/23. This increase has been steady over the years and mainly attributed to compliance initiatives put in place to boost the collections. For example, intensified emphasis on field inspection, improved analysis of returns, landlord registrations and close monitoring of rental arrears' portfolio. Hence collections increased to Ug shs 275.7bn in FY 2023/24 from Ug shs 103.69 bn in FY 2019/20(baseline) (165.89%). The rental income tax revenue as a percentage of sectoral GDP increased to 4.3% in FY 2023/24 from 3.96% in FY2022/23 **(Table 3.17).** The performance was rated **good.**

Table 3.17: Rental income tax revenue as % of sectoral GDP (real estate activities)

	Baseline FY 2019/20	Annual FY 2020/21	Annual FY 21/22	Annual FY 22/23	Annual FY 23/24
Rental income tax revenue collected (Ug shs bn)	103.69	117.24	156.1	215	275.7
Value of GDP for real estate activities (Ug shs bn)	4418	4590	5026	5430	6,375
Rental income tax revenue as % of sectoral GDP	**2.3**	**2.6**	**3.1**	**3.96**	**4.3**

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

A fair and effective taxation system should reach most citizens to promote equity and fairness which characterizes a good tax system. This however remains to be tackled by the current PIT system. The category of citizens whose incomes are exempted from income tax continues to expand, which erodes the tax base. Savings declined and those with low incomes (the poor) are taxed highly through the thresholds. Although rental income tax improved, weaknesses in the rules regarding commercial properties were outstanding. The untaxed population remains big and informal. It is imperative to have these areas of PIT tackled to optimize the tax yield.

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. This has led to 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 regards to the production, distribution and consumption of alcohol and other excisable products and (iv) Consider revised approach to inflation adjustments.

Two of these were assessed and presented as follows.

3.2.20: Develop a broader scheme of environmental taxes.

Overtime the excise regime on pollutants has not been comprehensive. For example, taxes imposed on persons importing vehicles are broadly; 35% for vehicles older than 5 years and 50% for vehicles older than 10 years. A four and half year-old car attracts no tax whereas a 5-year-old car of identical value and environmental impact is taxed. This creates problems of a limited tax base and no scope to capture pollution through continued use. Thus, the range of taxed pollutants should be expanded to reduce the harmful impact on health and wellbeing.

The intervention is assessed through one indicator;

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

The aim of the intervention is 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 50% would imply there is more that needs to be done in terms of using excises to prevent harmful environmental activities in the country**.**

Revenue from environmental tax as a percentage of expenditure on environmental control was 45% in the FY 2023/24. This was an improvement from 15% achieved in the FY 2022/23 **(Table 3.18).** The performance, however remains below 50% of the pollutant control. Moreover, the ideal is for the revenues to fully cover expenditure on environmental control. Additionally, the budget provided for environmental control reduced by 50% as compared to the previous FYs, yet the revenues changed only slightly. The performance was thus rated **poor**.

The performance indicates a need for further effort in raising revenue from pollutants by broadening scope of products and expanding tax base.

Table 3.18: Revenue from environment-related taxes compared to environmental control

	Baseline 2019/21	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Revenue from environmental taxes/levies Ug shs bn	206.65	265.34	262.67	208.52	280.59
Expenditure on environmental control Ug shs bn	1,105.78	1,730.52	1,404.32	1,404.32	618.045
Revenue from environment-related taxes (%)	**19**	**15**	**19**	**15**	**45**

Source: URA EHUB, IFMS

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

Multiple rates for certain products have created opportunities for tax planning and abuse. For instance, the excise duty applied to beer, wines and spirits is determined based on the source of raw materials. This was intended to incentivise the use of local content but has created scope for manufacturers to artificially inflate local content to gain a more favourable tax classification. This policy also diverges from international best practice by implicitly encouraging the consumption of local over imported alcoholic products, despite similar health implications.

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

Effective duty rates (EDR) 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 2023/24, 2022/23, 2021/22 and 2020/21, excise duty applied to beer, continued to be determined based on the source of raw materials:

Beer

With the exception of beer produced from barley grown and malted in Uganda that declined to 32% in the FY 2023/24; the effective duty rates for the other respective brands of beer did not change over the three FYs. However, overall effective excise duty rates (average) for beer were, in the FYs, 2023/24 (33%) and 2022/23 (41%), which were much lower than (the 60%) that was achieved on malt beer in the FY 2023/24. 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 the 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 rated **poor** (**Table 3.19**).

Table 3.19: Excise Duty Rates 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	EDR FY 2023/24
1.Malt beer	60% or shs.1860 per litre, whichever is higher	69	65	60	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	30
3. Beer produced from barley grown and malted in Uganda	30% or Shs.950 per litre, whichever is higher	32	31	76	76	32
4. Opaque Beer	30% or Shs.650 per litre, whichever	28	42	21	21	20
5. Other Alcoholic Beverage Locally Produced	20% or Shs.230 per litre, whichever	-	-	20	20	21
Effective excise duty rate for beer (%)-Average of EDRs		**40**	**42**	**47**	**41**	**33**

Source: URA database

Soft drinks: In the FY 2023/24 the Excise Duty Rate (EDR) for the soft drinks was highest at 16% registered for Non- Alcoholic Beverage locally produced using fermented sugary tea solution. The remaining soft drinks registered 15% and 14% EDRs **(Table 3.20)**. However, the effective excise duty rate was 15% which was less than 16% that could be potentially applied for all the soft drinks categories resulting into higher revenue. Multiple rates were not rationalised and performance was rated **poor.**

Table 3.20: Excise Duty Rates and Effective Excise Duty Rate (%) for soft drinks

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	EDR FY 2023/24
1.Non-Alcoholic Beverages not including fruit or vegetable juices	12% or shs.200 per litre whichever is higher	12	13	14	14	14
2. Fruit juice and vegetable juice, except juice made from at least 30% of pulp from fruit and vegetables grown in Uganda	13% or shs.300 per litre, whichever is higher.	13	12	14	14	14
3. Powder for reconstitution to make juice or dilute-to-taste drinks, excluding pulp;	15% of the value	18	15	15	15	15
4. Other Non-Alcoholic Beverage Locally Produced using fermented sugary tea solution with a combination of yeast and bacteria	12% or shs.250 per litre, whichever is higher.	-	-	14	14	16
Effective excise duty rate for beer (%)-Average of EDR		**14**	**13**	**14**	**14**	**15**

Source: URA database

Challenge

The current regime dilutes the tax base through continued application of excise duty based on local content. This creates scope for manufacturers to artificially inflate local content to gain a more favourable tax classification.

Conclusion

Excise duties are mainly to limit externalities arising from certain economic activities. However, the focus significantly changed to encourage revenue collection. To that extent though, revenues have over the years performed lower than their potential. There is a need to embrace the reforms in the areas of scope and tax base expansion. This would create a fairer excise regime for manufacturers and, improve size and sustainability of the revenue stream.

Recommendations

1. The TPD should conduct a study to determine alternative means of compensating or incentivizing the use of local inputs without tax variability.
2. The TPD should affect the application of the same rates or ad-valorem rates across the different categories of the product (brand).

DEVELOP A STRONG EXTRACTIVES INDUSTRY TAXATION REGIME

Designing a strong fiscal regime is critical for attracting the investment Uganda needs to develop the sector. Frequent changes to the regime reduce investor confidence in its stability and the likelihood of sufficient returns. Therefore, 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 extractives sector, while ensuring that the Government is able to extract a reasonable share of tax and other revenues.

3.2.22: 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 down-stream 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, royalty, Government share of profit oil, and Income tax among others.URA is currently designing the petroleum returns to ensure that correct petroleum revenues are declared to URA. The petroleum returns are expected to be ready by June 2023 and it is measured under three indicators;

1. 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 oil, gas and mining sectors.

The 2021[16] Resource Governance Index (RGI) is instrumental in driving positive change and promoting transparency, accountability and reform within the oil, gas and mining sectors. In 2021, Natural Resource Governance Institute (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 two significant issues in Uganda's extractive sector.

First was the absence of fiscal rules governing revenue withdrawals from the Petroleum Fund. Once Uganda begins oil production, the resulting revenues will be deposited into the Petroleum Fund, held at the Bank of Uganda. Withdrawals from the Petroleum Fund will flow to the Consolidated Fund (to finance infrastructure and development). The remaining balance will be transferred to the Petroleum Revenue Investment Reserve (a sovereign wealth fund) to be invested outside the country.

Fiscal rules would set guidelines on how much can be transferred to the Consolidated Fund for budgetary spending and how much should be transferred to the sovereign wealth fund. Resource-rich countries without relevant fiscal rules risk that political pressure results in pro-cyclical budgetary spending, which increases or decreases with volatile oil prices. This in turn risks a scenario in which the government fails to save any revenues in the sovereign wealth fund.

Second, 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 taxes payments or hide improper relationships with powerful decision makers.

With low scores of 55 and 49 (out of 100) in the mining and oil and gas sectors respectively, the RGI results highlighted the pressing need for reforms in Uganda's extractive sector. There is need for greater transparency and accountability to ensure that resource revenues benefit Ugandans.

On the other hand, in May 2024, the Extractives Industries Transparency Initiative (EITI) Board gave Uganda a "moderate" score of 78.5 points out of a possible 100. Uganda's validation score was based on the implementation of the 2019 EITI standard. The EITI Board noted that Uganda's overall score reflects an average of three component scores on stakeholder engagement, transparency, and outcomes and impact. Uganda's highest score (85 points) was registered on the component of "outcomes and impact" and the EITI commended the Uganda National EITI Secretariat (UGEITI) for its outreach efforts (publishing reports and carrying out dissemination activities in oil and mining regions). Uganda which only joined the EITI process in 2020 also registered a score of 82.5 points on stakeholder engagement. This followed UGEITI's rallying of stakeholders from government agencies, oil and mining companies as well as civil society (EITI multi stakeholder group) to routinely work and agree on key documents such as work plans, annual progress reports, as well as disseminating and debating the findings. This performance was thus rated **good**.

2. **Build knowledge and expertise on tax issues unique to oil, gas, and mining**

During the FY 2023/24, 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. The Division received training in same period on financial disruption training on mineral related crimes in Uganda.

[16] The RGI is usually carried out after every 3 years, therefore we still use the 2021 results.

Technical Assistance (TA) was secured through the African Legal Support Facility (ALSF) to provide capacity building assistance to URA staff. The TA involved a review of the existing legal, regulatory and institutional framework of the extractives sector (mining, oil and gas) in Uganda. This included the review of the special income tax provisions for mining and petroleum sectors and documentation of practice guidelines.

A knowledge and experience sharing session was held by the PD Transfer pricing team on the transfer pricing Total Energy E&P Uganda (TEPU) audit cases. Additionally, capacity building in oil and gas taxation and transfer pricing by African Tax Administration Forum (ATAF) was conducted.

Natural resources unit held an engagement with Directorate of Geological Survey and Mines (DGSM) in February 2024 where they committed to start sharing mining returns to enable URA monitor and collect royalties.

Midstream team held several trainings and knowledge sharing sessions during the FY where they discussed the application of Section 24(5) of the VAT Act with business policy and Legal and board affairs. They discussed the exclusions to (Section 24(5) of the VAT Act) Sole and exclusive with business policy and Legal and board affairs; and the status of the deemed VAT solution with Business policy.

Stakeholder meetings were held in June 2024 with UNOC and discussed Know Your Customer (KYC) issues regarding the Automated Petroleum and Mining Fiscal Revenue Management System (APMFRMS).

Three PD staff attended an annual Energy Economics Forum workshop during the FY with PAU, UNOC, MOFPED, and Energy and tax authority delegates from Kenya, Tanzania, Ghana, Nigeria, and Mozambique. The engagement deliberated on Fiscal regimes, tax optimization and Tax Evasion, Cost Auditing and control, and Fare and Methane reduction and Carbon credits. The PD staff attended a training on Cost Estimation at different stages of project development facilitated by the Norwegians. This was held in June 2024.

This general performance was rated **good.**

3. 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 have been used in the development of the compliance improvement plan (CIP) of the taxpayers under the Petroleum Division.

A new PD risk register was documented for FY 2023-24 that details proposed strategies to manage Oil and Gas and Mining licensees.

4. Re-design the tax return form to capture more information from the extractives sector

A Concept note was written to ITID requesting for procurement of a consultant to design returns and petroleum revenue model. ITID is sourcing funds and a request has been submitted to Parliament through the Budget framework paper. This concept note was completed in the FY 2022/23 but no funds were availed.

A Meeting was held with IMF, CITID and PD to review of the Petroleum and Mining System in March 2024. The Terms of Reference (TORs) and KYC for the Petroleum and Mining Module were concluded with E-volution.

URA and E-volution confirmed taxpayer obligations and their expectation in line with Registration, return filing, Payments and reporting as per CITIID guidance.

The upstream team held an Online meeting on 22/05/2024 with the Commissioner ITIID, E-volution, and Ae Ltd, a UK consultancy company to engage the consultants on Petroleum and Mineral Resource Information Technology as a structured plan to secure a vendor for the Petroleum and Mining Module.

The performance was rated **fair**.

Conclusion

Overall, Uganda's efforts to strengthen its extractives industry taxation regime are crucial for ensuring that the country maximizes the benefits of its oil, gas, and mining sectors while promoting sustainable development. By enhancing transparency, and building institutional capacity, Uganda can better manage its resource wealth and mitigate risks that come with Oil and gas, such as revenue mismanagement and tax evasion. The ongoing reforms, including the redesign of tax returns, the development of risk-based compliance strategies, and increased capacity-building efforts, are positive steps toward creating a more effective and equitable taxation system. If properly implemented, these initiatives will not only boost government revenues but also promote greater accountability and ensure that the nation's natural resources contribute meaningfully to Uganda's long-term growth and prosperity.

PROMOTION OF INTERNATIONAL TRADE

Government is pursuing a strategy for support to local industries, and promoting import substitution. Competition from exporters such as China and India have 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 manufacturer desire protection, trade partners will have a similar interest. Achieving a balance between the objectives of export promotion, raising revenue, and supporting domestic industries are essential to the sustainability of trade.

Uganda is a landlocked country and is mainly dependent on ports in neighboring countries for the import and export of goods. Poor monitoring of long trade corridors, porous borders, and the extensive use of warehouses has 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 introduces 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 was assessed through two interventions as follows:

3.2.23: 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 (EPR)

The 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 21 items where the EPR is significantly low i.e. with the effective protection rate below 10% cover a 21.4% proportion of the total items which is big and lower than the nominal tariff rate (Annex 2). A total of 20.4% of the items have an EPR between 10%-20%, this indicates that there is less protection rate over a big number of items (41.8%). The items whose EPR has grown compared to the baseline are 51% of the total items on the list. These include, live animals fish and crustacean, mollusc and other aquatic invertebrate, products of animal origin, edible vegetables and certain roots and tubers, oil seed, oleagi fruits; miscell grain, seed, fruit e.t.c., animal/veg fats and oil, and their cleavage products. Additionally, a greater percentage (over 58.2%) 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 FY2023/24, the average (world) effective duty rate decreased to 31.3% from 37.4% in FY 2022/23 and increased by 4.4 percentage points in 2019/20 baseline year (Tab1e 3.21). This decrease 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, the East African Community, Latin America, the Middle East, North America, Rest of Africa and Rest of Asia, rest of Europe and South Africa (Table 3.21). Also, to note is that trade within the East African Community had increased over the years but significantly reduced by more than 50% in FY2023/24. As indicated by the EDR, this was attributed to the implemented regional protocols where there is free movement of goods between the East African community. The rest of Asia has the highest EDR indicating that international trade with that region is high 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 are 31% and below, which is close to the nominal rate of 30%.

Thus the performance was rated **good.**

Table 3.21: Effective Duty Rate FY 2019/20 to FY 2023/24

Region	Effective Duty Rate				
	FY 2019/20 (baseline)	2020/21	2021/22	2022/23	2023/24
China	21.48%	23.29%	25.3%	19.3%	22.38%
East African Community (EAC)	11.04%	4.82%	15.5%	17.2%	7.09%
European Union	15.20%	27.93%	26.2%	11.7%	18.23%
Latin America and Caribbean	43.15%	32.96%	27.2%	22.7%	13.04%
Middle East	40.72%	14.83%	19.4%	16.2%	22.88%
North Africa	3.94%	7.82%	5.5%	7.2%	15.49%
North America	16.69%	10.01%	9.7%	10.3%	11.91%
Rest of Africa	1.76%	3.14%	25.5%	19.3%	1.01%
Rest of Asia	64.82%	29.98%	48.9%	41.0%	29.21%
Rest of Europe	24.63%	13.69%	18.8%	20.1%	10.18%
South Africa	8.68%	6.54%	21.1%	9.9%	5.87%
Other			0.0%		
World	**35.7%**	**16.00%**	**48.0%**	**37.4%**	**31.30%**

Source: URA Database

3.2.24: 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 system has four (4) selectivity lanes for declaration as;

1. **Red Lane-(24 to 72 hours)** is considered high-risk goods, which have to be subjected to physical examination.
2. **Yellow Lane-16 hours**: Transactions are subjected to documentary check by the DPC to verify the authenticity of documents and values applied
3. **Blue Lane-4 hours**: Under these transactions, the customs agent proceeds to the border station or bonded warehouse where the cargo is secured to initiate the exit process and delivery of cargo.
4. **Green Lane-4 hours**: The customs agent will proceed to the border or bonded warehouse to initiate the exit process and physical release of goods.

The clearance time at the border points has improved to 1 day (hours) in FY 2023/24 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. It was noted that at the Busia border, scanners were integrated with those of Kenya Revenue

Authority and this has made clearance very fast. It was noted that at Malaba border, clearance takes between 20 minutes and 3 hours, all things constant.

A number of technological systems were in use; such as the Uganda Single Electronic Window and ASYCUDA world thereby improving data sharing among trade regulatory agencies. Additionally, scanners and regional electronic cargo tracking devices were deployed and in use 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 constant flow of traffic. For example, Busia and Malaba border points have 4 scanners each, 1 drive through scanner, 1 unit scanner, 1 hand baggage scanner and 1 backup scanner. In times of congestion, both scanners are put to use. All scanners at border points are connected to the Central Command Center and this helps monitor business at the points. The performance was rated good.

Additionally, cargo that comes through on trains is not scanned as there are no scanners that handle that. Sometimes the cargo has to be offloaded to be scanned. This is a very hectic process that is most times avoided. Also, trucks carrying live animals like cows, goats, chicks etc. are not scanned, these are only checked physically thus affecting their clearance time. Suam border was in its final stages to be commissioned as a One Stop Border Post.

At the Malaba border, the baggage scanner had broken down and no repairs had been done for over three months. Therefore, baggage was checked physically. Mutukula had no baggage scanner.

Although Malaba One Stop Border Point (OSBP) managed to reduce smuggling to near zero, Uganda has many porous borders such as in Elegu, Busia Padea, Vurra Elia, Oraba etc where smuggling persists. For example, smuggling of goods is evident from the far West Nile to the far East Nile where there are numerous points without the presence of enforcement teams.

Low staffing levels were noted on a number of border posts e.g. Mirama hills, Katuna, Suam, Ggoli. This was coupled with poor or no accommodation for the available staff. At Ggoli border, the staff houses were available but very small such that staff weren't using them. This was the same as Ntoroko, the small houses were in use as they did not have the option of renting out in nearby places. Mpondwe and Mirama Hills did not have staff houses.

Challenges

1. There are several items whose protection rate is very low for example pharmaceutical products, fertilizers, cotton etc. This continues to lower competitiveness in the local market.
2. There are no scanners for Trains and trucks with live animals, therefore goods that come through by railway are either not scanned or have to be offloaded and scanned manually. This is time consuming.
3. Many porous border posts enable ease of smuggling between countries.
4. Roads to the border posts are generally in very poor conditions and some drivers end up using ungazetted roads.
5. There were a number of low staffing levels and accommodation issues at the border points

Conclusion

Overall, the objective of promoting international trade through the support of local industries and import substitution has yielded mixed results. While protective tariff measures have been essential in providing support to domestic producers, the effectiveness of these interventions relies on a careful balance between protecting local industries and fostering export growth. The analysis of

Effective Protection Rates (EPR) indicates a significant portion of products continues to receive insufficient protection.

Improvements in customs clearance times, particularly through the digitization of processes (ICT), prove a commitment to enhancing trade facilitation. The successful integration of border clearance systems with neighboring countries exemplifies the potential for increased regional cooperation and efficiency.

By promoting an environment that encourages both local growth and international competitiveness, Uganda can strengthen its position in the global trade arena while simultaneously enhancing the welfare of its citizens.

Recommendations

1. The URA should tighten protection rates for all items produced within the country in order to increase competitiveness in the local market
2. Scanners to handle Trains and trucks handling live animals should be introduced at border posts where these cross into the country.
3. The URA should introduce cross border drones along the porous borders to help monitor the areas.
4. The roads connecting to the border point should be worked on to enable smooth transportation of goods.
5. More staff should be posted to the border points and specious staff houses should be constructed.

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

The intervention is premised on all Ministries, Departments and Agencies (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 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 declined to 0.8% in the FY 2023/24 from 1.02% in FY 2022/23. Although the performance was more than 0.5% of GDP the ratio has mostly remained within the same range (less than 1%) indicating limited progress **(Table 3.22)**. It was observed that 90% of the NTR was collected through the URA portal and the other through the Uganda Consolidated Fund (UCF). Improved performance was attributed to enforcement on payment of arrears for express police penalties and 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 persisted and thus the performance was rated **fair.**

Table 3.22: NTR as Percent of GDP

Baseline	FY2019/20 Baseline	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Value of NTR Collected (Ug shs bn)	839.435	1,051.71	1,345.60	1,476.06	1,568.38
Nominal GDP (Ug shs bn)	126,411	130,884	136,936	144,231	202,131
NTR as a percent of GDP (%)	**0.66**	**0.80**	**0.98**	**1.02**	**0.80**

Source: MOFPED, URA database, UBOS

2. **NTR collected as % of potential NTR**

The aim of the indicator is to monitor the extent to which the NTR base is being covered in terms of revenue mobilization. The desired outcome is an increase in the potential NTR base covered.

In the FY 2023/24, Ug shs 1,568.38bn (70%) of the target for NTR was realised. Although this was an improvement in value from Ug shs 1,476.06bn (88%) achieved in the FY 2022/23, the performance declined in comparison to achievement against the targets indicating **fair** performance.

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 revenues, increase 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 has overtime remained static within the same ratios against the GDP. This indicates room for improvement in the provision of services by the MDAs. 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 needs strengthening to harness the full potential of NTR. It is essential to continue harnessing NTR sources through improved service delivery by the MDAs.

Recommendations

1. URA and NITAU should jointly ensure reliable internet to support availability of the NTR collecting portal.
2. URA should step up awareness campaigns regarding availability of NTR services on the portal and continue simplifying its use.
3. The MOFPED should enforce the requirement to have all NTR from MDAs collected through the URA system to ease monitoring and ensure full reporting.

4. The MOFPED should guide the development of policy surrounding the introduction of new NTR sources by the MDAs. and through consultation determine applicable rates as well as ensure that annual targets are realistic.

HARMONISATION OF LOCAL AND CENTRAL GOVERNMENT TAXATION

The Government's fiscal decentralization strategy provides a framework and set of principles for service delivery through Central and Local Government (LG) structures, based on 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 tax. 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 create unnecessary complications and confusion for taxpayers. Furthermore, LGs typically lack the analytical capacity to assess and monitor their revenue sources.

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

3.2.26: Work with local government to strengthen analysis, monitoring, and reporting LG own revenue achievement rate

The DRMS requires that the LGs capacity to interrogate policy options, forecast, and analyses 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 the 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 their 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 100% of the targeted revenue. An achievement rate outside this range would suggest there is more that needs to be done in strengthening the analysis, monitoring and reporting of LG revenues.

The LG own revenue achievement rate has continued to increase to 89.3% in FY 2023/24 from 48.7% in the baseline year FY2019/20. (**Table 3.23**). This growth was attributed to the automation of systems where the Integrated Revenue Administration System (IRAS) which is currently operational in 166 LGs and the E-LogRev system in 10 LGs. Although, LGs have not achieved the desired own revenue achievement rate (95%-100%), there was a great improvement. Thus, the performance rated **fair**.

Table 3.23: LG own revenue achievement rate

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24[17]
Total revenue collected from all LG revenue sources ('000)	223,015,985	256,376,820	291,781,061	346,292,754	405,727,640
Target (approved budget) for the same revenue sources ('000)	458,918,872	477,546,082	402,393,070	430,283,120	454,424,848
LG own revenue achievement rate	**48.7**	**53.7**	**72.5**	**80.5**	**89.3**

Source: LGFC

The 10 cities were monitored to establish the performance of their revenue collections. With the support of the Domestic Revenue Mobilisation for Development (DRM4D), 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. For example, the property revenue collected in Gulu city increased to over Ug shs 50bn during FY23/24, total revenue collected grew to Ug shs 405bn in FY2023/24 from Ug shs 320bn in FY 2022/23. This increase was attributed to the completion of the valuation of city properties and automation of street parking.

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 2023/24 **(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	FY2023/24[18]
Local Service Tax	20,287,901	19,771,603	30,153,102	33,168,412	28,194,906
Local Government Hotel Tax	2,364,237	270,773	1,414,696	1,556,166	4,491,729
Property Tax	49,241,410	58,303,689	46,113,688	50,725,057	50,050,177
User Fees	71,034,837	109,390,939	49,554,493	54,509,942	178,903,445
Licenses	22,379,285	27,104,252	45,485,690	50,034,259	33,061,351
Others	57,708,312	41,535,553	119,059,390	130,965,329	111,026,026
Total	**223,015,985**	**256,376,820**	**291,781,061**	**320,959,167**	**405,727,640**

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 own 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 percentage of central government fund transfers to LGs. This indicates LGs continue to depend largely on transfers from the central government. In FY2023/24, the LG dependency on central government dropped by one percentage point, from

[17] Tentative figures pending finalisation of the audits for FY2023/24 by AOG
[18] Tentative figures pending finalisation of the audits for FY2023/24 by AOG

93.76 to 92.73. This is still a very high dependency rate; therefore, the expected outcome is not achieved. Although an increase was noted in LGs own revenue, it has not reduced on the transfers from central government. The transfers from the central government have continued to grow over the years. **(Table 3.25).** The performance was thus rated **poor.**

Table 3.3.25: 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)	totally revenue collected and transfers from central(ug shs bn)	Performance
FY 2019/20	458.9	223.016	3,145.70	3,368.70	94.20%
FY 2020/21	477.5	256.377	3,623.90	3,879.90	94.24%
FY 2021/22	402.4	291.781	4,623.10	4,914.10	94.06%
FY 2022/23	430.3	346.29	5,085.41	5,165.29	93.76%
FY 2023/24	454.4	405.727	5,180.00	5,585.73	92.73%

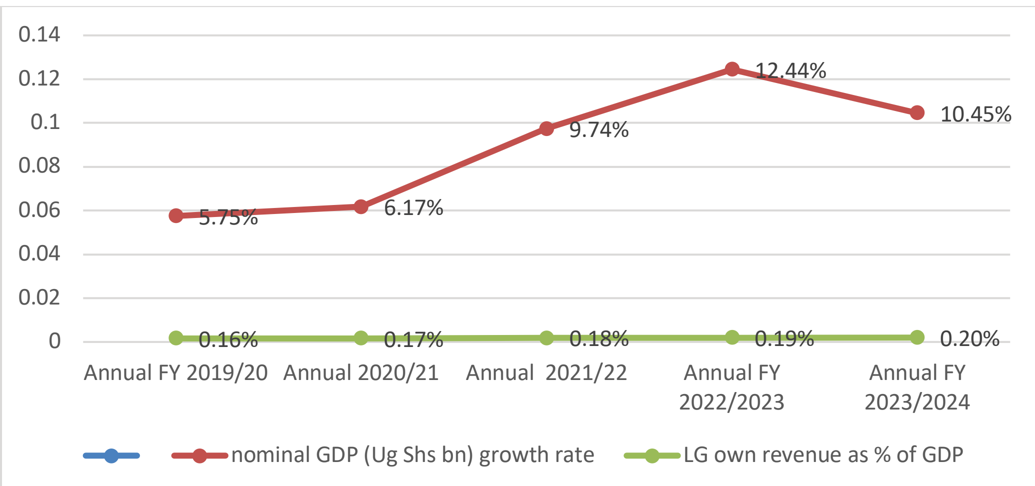
Source: LGFC

3) LG own revenue as % of GDP

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

The local government own revenue as a percentage of GDP has grown to 2.0% in FY 2023/24 from 1.8% in the FY 2019/20 baseline year. Although there has been an upward trend in both areas, the gradient is different.ie GDP is growing at a higher rate than the total revenues collected by local governments **(Figure 3.1)**. The performance was rated **poor.**

Figure 3.1. Trend for the LG own revenue as % of GDP



Source: LGFC and UBOS

Challenges

1. Delays by central government to resend the collected revenues to the respective local governments.
2. The local governments continue to collect own revenue manually alongside the IRAS.
3. The Local governments experience numerous network challenges, thus collect revenue manually.
4. Capacity gaps and limited gadgets to handle the work that comes with the automation.

Conclusion

Overall, LGs own revenue has a great potential of growth with the digitalization of all payment systems and collection of all the necessary data. The implementation of the Integrated Revenue Administration System (IRAS) has notably improved the LG own revenue achievement rate. This growth indicates a positive trajectory towards better revenue management and highlights the potential benefits of automation in enhancing financial accountability and transparency at the local level.

However, despite these advancements, LGs continue to rely heavily on central government transfers. This sustained reliance raises concerns about their capacity to deliver essential services effectively. The data suggests that while local revenues are increasing, they are not keeping pace with the growth in central government transfers, leading to an uneven fiscal landscape.

Recommendations

1. MoFPED together with the Accountant General should expedite the release of local revenues collected.
2. The Local Government Finance Commission together with the MoLG should ensure that all LG local revenue databases are computerized using one system, to enhance local revenue registers for all sources and know potential revenues. This will provide data on all the eligible taxpayers for all the revenue sources.

TAXATION OF EXTERNALLY FUNDED PROJECTS (DONOR)

Globally, official development assistance (ODA) has generally been exempted from taxation in developing countries. The exemptions are often provided in international treaties, as well as in project agreements between providers and recipients and negotiated for each project.

3.2.27: Review the taxation of donor-funded projects

Overtime, in the absence of evidence to show that exemptions improve aid outcomes, the regime is increasingly considered inconsistent with the broader drive to improve domestic revenue mobilization. This is measured under one indicator.

1) Effective duty rate (imports of donor-funded projects)

The intervention seeks to assess revenue foregone and administrative burden for new projects. The aim is to minimize and or eliminate exemptions on imports for externally funded projects. The desired outcome would be a reduction in the effective duty rate foregone on imports for externally funded projects. Comparative increase in the ratio of customs duties foregone for the value of the same imports indicates poor performance.

In the FY 2023/24 customs duties foregone on imports for externally funded projects increased to 33% from 30% in the FY 2022/23 **(Table 3.26).** The performance was 3 percentage points less when compared to FY 2020/21 (baseline). Effectively revenue foregone was higher than 30% indicating continued revenue losses through exemptions and thus performance was rated **poor**

Table 3.26: Effective duty rate of revenue foregone (imports for externally- funded projects)

	Annual FY 2020/21	Annual FY 2022/23	Annual FY 2023/24
Total Customs duties foregone on externally funded projects (Ug shs bn)	986,402,493,274	361,854,121,972	470,100,430,143
Cost Insurance Freight (CIF) Value of the same imports (Ug shs bn)	2,678,268,420,803	1,201,590,455,783	1,397,307,489,656
Revenue foregone as % of value of imports	**37**	**30**	**33**

Source: URA database

Challenge

Imported duty free supplies for externally funded projects implicitly incentivize imports rather than promoting local suppliers. This undermines other government policies to promote domestic production such as BUBU. Local producers are disadvantaged when competing to supply to externally funded projects, hindering local development.

Recommendation

TPD needs to obtain empirical evidence to show that exemptions improve aid outcomes, and that

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 resident 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 2023/24, sixty more companies were on-boarded for tax purposes. This was in addition to the 18[19]pioneer companies which were on-boarded during FY2022/23 and FY2021/22.

The intervention is assessed through two indicators:

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 2023/24, Ug Shs 17.3bn was collected from web-based businesses, this was 167.8% increase compared to FY 2022/23, where Ug shs 6.46bn was realized. The ratio relating to revenue collected from digital businesses has continued to increase and thus performance was rated **good (Table 3.27).**

Table 3.27: Revenue collected from web-based businesses as a % of total URA revenue

	Annual FY 2021/22	Annual FY 2022/23	Annual FY 2023/24
Revenue collected from taxpayers that are classified as digital businesses (Ug shs bn)	0.6	6.460	17.309
Total URA revenue (Ug shs bn)	21,658.01	25,209.05	27,301.22
Revenue collected as a % of total URA revenue (100%)	**0.00277**	**0.0253**	**0.0634**

Source: URA data

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, in FY 2023/24 income tax known as the Digital service Tax (DST) of 5% of gross revenues received by the non-resident businesses was implemented and this contributed to the great increase in collections from the digital economy.

During FY 2023/24, 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, a number of action points were picked including; Amendment of the VAT Act to allow for payment of tax in USD, development of Regulations to streamline the implementation of the VAT regime, automation of the Registration and Payment platforms and provision of an upload on the URA Web Portal sharing responses to FAQ's.

[19] 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 Comopany,Booking Com BV,Showmax Africa Holdings Limited,
Apple and the ACCA

A simplified registration regime was developed to aid the Non-Resident Service Providers comply with their registration obligation. Therefore, minimal registration requirements are required to facilitate this process. More companies registered during FY2023/24, and this was attributed to the above simplified registration regime. Although some of the newly registered companies hadn't paid any tax by the end of the FY, they were successfully onboarded and have a great potential.

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. By active it means digital taxpayers that are both registered and paying taxes. An increase in the number of digital taxpayers in relation to 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 the FY 2023/24, the web-based businesses registered reached 78 of which 49 were taxed. This is an increase from FY 2022/23 where 16 were taxed and the baseline year where 11 web-based businesses complied with tax payments (**Annex 3)**. Apple Distribution registered the highest contribution in revenue, with Ug shs 2.703bn and this was the case in the FY 2022/23. Whilst the least contributor was Amazon Media EU SARL.

The performance of this indicator was rated **good**.

Conclusion

Uganda's progress in expanding its tax base to include the digital economy is a significant step toward aligning its tax regime with global trends that led to the onboarding of new digital taxpayers. Consequently, rapid increase in revenue collected from web-based businesses from Ug Shs6.46bn in FY 2022/23 to Ug shs17.3bn in FY 2023/24 was registered. The introduction of the Digital Services Tax (DST) and VAT regulations on non-resident service providers has been pivotal in this growth, allowing the URA to capture revenues from previously untaxed sectors.

However, there remain significant challenges that need to be addressed to sustain this momentum. While 78 companies have been on boarded, only 49 are actively paying taxes. This highlights the need for continuous enforcement of tax compliance among digital businesses.

By continuing to refine the digital taxation framework and ensuring broader compliance, Uganda can strengthen its ability to harness the full potential of the digital economy for economic development.

3.3 PERFORMANCE OF TAX ADMINISTRATION INTERVENTIONS

Tax Administration is comprised of 47 interventions; of which only 38 interventions are currently assessable. Of these, information was availed in full for only 22 (58%) interventions. These interventions performed fairly; with 2 registering good performance, 16 fair and 4 poor. The detailed performance of the interventions is discussed below:

GOVERNANCE AND MANAGEMENT OF URA

The URA Act (1991) established the Authority 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 determination of policies relating to staffing and procurement of the authority. This objective is measured through four interventions: (i) review the URA structure and consider reorganization 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 (completed). Only two interventions were assessed and performance detailed as follows;

3.3.1: Review the URA structure and consider re-organization to promote integration

The DRMS requires that the structure is reviewed to address current demands and promote the integration of cross-cutting processes and central offices. This should include establishing a common process for all processing of tasks such as registration, revenue management, or taxpayer services, while specializing the Large and Medium Taxpayer Offices. This intervention is measured through one indicator:

1. **Leadership Effectiveness Index**

The indicator intends to track URA's organizational efficiency by monitoring progress in implementing the aspects prescribed in the intervention that is, establishing a common process for all processing of tasks such as registration, revenue management, or taxpayer services. A low score will suggest there is more that needs to be done to effectively implement the intervention.

The indicator performance could not be availed; however, the Structural Review and Functional Alignment exercise was finalized and a report was presented and approved by the URA Board on 1st February 2024. Key changes under the new structure include; (i) the Integration and alignment of critical functions, (ii) the creation of new Departments (i.e. strategy and risk management, and Tax academy) and (iii) the elevation of relevant functions to divisional level (including risk management and procurement). The new strategy also provided for a 41% staffing enhancement to strengthen critical strategic imperatives like the URA Digitalization strategy and increase capacity in key business functions like Domestic Taxes and Customs.

Additionally, the authority;

- (i) Held Engagements with all the Heads of Departments and Departmental Management teams to discuss the approved Structural Review Report and identify critical staffing requirements as well as develop the Transition plan.
- (ii) Developed the draft Change Management and transition plan to support the implementation of the new URA Structure.
- (iii) Developed the Job Analysis Tool and conducted the Job Analysis Data Collection exercise. The Data obtained from 2300 staff will be shared with the SFA Consultants for analysis to support the review of the URA Job descriptions and subsequent Job evaluation.

(iv) Prepared the Critical Staffing needs for FY2024/25 for consideration by Management and the Board. This is crucial in light of the budgetary limitations and the need to prioritize the functions that directly support the Revenue Mobilization agenda.

Thus, performance was rated **fair**.

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

The DRMS requires balancing Key Performance Indicators (KPIs) with quantity, quality, and taxpayer satisfaction indicators, which will give a wider view of the effectiveness of the administration. This should include the tax compliance gap, growth in active taxpayer population, on-time filing and payment rates, improvement of arrears collection, IT availability and response times. This intervention is measured through five indicators, four of which were tracked, and the following was noted:

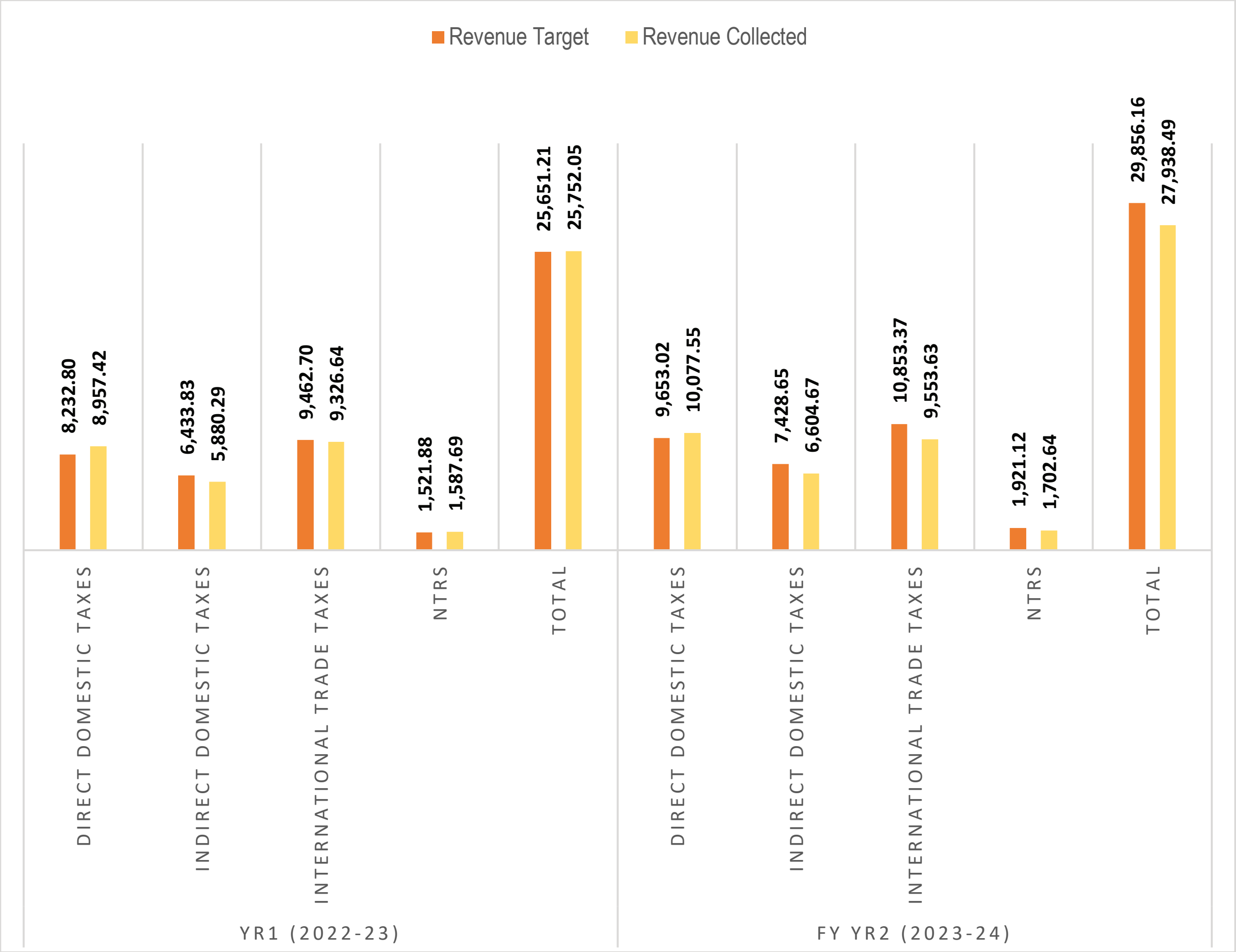
1. Revenue collection to target (collected revenue as % of revenue target)

The indicator seeks to measure the extent to which the revenue target is being met. By 30th June 2024, the gross revenue collections were Ug shs 27,938.49bn, against a target of Ug shs 29,856.16 bn indicating a deficit of Ug shs 1,917.67bn **(Annex 4)**. Comparatively, in the same period FY 2022/23, the gross revenue collections were Ug shs 25,651.21bn, against a target of Ug shs 25,752.05bn leading to deficit shs 100.84 bn. The uncollected tax to target therefore increased by 0.7 percentage points (from 0.39 to -0.30). However, in absolute terms there was an increase in revenue collection of Ug shs 2,287.28bn.

This performance was attributed to implementation of administrative efficiency measures in form of arrears management, engagements with the tax payers, use of the mobile office, increased sensitization, use of alternative dispute resolution, compliance initiatives (audits/vetting, field inspections, timely monitoring of returns, and return self-assessments), use of third-party information, tax investigations, new performance management approach and use of technology in custom processes.

At the tax head level, direct domestic taxes registered a surplus of Ug shs 424.53bn, while Non-Tax Revenue, indirect domestic taxes and international taxes registered shortfalls of Ug shs 218.48 bn, Ug shs 823.98 bn and Ug shs 1,299.75 bn, respectively. International trade registered the highest shortfall of 0.12% **(Figure 2).** The underperformance was attributed to a rise in non-vatable and non-dutiable goods, external shocks such as crude oil price volatility, exchange rate fluctuations, geopolitical conflicts (e.g., the Russia-Ukraine war) and import substitution policies that led to increased intra-regional trade within the East African Community (EAC). The high-value items previously imported from outside now sourced from EAC countries, resulted in lost revenue from preferential tariff rates. Performance was therefore rated **fair.**

Figure 2: Tax to Target by Revenue Source FY 2022/23 and 2023/24



Source: URA data base

2. Filing and On-time filing

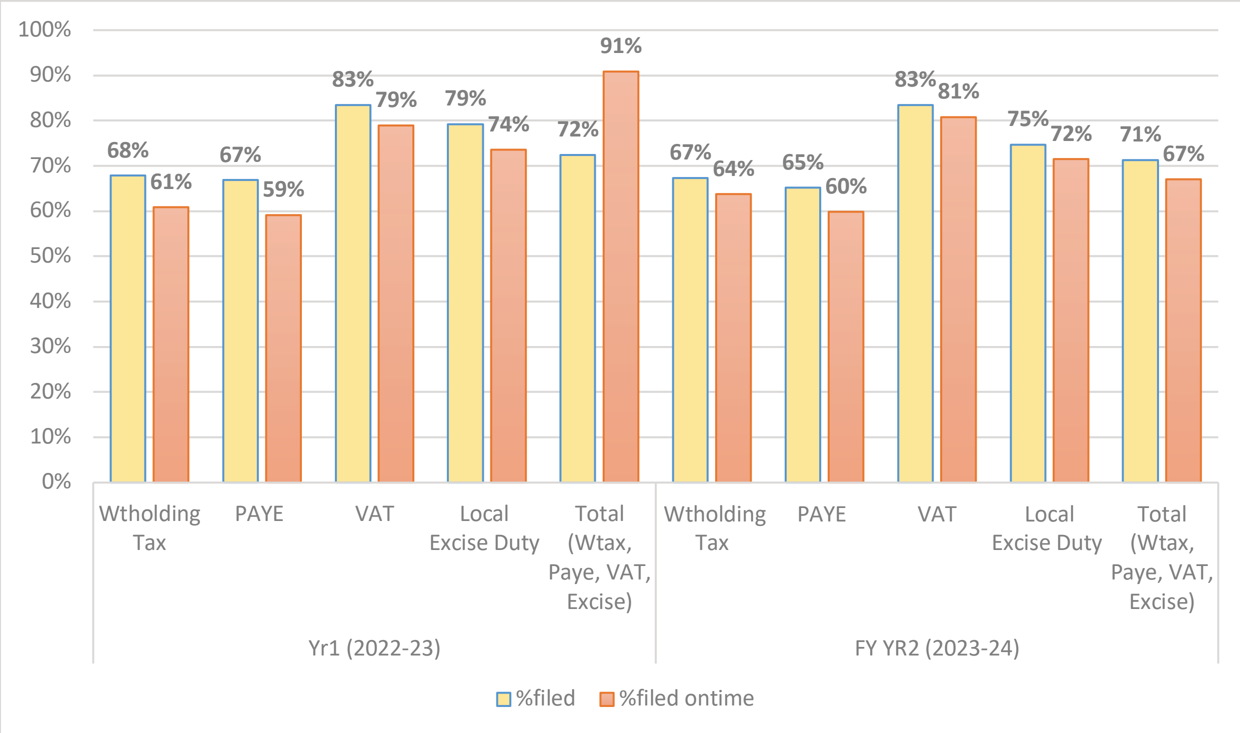
This seeks to assess URA's efforts towards enforcing on-time filing. The desired outcome is an increase in the on-time filing rates.

By 30th June 2024 a total of 711,958 returns (71.28%) were filed of the expected 998,814 across the four selected Tax heads (Withholding (WHT), Pay as You Earn (PAYE), Value Added Tax (VAT), Local Excise (LED). Of these, 669,582 (67.04%) were filed on-time. This is a decline from the previous FY (2022/23) where across the tax heads, 72% were filed and 91% were filed on time.

PAYE registered the least performance with regards to both filing (65.16%) and on-time filing (59.85%), whereas filing rates and on-time filing were highest under VAT (83% and 81%, respectively) **(Figure 3).**

Filling rates were affected by the adjustments that came with the pioneering of the new online web portal at the start of quarter two of FY 2023/24. The URA is currently employing various efforts, such as extension of filing deadlines and handholding of taxpayers, to ease the transition into the new system and improve the on-time filling ratios. Performance was therefore rated **fair.**

Figure 3: Filling rates FY 2022/23 and 2023/24



Source: URA data base

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 and Customs Tax.

In FY 2023/24, the total arrears stock (Domestic and Customs Taxes), was Ug shs 4,523.19bn of which 26% were collectable[20] and 36% collected **(Table 3.28**). There has been a decrease in collectable arrears (by 51%) but alongside a decrease in total arrears collected (by 19%) from the previous year (FY 2022/23). Specifically, in FY 2023/24, the Domestic Tax arrears collected decreased by 3% whilst Customs Tax arrears collected decreased by 87%. This implies that collectable arrears are reducing because they are either becoming old debt, are locked in legal processes or due to closure of businesses.

Therefore, there has been a decline in collection effort and thus a rise (although minimal) in total arrears stock (by 1%). There is a need to strengthen the compliance function to mitigate the growth in arrears. Performance was therefore rated as **poor.**

[20] Collectible tax arrears - The total amount of domestic/ customs tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

Table 3.28: Proportion of tax arrears collected FY 2022/23 and 2023/24

URA tax arrears by Department	FY 2022/23 (Ug shs billion)	FY 2023/24 (Ug shs billion)	%increase/ decrease
Total domestic arrears as at end June for the respective FY	**4,303.64**	**4,108.43**	-5
• Collectable domestic arrears	2,304.59	1,123.80	-51
• Domestic arrears collected	1,611.87	1,564.54	-3
• Arrears collected as % of total arrears	37.45%	38.08%	2
• Arrears collected as % of collectable arrears	69.94%	139.22%	99
Total customs arrears as at end June for the respective FY	**189.77**	**414.76**	119
• Collectable custom arrears	41.61	35.79	-14
• Custom Arrears collected	379.52	48.33	-87
• Arrears collected as % of total arrears	199.99%	135.04%	-32
• Arrears collected as % of collectable arrears	912.02%	11.65%	-99
Total arrears	**4493.41**	**4,523.19**	**1**
• **Collectable arrears**	**2346.20**	**1,159.59**	**-51**
• **Arrears collected**	**1991.39**	**1,612.87**	**-19**
• **Arrears collected as % of total arrears**	**44.32%**	**35.66%**	**-20**
• **Arrears collected as % of collectable arrears**	**84.88%**	**139.09%**	**64**

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 payment from the registered taxpayers. The desired outcome would be a steady increase in the growth rate in 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 2024, the taxpayer register had 4,523,234 taxpayers (Of these, 5% were non-individuals and 95% were individual tax payers). The total register grew by 1,022,940 new taxpayers (29.2%) and there was a 7% growth in the active taxpayer population of the selected tax categories (Income tax, VAT, Excise tax) from the FY 2022/23 **(Table 3.29).** However, the growth rate declined by 5 and 93 percentage points, respectively, over the same period.

The tax category with the biggest growth was income tax (PAYE) which grew by 7,225 tax payers. This was as a result of an expansion in business in all major sectors (i.e. mining and quarrying, public administration and construction) which led to recruitment of more staff.

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

Table 3.29: Growth rates in active taxpayer population FY2020/21, FY 2022/23 and 2023/24

Tax category	No. of active taxpayers	
	FY 2022-2023	FY 2023/24
Income tax		
➢ **o/w PAYE**	58,646	65,871
➢ **o/w CIT**	**0**	**0**
➢ **o/w Rental tax**	**0**	**0**
Value Added Tax (VAT)	51,994	52,514
Excise tax	1,561	1,615
Total active Taxpayers	**112,201**	**120,000**
Total Register	**3,500,294**	**4,523,234**

Source: URA database

Challenges

i. 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.
ii. There is no mechanism for monitoring public confidence in the URA**;** as such, perceptions regarding the integrity of tax officials and client satisfaction is unknown.
iii. Lack of official Tax-payers Ombudsman**;** 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 in respect to the interventions monitored. The Structural Review and Functional Alignment exercise was finalized and the new structure is being implemented. With regards to performance against collection targets, URA was unable to meet its target this FY but there was a growth in revenue collected in absolute terms from the previous financial year. The Taxpayer register has also been expanded though at a declining growth rate. Filing rates have stagnated and on time-filing rates have significantly declined. Consequently, arrears stock continues to grow (although slightly). All this points towards a need to strengthen the compliance and enforcement functions.

In addition, a number of 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 it is crucial that they are 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 assessed through 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. These were assessed and performance noted as follows;

3.3.3: 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, prioritization, 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 mobilization.

The comprehensive workload analysis was completed, covering the ranks of Manager, Supervisor and Officer, and the comprehensive report was submitted to management as critical inputs to guide the organizational Structural Review and Functional Alignment. This intervention is measured through two indicators, which were both tracked, and the following was noted:

Taxpayer/technical staff ratio

This indicator 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.

By 30 June 2024, the ratio of taxpayers to URA staff increased to 1: 199,261 from 1: 109,077 due to a decline in the number of workers. There are few staff handling more taxpayers. This points to potential overburdening of staff, which could have impacts on efficiency. It also shows slow progress towards achieving the intervention. (**Table 3.30).** The number of URA technical staff decreased by 29.2% thus performance was rated **poor**.

Table 3.30: Taxpayers to Technical Staff FY2022/23 and 2023/24

	FY2022/23	FY 2023/24
No. of Taxpayers	3,500,294	4,523,234
No. of URA technical/operational staff	3,209	2,270
Taxpayer to Technical/operational staff ratio	1:09077.41	1:99261.41

Source: URA database

Revenue per URA staff (by tax group)

The goal is to monitor the contribution of each staff in terms of the 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 by 30th June 2024 was Ug shs 27,938.49bn, of which Ug shs 18,384.86bn was domestic taxes and Ug shs 9,553.63bn customs (**Table 3.31).** The total (operational) average revenue per staff increased by 11% from the previous financial year (FY 2022/23). The average revenue per staff for domestic taxes increased by 15%, however, it was accompanied by a 5% decline in the number of staff. Conversely, the average revenue per staff for customs increased by 4.8% alongside a 2.3% decline in staff over the same period. Though average revenue per staff has increased slightly, it has been accompanied by a decline in number of staff. Therefore, performance was rated **fair.**

Table 3.31 Average revenue per staff FY2022/23 and 2023/24

Area	FY 2022/23			FY 2023/24		
	Revenue collected (Ug shs bn)	No. of staff	Average Revenue per staff (Ug shs bn)	Revenue collected (Ug shs bn)	No. of staff	Average Revenue per staff (Ug shs bn)
Total (Operational)	25,752.05	2,366	21.36	27,938.49	2,270	24
o/w Domestic taxes	16,425.41	1,367	12.02	18,384.86	1,294	14.21
o/w Customs	9,326.64	999	9.34	9,553.63	976	9.79

Source: URA database

3.3.4: Implement a comprehensive training strategy and develop a URA tax training academy

The intervention seeks to facilitate staff on boarding, to ensure that the necessary skills are acquired quickly, and achieve a higher level of productivity. 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 handling technical matters relating to domestic taxes. The indicator requires that at least 95% of the staff should have completed basic training in taxation (Postgraduate Diploma in Tax and Revenue Administration (PODITRA)/ Integrated Tax and Revenue Administration training (ITRAT).

By 30th June 2024, the percentage of Domestic Tax (DT) operational staff that had completed PODITRA/ ITRAT increased by 3.94 percentage points from the previous financial year **(Table 3.32).** This was on account of a 6.5% decrease in DT staff against a 1.3% decrease in staff with PODITRA. In absolute terms the number of staff with ITRAT/PODITRA has decreased which could be as a result of recruitment surpassing capacity enhancements in basic training or of a disproportionate loss in staff with those qualifications. Though the margins are small, it is important that this is corrected to prevent escalation. The performance thus was rated **fair**.

It is worth noting that the URA implemented several other capacity enhancement programs such as: i) East African Customs Freight Forwarding Practicing Certificate continuous professional development trainings for tax administration, EFRIS and completing customs declarations, ii) Post Graduate Diploma in Tax Investigations for 26 Staff and EAC Certificate Training for 85 staff, iii) training for all TREP officers (184) covering the topics of: Basic Financial Accounting, Income Tax, VAT, Rental, Presumptive and tax Registration and iv) Developed job descriptions for the proposed Tax Academy structure. Funding for the Tax academy was not yet approved by Parliament, yet it is a DRMS requirement as it is a best practice for tax administration.

Table 3.32: Number of staff that completed basic training in taxation FY2022/23 and 2023/24.

	F/Y 2022/23	F/Y 2023/24
No. of DT staff with PODITRA or some other recognized qualification*	896	884
Total No. of DT staff	1259	1,177
% of staff with PODITRA or some other recognized qualification*	71.17	75.11

Source: URA database

3.3.5: Review the URA performance management and reward system

Morale and motivation are low among URA staff. Therefore, 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 factor influencing staff to leave the institution before retirement.

By 30th June the staff attrition rate increased by 1.04 percentage points, from 1.69% in FY 2022/23, to 3% in FY2023/24. This was due to a 49% increase in staff leaving **(Table 3.33).** In absolute terms, the Domestic Taxes Department continues to have the highest number of staff leaving (45). This is a concern as it is critical to revenue mobilization. DT also benefits from the largest share of the training budget (19% of the operational and professional training budget was allocated to Domestic Taxes). Similarly, Corporate Services and Customs had 14 and 13 staff leaving, respectively.

The key reasons for staff leaving included; (i) Voluntary Retirement (57), Resignation (40), Termination (15), Dismissal (10), Desecondment (10), Retirement on Medical grounds (4) and Death (2) **(Figure 4).** Majority of the staff that left were from the rank of officers (93), followed by supervisors (22) and managers (12). URA should improve the work conditions so that they can maintain the talent that they have recruited and potentially invested in. More emphasis seems to have been placed on performance management as opposed to expanding the salary structure, developing a framework-to reward good performers and periodically adjust salaries for inflation as inquired by the DRMS. Therefore, performance was rated **poor**.

With regards to performance management, the authority has:

I. Conducted PM Validation of the Performance Evaluation Results for the candidates being considered for promotion (Manager and Supervisor Positions) intended to support the talent sourcing process.

II. Reviewed work plans of the respective departments to ensure alignment with the CGs Performance contract, corporate plan and Ministerial Policy Statement ahead of the upcoming contracting cycle for the FY 2024-2025.

III. Focused and continued to hold sensitizations with the respective departments specifically Customs and Information Technology and Innovation Department (ITID) as part of bridging the knowledge gap on the new performance management (PM) approach and improving in the quality of contracts.

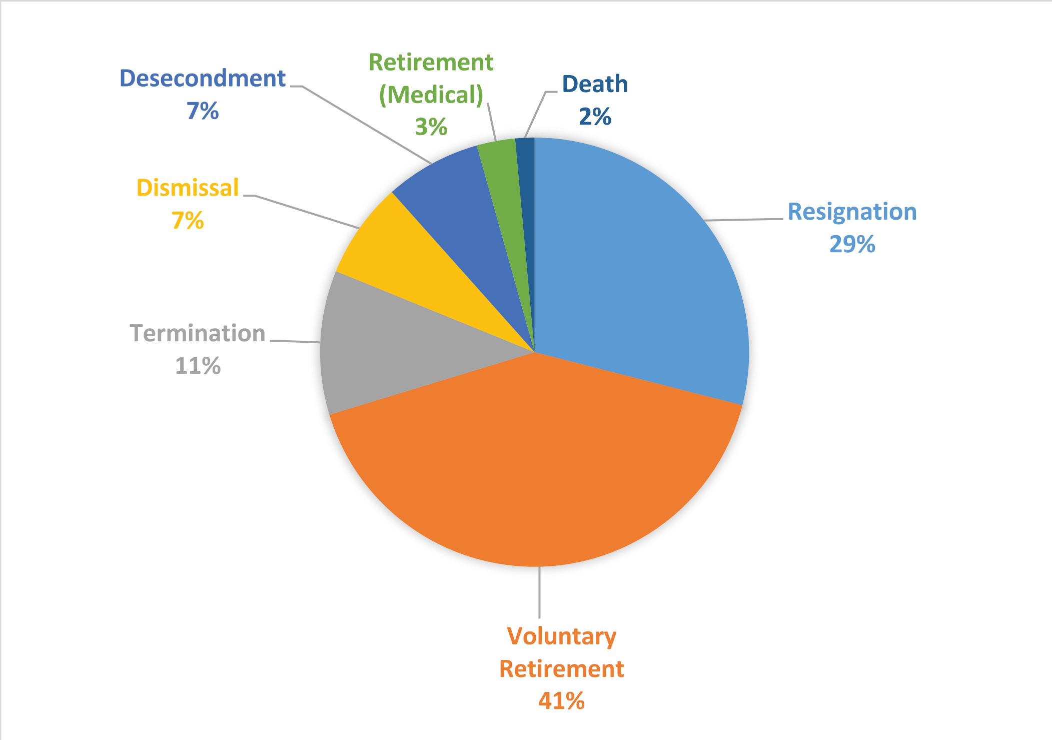
IV. Continued to track monthly performance for the Senior Management Team through the detailed evaluation reports that analyse their performance across all perspectives.

Table 3.33: Staff attrition rate FY 2022/23 and FY 2023/24

Department	Financial Year 2022/23			Financial Year 2023/24		
	No. of Staff	No. of Staff Left	Attrition Rate (%)	No. of Staff	No. of Staff Left	Attrition Rate (%)
CG's Office	134	1	0.75	135	0	0.00
Domestic Taxes	1367	24	1.76	1320	45	3.41
Customs	999	14	1.40	990	13	1.31
Corporate Services	277	12	4.33	274	14	5.11
Internal Audit	43	2	4.65	41	1	2.44
Tax Investigations	152	2	1.32	146	10	6.85
Information	173	4	2.31	166	7	4.22
Technology and Innovation						
Legal Services	64	4	6.25	62	4	6.45
Total URA	**3209**	**63**	**1.96**	**3134**	**94**	**3.0**

Source: URA database

Figure 4: URA Staff Exit Reasons FY2022/23 and 2023/24



Source: URA database

Challenges

i. Understaffing of several key functions particularly within Domestic Taxes.
ii. High and increasing levels of staff attrition.

Conclusion

The overall performance towards the achievement of the objective of lifting the Human resource capacity, was rated as **fair**. Whilst, average revenue per staff is increasing and staff are being trained, the Taxpayer to Technical staff ratio has increased, 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, a number of key strategies were not designed such as the Independent Staffing review strategy, the comprehensive training strategy and the framework for the deployment of staff, both in the field and abroad. Although URA has attempted to implement their own review, it is crucial that these are done as per the DRMS requirements to ensure optimal results and secure the talent acquired.

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 five interventions: i) 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. ii) Standardize key government systems to improve integration, iii) Empower URA to access relevant third-party data, iv) Prioritize a data quality improvement strategy and develop processes to maintain data quality, and v) Create a formal data skills development plan. Two were assessed and reported on as follows;

3.3.6: Prioritize 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

The percentage of data records completed was not availed, however, URA conducts register maintenance across all compliance centers. 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 2024, the completion rate was 97.6% of the annual target, which has relatively remained the same as the previous FY **(Table 3.34).** However, the target set has drastically reduced (68%) and thus the maintenance completed has also reduced by the same amount. This implies that data quality is declining if the necessary maintenance is not being conducted. In addition, 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. Thus, performance was rated **fair**.

Other initiatives undertaken by URA during the financial year, to ensure data quality standards were upheld, included:

i. Developing a dashboard showing data quality issues relating to EFRIS goods misclassifications and glaring data quality issues that equally affect compliance.
ii. Updating the Data Quality KPIs and their impact on revenue collections.
iii. Developing a framework to guide data driven registration maintenance and the data matching rules in a bid to cab data quality issues.

iv. Implementing enhancements in the e-Tax to improve the quality and accuracy of the ledgers (Under lying data quality issues).

Table 3.34: Performance of Register Maintenance/Cleaning FY 2023/24

Register Maintenance/Clearing	FY 2022/23	FY 2023/24
Target	64491	20448
Completed	63236	19958
Completion rate (%)	**98.05**	**97.60**

Source: URA database

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 analyze raw data to make conclusions about that information. To attain such abilities, staff should 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 (%)**

By 30th June 2024, 1.33% of the staff (in the selected functional areas) had been trained in data analytics, which is 2.19 percentage points less than what was achieved at the end of the FY 2022/23. This is alongside a 7.3% increase in the number of staff which implies **a poor** performance, if this trend continues. Functional areas that received the most training in data analytics were Customs (2.05 %), Commissioner General's Office (1.39%) and Domestic Taxes (1.39%) **(Table 3.35**). However, 184 Short term staff and TREP officers were taken through basic training on taxation to enable them perform their work with better efficiency.

Table 3.35: Staff trained in data analytics (%) FY 2022/23 and 2023/24

Functional Area	FY 2022/23			F/Y 2023/24		
	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	127	0	0	132	2	1.52%
Domestic Taxes	1259	64	5.08	1294	18	1.39%
Customs	882	22	2.49	976	20	2.05%
Corporate Services	187	9	4.81	274	1	0.36%
Internal Audit & Compliance	40	0	0	40		0%
Tax Investigations	148	5	3.38	140		0.%

Functional Area	FY 2022/23			F/Y 2023/24		
	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
Information Technology and Innovation	168	1	0.6	166		0%
Legal Services	60	0	0	59		0%
Total URA	**2,871**	**101**	**3.52**	**3,081**	**41**	**1.33%**

Source: URA database

3.3.8: Empower URA to access relevant third-party data

The goal is to monitor URA's efforts in capturing uncompliant employers into the PAYE tax net. Ideally, all employers remitting their employees' NSSF contributions to NSSF should also be registered for PAYE purposes at the URA. Where the indicator returns a percentage below 100, it would imply the intervention is yet to be implemented, or there is more enforcement that URA needs to do to ensure all NSSF compliant clients are registered with URA.

This intervention is assessed through three indicators i.e. i) PAYE taxpayers as percent of total NSSF contributors, Active TINs as % of active NWSC non-domestic clients, ii) Active TINs as % of active UMEME commercial clients, and iii) Active TINs as % of potential taxpayers identified from overall third-party data. Information on the above indicators has never been availed however URA has implemented the following below as per the intervention.

i) Updated the SOPs of managing external data for purposes of register maintenance/ Data driven registrations.
ii) Developed dashboard that highlights the TINs that are meant to be registered based on external data.
iii) Developed a dashboard that shows the NSSF under declarations.
iv) Developed a dashboard that shows the IFMS under declarations.

The, performance was rated **fair**.

Conclusion

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

TIMELY AND ACCURATE FILING BY TAXPAYERS

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. Low filing rates are prevalent, and this is largely due to poor connectivity in certain regions which is not reliable so the environment cannot support a fully online system.

This objective is assessed through four 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. Two of these were assessed and performance noted as follows;

3.3.9: Introduce measures to strengthen the effectiveness of self-assessment.

The aim of the intervention is 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) enforcing 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 71% from Ug shs 4.82bn in FY 2022/23 to Ug shs 1.42bn in FY 2023/24. Comparatively, on-time filing rates for the selected tax heads (Withholding (WHT), Pay As You Earn (PAYE), Value Added Tax (VAT), Local Excise (LED)) have declined by 24 percentage points over the same period. Therefore, the decline in penalties payable cannot be explained by a corresponding improvement in on-time filing rates.

Instead, as a compliance strategy, during the FY 2023/24 URA implemented Section 40D of the Tax Procedures Code Act, 2014 which provided a chance for taxpayers to have their interest and penalty fees waived, if they pay off their outstanding principal tax by 31st December 2023. This could account for the severe decline in penalties. Alongside the waiver, URA adopted a strategy of focused taxpayer visits to boost compliance and strengthen self-assessment. This intervention was therefore rated **fair.**

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

This intervention is measured through one indicator, as follows;

1. **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 access constraints. By 30th June 2023/24, 8 (61%) were completed (Kyotera, Luweero, Kitgum, Kasese, Hoima, Soroti, Adjumani, Masaka), 1 (7%) was almost completed (Nansana) and while 4 (31%) (Nebbi, Gayaza, Kansanga, Gulu) were in the initial stages of the procurement process. This intervention was therefore rated **fair.**

Conclusion

The overall performance towards the achievement of the objective, *timely and accurate filing*, was rated as fair with respect to the interventions assessed. Of four interventions that contribute to the objective, complete data was only availed for two. More office space was acquired, and there was a decline in penalties payable but this was due to the implementation of a compliance initiative, not due to an improvement in filing rates. In addition, data to assess 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. 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. 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 on a regular basis to allow for better-informed tax collection policies. Three of these were monitored and performance detailed as follows;

3.3.11: 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 writing-off of small amount debts and the provision for payment in instalments. This is measured through one indicator;

1. **Total arrears stock at close of Fiscal Year**

The total arrears stock as at end of the FY 2023/24 was Ug shs 4,523.20bn, of which 91% were domestic tax arrears while 9% were customs tax arrears. Comparatively, the total arrears stock as at end of FY 2022/23 was Ug shs 4,493.41bn, of which 96% were domestic tax arrears and 4% were customs tax arrears **(Table 3.36).**

Therefore, the total arrears increased slightly by 1% in F/Y 2023/24, which is a 51% increase from the baseline year (FY 2019/20). The Customs portfolio grew at over 100% from the previous FY, while the domestic tax portfolio decreased by 4%. The Domestic Tax Portfolio-Government arrears increased by over 27% whereas non-government[21] arrears decreased by 6%, over the same period.

Although the increase in total arrears stock at the close of Fiscal Year was minimal, the stock remains high compared to the baseline. Arrears stock also amounted to 17% of net tax revenue,

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

indicating that significant revenues are uncollected. 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, in a bid to reverse the current arrears, URA encouraged clients to clear their principal tax as at 30th June 2023 in order for their penalties and interest that has accrued to that date to be waived. As a result, Ug shs 515.83bn was collected and Ug shs 243.51bn waived in the form of interest and penalty. This performance was therefore rated **fair.**

Table 3.36: Total Arrears stock FY2022/23 and 2023/24

	Baseline FY 2019/20	FY 2022/23	FY 2023/24
Total Arrears Stock at Close of Fiscal Year (Ug shs bn)	2,989.52	4,493.41	4,523.20
o/w Domestic (Ug shs bn)	**2,884.28**	**4,303.64**	**4,108.43**
(i) Government (Ug shs bn)	19.58	263.77	334.40
(ii) Non-Government (Ug shs bn)	2,864.70	4,039.87	3,774.03
o/w Customs (Ug shs bn)	**105.24**	**189.77**	**414.76**
Annual revenue collected (Net revenue collections)	**16,751.64**	**25,752.05**	**27,301.22**
Arrear Stock as a % of net Revenue collected	**18%**	**17%**	**17%**

Source: URA database

3.3.12: 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 is 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 on 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 41.44%, followed by Demand Draft at 19.25% and Electronic Funds Transfer at 15.85% **(Table 3.37).** Mobile money services continue to constitute a small percentage of the total payments' methods (0.56%), although in absolute terms, payments have increased from Ug shs 0.28bn by 30th June 2023 to Ug shs 156.68bn (117%) by 30thst June 2024.

A USSD code, which can be accessed through ***285#**, was initiated to simplify revenue collection. This could account for the growth in payments made through this method. An increase in mobile money payments and other alternatives to banking is expected to ease the burden of making payments for taxpayers through greater flexibility, thereby improving timeliness and lowering possible debt accumulation. Performance was therefore rated as **fair.**

Table 3.37: Distribution of payments by payment method FY 2022/23 and FY 2023/24

Tax payments methods	FY 2022/23 Ug shs bn	% share of payment method	FY 2023/24 Ug shs bn	% share of payment method
Bank Counter	10,433.07	40.51	11,577.28	41.44
Cheque	1,782.45	6.92	1,799.00	6.44
Demand Draft	4,845.08	18.81	5,377.88	19.25
Electronic Funds Transfer (EFT/Internal Transfer)	4,216.54	16.37	4,427.31	15.85
Mobile Payment	72.21	0.28	156.68	0.56
Point Of Sale Payment	707.36	2.75	811.54	2.90
Real Time Gross Settlement (RTGS)	0.46	0	4.05	0.01
Swift Transfer	0.13	0	-	0
Visa/Mastercard Payment	3,694.74	14.35	3,784.76	13.55
Total gross revenue collected	**25,752.05**	**100**	**27,938.49**	**100**

Source: URA database

3.3.13: 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, two of which is reported on as follows;

1. **Annual arrears recovery**

The aim is to monitor and assess URA's efforts in recovering the tax arrears.

The total arrears recovered increased by 26% from Ug shs 1,277.92bn in FY 2022/23 to Ug shs 1,612.87bn in FY 2023/24 and increased by over 100% from the baseline (FY2019/20) **(Table 3.38).** Total arrears recovered as a percentage of total revenue collected increased marginally by 0.95 percentage points. The total arrears recovered as a percentage of the arrears closing stock increased by 7 percentage points, over the same period.

This marginal increase in both arrears recovered as a percentage of arrears closing stock and total arrears recovered as a percentage of total revenue collected is consistent with the slight increase in the total arrears stock (by 1% in F/Y 2023/24). This implies that though recovery initiatives are in place, they are not sufficient to counter the growth in debt accumulation. This means more needs to be done to strengthen the recovery function and improve filing rates.

However, the URA employed a number of arrears management initiatives that led to arrears recoveries worth Ug shs 363.86 billion. This boosted performance mainly resulting from audits, return self-assessments, and reconciliation. Other efficiency measures implemented were in form of arrears management, engagements with the tax payers, use of the mobile office, increased sensitization, use of alternative dispute resolution, filed inspections, use of third-party information, tax investigations, new performance management approach and use of technology in custom processes. Hence the performance was rated as **good.**

Table 3.38: Total Tax Arrears Recovery FY's2019/20, 2022/23 and 2023/24

	Baseline FY 2019/20 (Ug shs bn)	FY 2022/23 (Ug shs bn)	FY 2023/24 (Ug shs bn
Tax arrears recovered	724.26	1,277.92	1,612.87
Annual revenue collected (Net revenue collections)	16,751.64	25,752.05	27,301.22
Total tax arrears at close of fiscal year	2,989.52	4,493.41	4,523.20
Annual arrears recovery as a percentage of arrears closing stock	24.23%	28.44%	35.66%
Total arrears recovered as a % of total revenue collected	4.32	4.96	5.91

Source: URA database

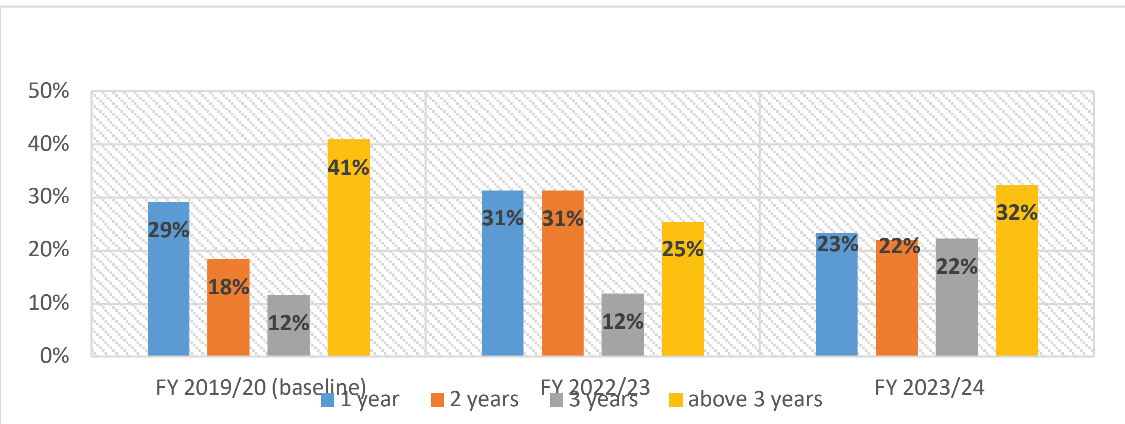
2. **Arrears age analysis**

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 decreased to Ug shs 887.54bn (31%) in FY 2023/24 from Ug shs 1,292.00 bn in FY 2022/23 **(Figure 5).** Comparatively the value of arrears aged above 3 years, increased to Ug shs 1,232.33 bn (17%), from Ug shs 1,048.91 bn over the same period. More arrears are concentrated in the above 3-years category (32%), which is a shift from last FY where most were concentrated in the 1-year category (31%). 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 increased to 32% in FY2023/24 from 25% in FY 2022/23; but decreased by 9 percentage points from the baseline year (FY 2019/20). Arrears that have stayed longer than three years have a lower chance of recovery as they get older. Therefore, performance was rated as **fair.**

Figure 5: % share of Total Arrears by Age for FYs 2019/20, 2022/23 and 2023/24



Source: URA database

Challenges

i. Stock of tax arrears is relatively high and comprises of both old and new debt. The rate at which arrears are recovered is slow.
ii. Government is one of the biggest contractors in the economy, yet no data is availed to URA on government payments to suppliers.

Conclusion

Overall performance of the objective, *Timely Payment of taxes* was rated as fair, in respect to the interventions assessed. 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. Though the URA has provided for 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 in order to enhance recoveries and mitigate the growth in the total stock of arrears by improving the timeliness of payments. In addition to the significant rise in the stock of arrears, the majority of the debt is old which becomes difficult to collect as it continues to age.

Recommendations

i. 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.
ii. URA should be properly empowered to track payments made by government to contractors in order to enforce compliance.

TAX AUDIT

The tax administration relies on effective enforcement strategies to deter, detect, and address non-compliance, where voluntary compliance initiatives fail. With a low tax effort and high evasion, URA needs a smart approach to audit assessments and enforcement, premised on identifying the most significant risks.

This objective is assessed through interventions; (i) fully implement the recently adopted policy on digital tax stamps. (ii) Strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk-targeting, and increasing the number of "mass audits.", (iii) Bring the entire audit and payment process online, (iv) Promote audit process integration across taxpayer offices at URA and (v) Include reports on audit activities and outcomes as an integral aspect of reports to MOFPED. Two of the above interventions were monitored and the following performance noted;

3.3.14: Fully implement the recently-adopted policy on digital tax stamps.

Digital Tax Stamps aid in combatting illicit trade, counterfeiting, tax evasion, and smuggling. In addition to improving revenue collection, the stamps protect consumers from counterfeits, enable the pre-population of returns, and accelerate customs clearance, and enables traders and manufacturers to monitor the movement of goods easily. This intervention is assessed through one indicator as follows;

1. **Percentage increase in average amount of Local Excise Duty (LED) paid by firms**

The objective of the intervention is to minimize tax evasion through under declaration of sales. The implementation of the intervention is thus expected to lead to an increase in the average LED declared/paid by firms that have adopted the use of digital tax stamps (DTS). No change from the baseline will imply the intervention is not working as expected.

The number of firms using digital stamps increased from 827 in FY 2022/23 to 980 in FY 2023/24 and by (557%) from the baseline **(Table 3.39).** Conversely, the average LED paid by firms using DTS decreased from Ug shs 1.41bn to Ug shs 1.4bn, over the same period, and by 62% from the baseline. Although the decline in this FY is minimal, average LED paid by complying firms (those on DTS) has continued to steadily decline across the years, implying the intervention is not working as expected. Some of the reasons for the decline include: (i) reduced export demand affecting the performance of taxes like, local VAT and LED sub-sectors like; beer, spirits/waragi, construction, sugar, soft drinks, (ii)resistance among taxpayers especially in Kampala central business district and, (iii) increased cost of monitoring as the number of firms on DTS increases. It is important to note, however, that the rate of the decline in LED has decreased so it is possible that, once the issues are addressed, there might be a pickup in LED. During the FY, URA employed various measures to educate and therefore improve compliance within the business sector i.e: Deliberate enforcement activities and launching a Taxpayer support office in Kikuubo[22]. Performance was rated **poor**.

Table 3.39: Average amount of LED paid by firms using digital stamps FY2022/23 and 2023/24

Variable	Baseline (2019/20)	Annual 2022/23	Annual 2023/24
No. of firms using digital stamps (after baseline year)	149	827	980
Total LED paid by the firms	487	974.53	1104.02
No. contributing (of those on DTS)	131	690	789
Total Led all firms	1,267	1923.283612	2171.26
Total No. contributing	285		
Average LED paid (by firms using digital stamps)	3.72	1.41	1.40
Percent growth in average LED paid by firms using digital stamps		(17)	(1)
Average LED paid by firms not using digital stamps	5.06	(1.38)	(1.35)
Percent growth in average LED paid by non-complying firms		-101%	-2%

Source: ***URA database***

[22] Kikuubo is a main trading centre for traders where significant business takes place

3.3.15: Strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk targeting, and increasing the number of "mass audits"

This intervention is measured through two indicators as follows;

1. **Domestic tax audits conducted and completed**

The aim is to monitor tax audit efforts/activities at URA. Each sub-indicator will be expected to exhibit improvements in the respective indicator values over the years. Where no change from baseline values is observed, it means the intervention probably needs reviewing.

By 30th June 2024, 98% of the total planned domestic audits, across the different initiatives, had been completed with an audit yield of 23%. Comparatively in the FY2022/23, 98% of the target was achieved but with a tax yield of 11%. This is an improvement from the previous FY, in terms of tax yield, however the planned targets set for this FY 2023/24 had drastically reduced (by 73%). This implies a reduction in audit effort. Audits are usually based on a compliance improvement plan (CIP) aimed at improving taxpayer declarations and behavior. However, there is no indication that declarations have improved as filing rates have not significantly changed.

During the financial year period, more emphasis was placed on conducting Spot inventory checks (99%), compliance advisories (98%), and compliance visit (98%). Comprehensive Audits, which are more detailed and labour intensive, have also significantly increased (by 11 percentage points). **(Table 3.40)** Therefore performance was rated **fair**.

Table 3.40: Domestic Tax Audits FY 2022/23 and 2023/24.

		F/Y 2022/ 2023					F/Y 2023/2024			
Initiative	**Target**	**Completed**	**Percentage completed (%)**	**Tax Assessed (Ug shs Bn)**	**Tax Paid (Ug shs Bn)**	**Target**	**Completed**	**Percentage completed (%)**	**Tax assessed (Ug shs Bn)**	**Tax Paid (Ug shs Bn)**
Compliance Advisories	20,239	19,871	98	503.98	25.67	20,744	20,344	98	586.67	38.02
Compliance Visit	669	623	93	11.61	1.02	319	312	98	14.83	1.30
Comprehensive Audit	270	185	69	185.42	43.07	436	349	80	330.61	204.46
Issue Audit	2,361	2,072	-	296.58	42.94	2,254	1,934	-	502.18	96.08
Self-Health Review	257	221	88	41.11	6.56	319	316	86	16.41	1.40
Spot Inventory Check	47	40	86	0.73	0.00	519	500	99	17.64	1.86
Register Maintenance	64,491	63,236	85	0.00	0.00	20,448	19,958	96	-	-
Total	**88,334**	**86,248**	**98%**	**1,039.43**	**120.26**	**23,217**	**22,769**	**98%**	**1,468.34**	**343.12**

Source: URA database

2. Customs Post Clearance Audits conducted and completed

The percentage of completed custom post-clearance audits increased, from 122 (41%) to 325 (108%), by 30th June 2024 compared to the same period in the FY 2022/23. The audits had a target of 300 in both years. The audits resulted in an increase in tax assessed, which grew from Ug shs 72.33bn to Ug shs 143.01bn, resulting in an audit yield of 88.89bn (62%). This shows an improvement in audit effort; thus, performance was rated **fair.**

Challenges

i. Large number of counterfeit and unstamped goods within the informal sector, promotes unfair competition for compliant firms with Digital Tax Stamps.

ii. Resistance from the business community where new tax administration measures involving technology are introduced.

Conclusion

Overall performance was rated as poor as one of the two interventions assessed that contribute to the objective, *Tax audit*, performed poorly and the other fairly. There has been a decline in the audit effort, as observed by a reduction in targets set that did not correspond with an improvement in compliance levels. Similarly, the number of firms on DTS has increased, but it is yet to be revenue enhancing, due to unfair competition from non-complying firms, continued resistance by parts of the business community and a reduction in aggregate demand of exports.

Recommendations

i. Uganda National Bureau of Standards should enhance their enforcement efforts and coverage to reduce prevalence of counterfeit products on the market.

ii. URA should continue to engage and educate the taxpaying community about the benefits of DTS and EFRIS.

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. Two interventions were monitored and the following was noted:

3.3.16: 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 was assessed through two indicators;

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 increased by 42% to 291 in FY2023/24 from 167 in FY 2022/23 alongside an increase in recoverable revenue identified by 47% to Ug shs 334.26bn from Ug shs 174.64 bn**.** This implies that there was an increased effort to detect and deter tax evasion. In addition, URA implemented various administrative initiatives to enforce compliance including; intelligences, 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 **good.**

3.3.17: 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 decreased by 22% to 107 in FY 2023/24 from 138 in FY 2022/23. In addition to the forensic cases, the scientific labs conducted 84 disposals and 159 science laboratory cases.

In terms of enhancing resources to the scientific labs, staffing levels have remained relatively unchanged over the last three FY's. Similarly, the budget towards the Science and Forensic laboratories remains unchanged at Ug shs 1.175bn, accounting for just 0.21% of the overall URA budget. The labs therefore maintain an unfunded budget of Ug shs 1.354bn, necessary to procure the required equipment and machinery to lift them to international standards.

However, the Laboratory continued to work towards International Standardization for Organizations (ISO) certification 17025:2017. Specifically, (i) the documentation team completed the Laboratory Quality Manual, which was first submitted to (the consultant[23]) and then to management for approval. (ii) The Laboratory team conducted sessions to discuss non-conformities raised from the desktop review for ISO/IEC 17025 requirements, and (iii) Reviews were conducted for the lab services to assess progress of implementation of corrective actions for the non-conformities identified previously. Hence the performance was rated **a fair**

3.3.18: Intensify penalties for non-compliance and increase the number of tax investigations

The intervention requires establishing a collection strategy that includes full use of asset seizures where appropriate and pursuing criminal prosecution for serious non-compliance. This intervention is assessed through one indicator, which was assessed as follows:

1. Tax investigations and related enforcements conducted

The indicator aims to monitor URA's efforts in enforcing tax compliance through tax investigations.

The total number of tax investigation cases increased by 42% and the value by 47.7%, indicating an improvement in investigation efforts **(Table 3.41).** The largest growth was Tax Crime Investigations (110%), followed by Prosecution Cases (17%). Scientific investigation cases slightly increased in number of cases, though revenue identified significantly increased. In addition, Customs country wide enforcement operations during the FY 2023/24 led to a recovery of Ug shs 149.63 bn as a consequence of 20,920 seizures. Recoveries were mainly due to the following major offenses: under-declaration; mis-description/false documentation; other offences; outright smuggling; undervaluation; misclassification; and concealment. This indicates **good** performance.

Table 3.41: Tax investigations conducted F/Y 2022/23 and 2023/24

	F/Y 2022/23		F/Y 2023/24	
Area	**Number of cases**	**Revenue identified (Ug shs Bn)**	**Number of cases**	**Revenue identified (Ug shs Bn)**
Tax Crime Investigations	105	152.54	221	276.16
Prosecution Cases	45	9.00	53	42.13
Scientific Investigations	16	7.23	17	15.97
Financial Crime Investigations	1	5.87	0	0
Total	**167**	**174.64**	**291**	**334.26**

Source: URA database

3.3.19: 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 successes of efforts to curb non-

[23] Mr. Ger Koomen

compliance by specific taxpayers are publicized. This intervention is assessed through one indicator, which was assessed as follows:

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 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 noncompliant taxpayers that business is no longer as usual.

By 30th June, 2024 the URA issued 32 media reports, which was a slight increase from the 23 achieved in FY 2022/23 across numerous media outlets (**Annex 5**). Increasingly publicizing the result of enforcement activities should act as a deterrent to taxpayers. The performance was rated **fair**

Challenges

i. Inadequate funding to adequately equip the Science Laboratories and conduct the necessary trainings.

Conclusion

Overall performance of the objective, *Tax Investigations and Enforcement*, was rated as fair in respect to the three interventions assessed, tax investigations and related enforcements conducted increased and there was growth in revenue recoveries. The URA continued to publicize the results of enforcement initiatives as a deterrent measure. However, the number of forensic tax investigations completed declined and there was inadequate funding for the scientific labs. In addition, information needs to be provided for the remaining two interventions that contribute to the objective.

DISPUTE RESOLUTION

Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and receive a fair hearing promptly. 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:

3.3.20: 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.

By 30th June 2024, the number of new tax disputes lodged to TAT increased to 251 (11.1%) from 223 in the FY 2022/23. In addition, the proportion of tax disputes resolved within six months of lodging the case increased by 17 percentage points to 57% and the proportion of cases escalated to the high court reduced by 73.6% from 38 to 10 **(Table 3.42**).

However, it's important to note that the number of tax disputes resolved decreased by 27% while the number of outstanding tax disputes (excluding new cases) has risen by 64%. The value rose to Ug shs 1,058 bn (by over 100%). This impacts timeliness of tax refunds, and revenue collection, increases accumulation of tax arrears and erodes public confidence in TAT.

As per the DRMS requirements, TAT was expected to have had an enhancement in their budget (to improve infrastructure, staffing levels and equipment) and a shift in their staffing structure. Though there have been minor increments in staffing levels (1 statistician was hired), the other requirements have not been addressed. Therefore, the performance was rated **fair**.

Table 3.42: Tax disputes resolution process indicators F/Y 2022/23 – 2023/24

Tax disputes sub-indicators	F/Y 2022/23	F/Y 2023/24
1. No. of outstanding tax disputes (excluding new cases)	242	398
2. Tax value of outstanding tax disputes (TAT), (Ug shs bn)	451,047,822.982	1,058,151,579.153
3. No. of new tax disputes lodged to TAT	223	251
4. Tax value of new tax disputes lodged to TAT (Ug shs bn)	290,708,392,063	882,233,909,682
5. No. of tax disputes resolved	227	164
6. Value of tax disputes resolved (Ug shs bn)	339,957,366,815	220,386,997,937
7. Proportion of tax disputes resolved within 6 months of lodging the case (%)	40%	57%
8. Proportion of TAT cases escalated to the High Court (%)	38	10
9. Tax value of cases escalated to the High Court (Ug shs bn)	152,761,221,059.3	25,987,228,295

Source: TAT

Challenge

The Tax Appeals Tribunal is underfunded which is impacting their performance and public confidence in the tribunal.

Conclusion

Although, the number of new tax disputes lodged to TAT increased and the proportion resolved within 6 months also increased, both of which should improve public confidence in TAT, the stock of pending cases increased. This was accompanied by a decline in disputes resolved. This has potential to undermine the tax system as a high number of pending cases ties up large amounts of revenue and negatively impact businesses and revenue efforts. It is thus of urgency that TAT is supported to attain its objectives.

Recommendation

MoFPED should increase the budget allocations to TAT to enable them to handle their 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;

3.3.21: 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-Tax-Automated System for Customs Data (ASYCUDA) interfacing in order 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 FY2023/24) decreased by 13% and the value increased by 5% from FY 2022/23 **(Table 3.43).** Comparatively, the proportion of refund claims processed in time (within 30 days) increased by 5.3 percentage points, indicative of an improvement in turnaround time from the previous FY (2022/23). However, this improvement is less than what was the case in FY 2022/2023 where the turn-around time increased by 16.7 percentage points. The turnaround time performance was attributed to a lengthy export verification process, lengthy audits, changes made on the taxpayer tax ledgers, pending objection applications and delays in TAT rulings. A reduction in the refund processing time limits the potential for fraud and leakages and gives the impression that the refund system in robust. Performance was therefore rated **fair.**

Table 3.43: Tax Refunds FY 2019/20, 2022/23 and 2023/24

Tax disputes sub indicators	Baseline FY 19/20	FY 2022/23	FY 2023/24
A.Tax refunds			
1. No. of tax refund claims	3,992	4,704	5,628
2. Value of tax refund claims (Ug shs bn)	817.07	1,066.73	1,266.53
3. No. of refund claims approved	1,453	2,600	2,257
4. Value of refund claims approved Ug shs bn)	202.55	540.88	567.10
5. No. of refund claims audited	1530	4,290	5,049

Tax disputes sub indicators	Baseline FY 19/20	FY 2022/23	FY 2023/24
6. Value of refund claims audited (Ug shs bn)	582.44	879.58	1,087.45
7. No. of tax refunds claims disallowed	77	1,690	2,792
8. No. of tax refunds claims disallowed as % of total claims received	1.93%	35.93%	49.61%
9. Value of tax refunds paid (Ug shs bn)	58.86	495.72	637.26
10. Proportion of refund claims processed timeously (within 30 days)	11%	51.68%	57%

Source: URA database

Conclusion

The number of approved Tax refund claims decreased which points to an improvement in audits. In addition, the turnaround time for processing refunds is gradually improving, though at a reduced improvement rate. The DRMS, envisaged development of a plan to streamline the management of offsets and refunds and this was not done.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

The FY 2023/24 marked the final year of DRMS implementation with some interventions partially attained, not attained and not commenced. The situation informed the overarching need for a Mid-Term Review (MTR) as a basis for extension of the period of the DRMS for another two FYs 2024/25-2025/26. It is now a matter of urgency for stakeholders to consider the MTR and extension of the DRMS duration.

The tax to GDP ratio was 13.82% (from13.6% FY 2022-23) indicating 2 percentage point's improvement from the baseline period FY 2019/20 and 2 percentage points below the DRMS desired target of at least 16% of GDP by FY 2023/24. The increase in governments' domestic borrowing requirements in the FY 2023/24 signalled rising debt servicing costs and other vulnerabilities from debt. Conversely, the assessment of the DRMS indicates scope that could further harness the desired targets of tax to GDP.

Tax Policy

The performance for the FY 2023/24 indicates significant improvements in the areas of taxation of the digital economy with significant growth in revenues and companies registered. Priority sectors of the economy remained competitive as indicated by the positive buoyancy. As well, extractives sector increasingly attained the readiness standards for taxation from oil exploration by achieving necessary performance ratings. Rental income tax has steadily increased in comparison to sectoral GDP. This is a result of return vetting, use of utility databases and close monitoring thus limiting the underreporting experienced previously.

On the other hand, there remains huge opportunities envisaged in the DRMS that were not fully exploited. For example, tightening both rules and tax enforcement. There was a delayed conclusion in reviewing high impact Double Tax Agreements which meant limited protection from foreign firms and individuals who engage in tax planning. Adopting a strict regime for incentives and exemptions, which necessitates giving a full analysis of the impact of exemptions and incentives registered minimal progress as well as the absence of the tax expenditure report to support effective rationalisation efforts.

The tax making process has since improved as it involves consultations with stakeholders from the business community, academia, professional bodies and civil society. But the extent to which these consultations influence policies that are finally undertaken is not documented. This indicates weaknesses of the process, for example there was no record to show which of the policies were from state actors and non-state actors and a calendar for the consultative cycle. The absence of a structured approach for such an essential process makes it more of routine activity than eliciting effectiveness. This has the potential to demotivate the stakeholders especially where no feedback is given for considerations made.

Furthermore, certain VAT exemptions are deeming limited the revenue that could be obtained. As well, significant revenues were foregone through exemptions on externally funded projects. Charging optimum taxes/ considering minimum lower tax rate would encourage equity. Focus should be made on better service delivery to improve non-tax revenues that are currently performing below target. Full digitisation of local revenues processes would better the current compromised manual collections in some LGs.

More practical policies would be required to tackle the informal sector including the transport sector to have more employers and employees in the tax net. In addition, strengthening areas of international tax rules to realize better returns from foreign firms that currently effectively contribute 3.8% less than the local firms and 10%less than the statutory rate. Others, would require reviews to exemptions of certain incomes for some categories of citizens that expanded.

In the same measure, the capacities at the Tax Policy Department 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 impacts of policies that are essential outputs of the department were not readily available. For example, the question of whether tax breaks or tax incentives have the desired effect of luring foreign investment would be valuable to conduct.

Tax administration

At the end of FY 2023/24, the uncollected tax to target increased slightly by 0.7 percentage points, but in absolute terms there was an increase in revenue collection of Ug shs 2,287.28bn compared to the FY 2022/23. This performance was attributed to implementation of administrative efficiency measures in form of arrears management, engagements with the taxpayers, use of the mobile office among others.

Improvements were registered under the leadership effectiveness index where management identified critical staffing requirements, developed plans to support implementation of the new URA structure and conducted job analysis data collection exercise geared toward reorganising the URA structure for efficiency. The capacity of human resource at the URA remained a priority. Majority of the staff obtained the requisite internal on job training and continuous capacity building. Although the average revenue per staff for domestic taxes increased as well as that for customs staff, of concern was the high attrition rate especially from the domestic taxes department that had the highest share of the training budget.

The performance shows that URA marginally exploited the potential from data management and analytics, staff accessing this specialised training declined. This was further manifested in the level of incomplete data sets that were maintained and the limited use of third-party data to grow the tax register. Conversely, timely and accurate filing of data improved as result of varying approaches including waiver of penalties and creating of offices in strategic locations countrywide. But there was no effort to work with regulators to improve timeliness of payments.

Of concern was the untimely payments that contributed to growth in arrears and increasingly arrears older than 3 years that are not likely to be recovered. On the other hand, the number of audits conducted and completed improved for both domestic taxes and customs post clearance. As well, the number of investigations completed and the publicity of enforcement initiatives registered better performance.

Overall, there is more effort required in the areas of dispute resolution in regard to timeliness of disposal of cases. This has the potential to improve both revenue flows and create an attractive investment environment. As well, there is a need to strengthen scientific laboratories to support the investigation function. Additionally, processing of tax refunds improved on account of timely audits, but there needs to be development of a tax refund management plan.

4.2 Key Challenges

1. The Tax Policy Department is involved in a wide range of policy issues, but inadequate skills impact the level of analysis undertaken.
2. Continued accumulation of government tax arrears, strains revenue collection and disrupts cash flow plans and the tax effort.
3. Unsupported tax exemptions and tax holidays result into revenue leakages.
4. The continued delays in the completion of necessary legislative changes is affecting the timely unlocking of the anticipated gains from the interventions, for example, laws affecting VAT, Tax Procedures Act.
5. Weak international tax rules, especially delayed revision of Double Taxation Agreements with Mauritius and Netherlands that give scope to tax planning schemes.
6. Lack of an official Tax-payers' Ombudsman. There exists no credible and dedicated avenue for taxpayers to address administrative complaints, beyond corruption or assessment reviews.
7. Failure to appoint an independent DRMS implementation coordination office to superintend the stakeholders and progress.
8. Limited options in tackling the large informal sector resulting in non-declaration of incomes by a large section of potential taxable sources, thus limiting the income tax yield.
9. Inadequate funding to enable the Tax Policy Department and URA to fully execute their mandates and expanded scope envisaged in the DRMs interventions.

4.3 Recommendations

1. URA and MOFPED (Tax Policy Department) should strengthen human capital through specialized training of staff and other forms of capacity building to respond to the dynamic nature of domestic resource mobilization.
2. The URA and MOFPED should explore options that can support revenue recovery without impairing sustainability of the sources. This would entail a more facilitative approach with taxpayers to encourage voluntary compliance and settlement of arrears.
3. MOFPED should urgently rationalize exemptions granted previously and conducting a cost benefit analysis as basis for subsequent exemptions granted.
4. The MOFPED-TPD should conclude revisions to unfavourable provisions of key double tax agreements and other treaties including the one with Netherlands and Mauritius
5. URA should leverage existing ICT systems to harness the much-needed compliance, streamline taxpayer systems and nurture friendly environment.
6. URA should intensify tax awareness including outreach programme to support taxpayers, limit informal sector and increase awareness of the changing nature of tax administration.
7. MOFPED-TPD and URA should consider internal reforms aimed at increasing efficiency and tackling the DRMS.
8. The URA should further strengthen mechanisms to collate and collaborate existing data sets of tax payers and citizen information, as well enhance information sharing inter and intra country.
9. The MOFPED/DRMS focal unit should urgently review essential interventions in the DRMS and allocate responsibility centres for their implementation and action.

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

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

Uganda Revenue Authority data base, 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 (fy19/20) (Ug Shs bn)		Annual 2020/21 (Ug Shs bn)		Annual FY 22/23 (Ug Shs bn)		Annual FY 23/24 (Ug Shs bn)	
Unprocessed foodstuffs, agricultural products, and livestock	277.86	2.02%	363.13	3.15%	416.61	3.64%	617.33	4.70%
Postage stamps	210.46	1.53%	263.02	2.28%	106.49	0.93%	259.23	1.97%
Financial and insurance services	1976.63	14.39%	2844.27	24.66%	5385.7	47.06%	6503.38	49.50%
Supply of unimproved land	0	0.00%	0	0.00%	0	0.00%		0.00%
Sale, leasing, and letting of immovable property, excluding commercial premises	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Education services	117.86	0.86%	110.33	0.96%	196.47	1.72%	230.35	1.75%
Veterinary, medical, dental, and nursing services	159.36	1.16%	105.98	0.92%	48.45	0.42%	125.73	0.96%
Social welfare services	1.37	0.01%	1.95	0.02%	2.14	0.02%	3.06	0.02%
Betting, lotteries, and games of chance	8.58	0.06	2.4	0.02%	17.93	0.16%	20.51	0.16%
Supply of goods as part of a transfer of business as a going concern	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Burial and cremation services	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Passenger transportation services, except travel and tour operators	29.36	0.21%	25.85	0.22%	25.87	0.23%	41.55	0.32%
Petroleum fuels subject to excise duty	10233.96	74.49%	7226.37	62.64%	4616.7	40.34%	4616.7	35.14%
Dental, medical, and veterinary equipment	159.36	1.16%	105.98	0.92%	48.45	0.42%	125.73	0.96%
Animal feeds and premixes	372.38	2.71%	264.59	2.29%	389.48	3.40%	387.74	2.95%
Machinery, tools, and implements suitable for use only in agriculture	39.43	0.29%	63.61	0.55%	58.82	0.51%	73.3	0.56%
Crop extension services	21.57	0.16%	4.96	0.04%	38.41	0.34%	42.08	0.32%
Irrigation works, sprinklers and ready-to-use drip lines	39.81	0.29%	64.3	0.56%	58.92	0.51%	75.29	0.57%
Deep cycle batteries, composite lanterns, and raw materials for their manufacture	0.04	0.00%	0.44	0.00%	0.38	0.00%	0.23	0.00%

Type of zero-rated supplies	Baseline (fy19/20) (Ug Shs bn)		Annual 2020/21 (Ug Shs bn)		Annual FY 22/23 (Ug Shs bn)		Annual FY 23/24 (Ug Shs bn)	
Menstrual cups	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Agricultural insurance premiums or policies	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Photosensitive semiconductor devices, light emitting diodes, solar water heaters, solar refrigerators, and solar cookers	73.93	0.54%	63.73	0.55%	0	0.00%	0	0.00%
Lifejackets, life-saving gear, headgear, and speed governors	7.27	0.05%	9.16	0.08%	11.26	0.10%	8.18	0.06%
Any goods and services to the contractors and subcontractors of hydroelectric power, solar power, geothermal power or biogas, and wind energy power projects	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Bibles, Qur'ans, and textbooks	9.17	7.00%	15.64	0.14%	22.52	0.20%	8.48	0.06%
Supply of movie productions	0	0.00%	0	0.00%	0	0.00%	0	0.00%
TOTAL	**13738.48**	**100.00%**	**11535.81**	**100.00%**	**11444.7**	**100.00%**	**13138.94**	**100.00%**

Source: URA database

Annex 2 Effective Protection Rates (EPR) FY's 2019/20 to 2023/24

	Effective Duty Rate				
Chapter Description	FY 2019/20 (baseline)	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
01-LIVE ANIMALS	0.94%	1.40%	2.10%	2.11%	1.16%
02-MEAT AND EDIBLE MEAT OFFAL	23.39%	22.32%	20.05%	18.90%	15.44%
03-FISH & CRUSTACEAN, MOLLUSC & OTHER AQUATIC INVERTEBRATE	1.08%	1.29%	9.73%	12.45%	17.63%
04-DAIRY PROD; BIRDS' EGGS; NATURAL HONEY; EDIBLE PROD NES	49.58%	22.66%	22.52%	39.40%	12.30%
05-PRODUCTS OF ANIMAL ORIGIN, NES OR INCLUDED	0.77%	3.19%	2.80%	3.97%	7.81%
06-LIVE TREE & OTHER PLANT; BULB, ROOT; CUT FLOWERS ETC	0.58%	0.30%	0.25%	2.23%	0.65%
07-EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	4.28%	5.32%	4.25%	6.19%	13.56%
08-EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUIT OR MELONS	18.64%	15.13%	17.75%	19.63%	22.52%
09-COFFEE, TEA, MATE AND SPICES	29.10%	6.99%	25.78%	23.62%	22.89%
10-CEREALS	22.40%	14.11%	16.77%	23.35%	20.16%
11-PROD MILL INDUST; MALT; STARCHES; INSULIN; WHEAT GLUTEN	7.15%	25.47%	21.28%	32.51%	31.53%
12-OIL SEED, OLEAGI FRUITS; MISCELL GRAIN, SEED, FRUIT ETC	1.76%	0.14%	0.44%	2.83%	3.34%
13-LAC; GUMS, RESINS & OTHER VEGETABLE SAPS & EXTRACTS	21.95%	18.11%	18.72%	18.38%	18.77%
14-VEGETABLE PLAITING MATERIALS; VEGETABLE PRODUCTS NES	36.75%	35.58%	11.78%	31.37%	35.95%
15-ANIMAL/VEG FATS & OIL & THEIR CLEAVAGE PRODUCTS; ETC	17.50%	18.19%	29.80%	28.56%	29.93%
16-PREP OF MEAT, FISH OR CRUSTACEANS, MOLLUSCS ETC	20.59%	19.25%	15.28%	14.75%	18.94%
17-SUGARS AND SUGAR CONFECTIONERY	29.27%	28.20%	29.19%	27.96%	35.87%
18-COCOA AND COCOA PREPARATIONS	83.46%	78.19%	60.34%	56.14%	48.75%
19-PREP OF CEREAL, FLOUR, STARCH/MILK; PASTRYCOOKS' PROD	38.13%	26.36%	27.36%	29.76%	22.47%
20-PREP OF VEGETABLE, FRUIT, NUTS OR OTHER PARTS OF PLANTS	43.57%	36.68%	37.11%	41.88%	42.17%
21-MISCELLANEOUS EDIBLE PREPARATIONS	24.33%	24.10%	25.65%	28.04%	27.50%
22-BEVERAGES, SPIRITS AND VINEGAR	122.63%	127.79%	80.28%	124.49%	121.78%
23-RESIDUES & WASTE FROM THE FOOD INDUST; PREPR ANI FODDER	0.71%	1.94%	1.00%	1.31%	1.44%
24-TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	312.27%	320.56%	334.54%	301.36%	266.77%
25-SALT; SULPHUR; EARTH & STON; PLASTERING MAT; LIME & CEM	23.10%	8.36%	20.73%	19.94%	20.95%

Chapter Description	Effective Duty Rate				
	FY 2019/20 (baseline)	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
26-ORES, SLAG AND ASH	17.41%	18.31%	17.87%	17.36%	18.04%
27-MINERAL FUELS, OILS & PRODUCT OF THEIR DISTILLATION; ETC	24.72%	48.80%	22.70%	21.12%	32.42%
28-INORGN CHEM; COMPDS OF PREC MET, RADIOACT ELEMENTS ETC	18.60%	18.03%	16.89%	17.40%	16.55%
29-ORGANIC CHEMICALS	9.68%	8.55%	10.38%	10.43%	9.93%
30-PHARMACEUTICAL PRODUCTS	0.06%	0.22%	0.09%	0.15%	0.14%
31-FERTILISERS	1.13%	0.81%	0.47%	0.13%	0.25%
32-TANNING/DYEING EXTRACT; TANNINS & DERIVS; PIGM ETC	21.40%	24.95%	23.45%	20.27%	19.87%
33-ESSENTIAL OILS & RESINOIDS; PERF, COSMETIC/TOILET PREP	31.50%	29.68%	29.29%	28.27%	27.06%
34-SOAP, ORGANIC SURFACE-ACTIVE AGENTS, WASHING PREP, ETC	29.27%	32.18%	29.82%	31.21%	28.01%
35-ALBUMINOIDAL SUBS; MODIFIED STARCHES; GLUES; ENZYMES	29.68%	28.82%	29.84%	27.97%	28.24%
36-EXPLOSIVES; PYROTECHNIC PROD; MATCHES; PYRO ALLOY; ETC	6.70%	7.56%	3.96%	5.56%	4.38%
37-PHOTOGRAPHIC OR CINEMATOGRAPHIC GOODS	27.77%	23.53%	21.89%	23.98%	23.62%
38-MISCELLANEOUS CHEMICAL PRODUCTS	2.49%	4.24%	5.03%	5.46%	5.26%
39-PLASTICS AND ARTICLES THEREOF	20.63%	20.35%	23.76%	24.05%	23.86%
40-RUBBER AND ARTICLES THEREOF	30.19%	26.21%	28.50%	29.32%	31.05%
41-RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER	17.96%	18.62%	14.67%	2.64%	7.23%
42-ARTICLES OF LEATHER; SADDLERY/HARNESS; TRAVEL GOODS ETC	47.80%	46.43%	53.46%	53.83%	50.73%
43-FURSKINS AND ARTIFICIAL FUR; MANUFACTURES THEREOF	31.24%	51.77%	54.19%	52.15%	48.42%
44-WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	40.50%	35.90%	38.01%	35.46%	33.43%
45-CORK AND ARTICLES OF CORK	27.49%	19.05%	30.34%	16.06%	14.76%
46-MANUFACTURES OS STRAW, ESPARTO/OTHER PLAITING MAT; ETC	14.77%	22.92%	44.41%	42.93%	44.77%
47-PULP OF WOOD/OF OTHER FIBROUS CELLULOSIC MAT; WASTE ETC	19.00%	18.67%	18.77%	18.21%	17.87%
48-PAPER & PAPERBOARD; ART OF PAPER PULP, PAPER/PAPERBOARD	24.98%	25.34%	23.17%	23.40%	23.65%
49-PRINTED BOOKS, NEWSPAPERS, PICTURES & OTHER PRODUCT ETC	4.38%	8.20%	13.07%	8.30%	3.40%
50-SILK	57.39%	66.67%	49.67%	43.84%	19.68%
51-WOOL, FINE/COARSE ANIMAL HAIR, HORSEHAIR YARN & FABRIC	47.10%	41.27%	50.08%	53.46%	42.71%
52-COTTON	41.19%	31.47%	14.39%	16.84%	40.99%

Chapter Description	Effective Duty Rate				
	FY 2019/20 (baseline)	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
53-OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN & WOVEN FAB	3.06%	6.50%	3.76%	21.70%	7.68%
54-MAN-MADE FILAMENTS; STRIP AND THE LIKE OF MAN-MADE TEXTILE MATERIALS.	22.51%	24.23%	15.34%	13.53%	16.33%
55-MAN-MADE STAPLE FIBRES	33.50%	36.38%	33.90%	34.21%	37.46%
56-WADDING, FELT & NONWOVEN; YARNS; TWINE, CORDAGE, ETC	26.40%	24.90%	26.80%	25.64%	28.00%
57-CARPETS AND OTHER TEXTILE FLOOR COVERINGS	48.18%	49.09%	46.05%	44.20%	41.99%
58-SPECIAL WOOVEN FAB; TUFTED TEX FAB; LACE; TAPESTRIES ETC	45.19%	48.73%	49.60%	46.03%	49.47%
59-IMPREGNATED, COATED, COVER/LAMINATED TEXTILE FABRIC ETC	24.27%	27.20%	29.73%	29.21%	29.30%
60-KNITTED OR CROCHETED FABRICS	14.77%	15.20%	16.96%	21.94%	15.89%
61-ART OF APPAREL & CLOTHING ACCESS, KNITTED OR CROCHETED	52.93%	51.16%	57.02%	65.83%	63.96%
62-ART OF APPAREL & CLOTHING ACCESS, NOT KNITTED/CROCHETED	51.62%	44.45%	59.09%	49.26%	48.49%
63-OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHING ETC	45.82%	44.62%	59.24%	43.54%	55.88%
64-FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	43.44%	45.12%	45.43%	52.47%	47.59%
65-UMBRELLAS, WALKING-STICKS, SEAT-STICKS, WHIPS, ETC	10.76%	16.47%	20.54%	17.56%	26.45%
66-UMBRELLAS, WALKING STICKS, WHIPS, RIDING-CROPS AND PARTS THEREOF	52.26%	51.41%	50.80%	45.37%	50.04%
67-PREPR FEATHERS & DOWN; ARTI FLOWER; ARTICLES HUMAN HAIR	51.75%	44.27%	41.38%	40.20%	37.36%
68-ART OF STONE, PLASTER, CEMENT, ASBESTOS, MICA/SIM MAT	26.72%	33.01%	38.34%	36.76%	28.97%
69-CERAMIC PRODUCTS	44.57%	45.07%	44.43%	40.31%	37.98%
70-GLASS AND GLASSWARE	25.12%	27.43%	28.85%	28.46%	25.95%
71-NATURAL/CULTURED PEARLS, PREC STONES & METALS, COIN ETC	0.03%	0.01%	0.26%	0.07%	0.02%
72-IRON AND STEEL	17.51%	17.67%	17.99%	16.98%	16.71%
73-ARTICLES OF IRON AND STEEL	14.24%	20.65%	24.23%	16.71%	14.91%
74-COPPER AND ARTICLES THEREOF	19.91%	22.62%	20.42%	21.41%	20.00%
75-NICKEL AND ARTICLES THEREOF	38.25%	39.51%	30.11%	28.52%	22.86%
76-ALUMINIUM AND ARTICLES THEREOF	12.69%	13.67%	18.92%	21.47%	20.46%
78-LEAD AND ARTICLES THEREOF	8.34%	29.45%	30.44%	11.81%	20.02%

Chapter Description	Effective Duty Rate				
	FY 2019/20 (baseline)	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
79-ZINC AND ARTICLES THEREOF	18.11%	18.12%	18.10%	18.09%	18.09%
80-TIN AND ARTICLES THEREOF	9.47%	5.86%	5.13%	6.98%	5.22%
81-OTHER BASE METALS; CERMETS; ARTICLES THEREOF	17.62%	19.95%	18.09%	17.70%	17.21%
82-TOOL, IMPLEMENT, CUTLERY, SPOON & FORK, OF BASE MET ETC	24.79%	24.12%	24.63%	17.50%	23.06%
83-MISCELLANEOUS ARTICLES OF BASEE METAL	39.02%	39.57%	36.05%	39.37%	41.49%
84-NUCLEAR REACTORS, BOILERS, MACHINERY & MECHANICAL APPLIANCE; PARTS	6.46%	8.90%	10.75%	6.83%	8.39%
85-ELECTRICAL MCHY EQUIP PARTS THEREOF; SOUND RECORDER ETC	16.75%	23.23%	20.28%	19.71%	17.36%
86-RAILWAY/TRAMW LOCOM, ROLLING-STOCK & PARTS THEREOF; ETC	11.75%	5.92%	1.52%	5.85%	9.97%
87-VEHICLES O/T RAILW/TRANW ROOL-STOCK, PTS & ACCESSORIES	43.33%	48.97%	51.13%	45.62%	45.07%
88-AIRCRAFT, SPACECRAFT, AND PARTS OF	0.00%	0.01%	0.01%	0.02%	0.09%
89-SHIPS, BOATS AND FLOATING STRUCTURES	7.98%	1.91%	1.06%	0.98%	2.56%
90-OPTICAL, PHOTO, CINE, MEAS, CHECKING, PRECISION, ETC	5.54%	3.15%	1.40%	2.70%	3.57%
91-CLOCKS AND WATCHES AND PARTS THEREOF	54.21%	53.54%	52.27%	56.41%	53.15%
92-MUSICAL INSTRUMENTS; PARTS AND ACCESS OF SUCH ARTICLES	37.82%	35.31%	35.93%	32.64%	32.34%
93-ARMS AND AMUNITION; PARTS AND ACCESSORIES THEREOF	0.23%	0.04%	0.10%	0.49%	0.02%
94-FURNITURE; BEDDING, MATTRESS, MATT SUPPORT, CUSHION ETC	38.96%	39.35%	37.33%	27.80%	27.47%
95-TOYS, GAMES & SPORTS REQUISITES; PARTS & ACCESS THEREOF	50.35%	48.04%	52.20%	53.59%	54.22%
96-MISCELLANEOUS MANUFACTURED ARTICLES	18.99%	16.71%	18.27%	19.13%	22.53%
97-WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES	33.95%	39.31%	33.29%	13.68%	20.78%
Not categorized	15.32%	22.40%	30.89%	27.44%	25.63%
Total	**18.69%**	**21.37%**	24.87%	**20.34%**	**18.37%**

Source: URA database.

Annex 3 Active digital taxpayers as at 30.06.2024.

	Revenue Collected (Ug shs)	
Taxpayer	**FY2022/23**	**FY2023/24**
4DI technologies pty LTD		1,356,019
Activision blizzard uk ltd		-
Adobe systems software Ireland limited		-
Airbnb Ireland unlimited company		123,523,350
Akamai technologies international ag		132,539,506
Amadeus IT group Sociedad anonima		228,439,297
Amazon com Services	93,162,029	157,860,771
Amazon media eu sarl		162,384
Amazon Web Services EMEA SARL	508,278,878	852,300,576
Apple Distribution	1,511,678,285	2,703,062,328
APTOIDE SA		-
Association of Chartered Certified Accountants	313,102,624	703,333,719
Audible Inc	25,290,916	37,370,473
Audible limited		597,222
Bold llc		4,948,495
Bolt Operations OU	72,183,850	82,277,958
Booking com bv		1,164,920,189
Canva pty ltd		74,526,343
Chegg inc		3,805,000
DigiCert ireland limited		-
Digi cloud africa pty ltd		1,942,887
eBay marketplaces gmbh		-
Elsevier bv		-
Elsevier ltd		-
Epic games commerce gmbh		7,795,151
Epic games entertainment international gmbh		2,527,045
Expedia inc		6,077,420
Expedia lodging partner services sarl		13,596,486
Facebook payments international limited		-
Fenix international limited		-

	Revenue Collected (Ug shs)	
Taxpayer	**FY2022/23**	**FY2023/24**
Fuzu oy		-
Godaddy com llc		288,036,561
Google Cloud EMEA Limited	68,116,024	1,952,136,552
Google Commerce Limited	828,957,623	2,279,260,613
Google Ireland limited		315,571,110
Google LLC	4,890,507	11,123,526
Humor rainbow inc		-
Ideagen gael limited		-
Ideagen technology limited		-
Informa uk limited		-
Kayak europe gmbh		-
LexisNexis risk solutions Europe limited		-
LexisNexis risk solutions fl inc		-
LinkedIn Ireland Unlimited Company	22,830,164	255,292,787
LNRS data services ltd		-
Match com llc		-
McAfee Ireland ltd		1,561,979
Meta Platforms Ireland Ltd	1,148,939,663	2,230,457,370
Meta platforms technologies Ireland limited		-
Microsoft Ireland Operations Limited	211,019,137	152,123,923
Netflix International B.V	1,003,817,982	1,771,120,569
Nexway		2,185,496
Nordvpn sa		15,188,247
Paddle com market limited		107,192,988
Pipedrive ou		-
Pluralsight llc		-
Gnet ltd		5,831,227
Red dot distribution fze		-
Redington gulf fze		-
Sage south Africa proprietary limited		-
Scribd inc		-
Showmax Africa holdings limited		56,305,916

	Revenue Collected (Ug shs)	
Taxpayer	**FY2022/23**	**FY2023/24**
Society for worldwide interbank financial telecommunication		-
Spotify AB	67,362,136	213,791,057
Squarespace ireland limited		4,724,059
Statacorp llc		2,304,103
Tally solutions private limited		34,923,121
Tarsus distribution pty ltd		-
TeamViewer germany gmbh		23,653,055
The constant company llc		1,309,282
The rocket science group llc		17,389,003
Travelport international operations limited		195,231,767
Twilio inc		26,306,982
Uber B.V.	388,443,904	618,322,312
VeriFone payments bv		-
Xsolla usa inc		454,050
Zoho corporation pte ltd		25,036,560
Zoom Video Communications Inc.	192,411,423	399,408,866
Total	**6,460,485,145**	**17,309,205,700**

Source:URA Database

Annex 4: Revenue Collection to target (collected revenue as % of revenue target) FY's 2022/23 and 2023/24

Revenue source	FY 2022-23				FY 2023/24			
	Estimated revenue target	Revenue collected	Uncollected Tax	%tax revenue target unexploited	Estimated revenue target	Revenue collected	Uncollected Tax	%tax revenue target unexploited
	(ii)	(iii)	(iv)	(v)=(iv)/(ii)*100	(ii)	(iii)	(iv)	v)=(iv)/(ii)*100
Direct domestic taxes:								
➢ PAYE	3,793.68	4,454.20	(660.52)	-17.41%	4,542.35	4,959.74	417.39	0.09
➢ Corporate tax	1,838.22	2,077.03	(238.81)	-12.99%	2,195.27	2,247.29	52.02	0.02
➢ Rental tax	171.09	215.10	(44.02)	-25.73%	245.69	275.69	30.00	0.12
➢ Presumptive taxes	12.70	14.38	(1.68)	-13.26%	20.62	17.73	(2.89)	(0.14)
➢ Withholding Tax	1,477.53	1,330.81	146.71	9.93%	1,622.99	1,566.69	(56.30)	(0.03)
➢ Tax on Bank Interest (w/o BoU)	109.36	125.49	(16.12)	-14.74%	164.07	174.03	9.96	0.06
➢ Treasury Bills (BoU)	643.51	586.54	56.96	8.85%	669.78	652.24	(17.55)	(0.03)
➢ Casino Tax	35.28	75.75	(40.46)	-114.69%	97.78	98.31	0.53	0.01
➢ Other	151.44	78.12	73.32	48.42%	94.46	85.84	(8.63)	(0.09)
Indirect domestic taxes:								
➢ Excise duty	2,114.63	1,920.66	193.96	9.17%	2,438.57	2,171.17	(267.40)	(0.11)
➢ VAT	4,319.21	3,959.63	359.58	8.33%	4,990.08	4,433.50	(556.57)	(0.11)
International trade:								
➢ Petroleum duty	2,978.06	2,825.17	152.89	5.13%	3,294.84	3,205.15	(89.68)	(0.03)
➢ Import duty	1,707.60	1,982.77	(275.17)	-16.11%	1,833.41	1,961.30	127.90	0.07
➢ Excise duty	323.54	268.19	55.35	17.11%	365.66	241.30	(124.36)	(0.34)
➢ VAT on imports	3,688.69	3,527.12	161.57	4.38%	4,247.71	3,413.37	(834.34)	(0.20)
➢ Withholding tax on imports	228.97	205.18	23.79	10.39%	292.78	206.01	(86.77)	(0.30)
➢ Surcharge on Imports	271.04	256.12	14.93	5.51%	352.53	272.17	(80.36)	(0.23)
➢ Temporary Road Licenses	110.82	123.48	(12.66)	-11.42%	203.49	116.38	(87.11)	(0.43)
➢ Infrastructure levy	137.06	117.96	19.10	13.93%	183.32	120.27	(63.05)	(0.34)

➢ Export levy	16.92	20.67	(3.75)	-22.17%	79.64	17.66	(61.98)	(0.78)
Non-Tax Revenues:								
➢ Motorvehicle fees (Traffic Act)	164.00	131.44	32.56	19.85%	193.91	130.98	(62.93)	(0.32)
➢ Drivers Permits	67.87	77.08	(9.21)	-13.57%	80.51	63.93	(16.58)	(0.21)
➢ Passport Fees	55.30	92.23	(36.93)	-66.77%	197.07	105.75	(91.31)	(0.46)
➢ Migration Fees	160.81	248.73	(87.92)	-54.67%	218.95	172.92	(46.03)	(0.21)
➢ Land Transfer Fees	14.53	4.94	9.59	65.98%	10.00	4.90	(5.10)	(0.51)
➢ Transport Regulation Fees	13.34	7.98	5.36	40.15%	24.72	15.89	(8.84)	(0.36)
➢ Company Regulation Fees	0.40	0.22	0.18	45.47%	0.25	0.29	0.04	0.14
➢ High Court Fees	6.30	16.03	(9.73)	-154.43%	15.95	17.18	1.22	0.08
➢ Mining Fees & Royalties	19.12	13.14	5.98	31.30%	17.75	26.45	8.70	0.49
➢ Uganda Reg Services Bureau	69.66	67.76	1.90	2.73%	71.11	65.58	(5.53)	(0.08)
➢ Accupational Safety & Health (Gender)	12.39	69.66	67.76	546.86%	16.75	7.99	(8.76)	(0.52)
➢ Other NTR (MDAs)	812.99	746.86	14.23	1.75%	948.14	969.77	21.63	0.02
➢ Stamp duty & Embossing Fees	125.17	111.63	802.10	640.81%	126.01	121.01	(4.99)	(0.04)
Summary:								
Direct domestic taxes	8,232.80	8,957.42	(724.62)	-8.80%	9,653.02	10,077.55	424.53	0.04
Indirect domestic taxes	6,433.83	5,880.29	553.54	8.60%	7,428.65	6,604.67	(823.98)	(0.11)
International trade taxes	9,462.70	9,326.64	136.05	1.44%	10,853.37	9,553.63	(1,299.75)	(0.12)
NTRs including stamp duty	1,521.88	1,587.69	(65.81)	-4.32%	1,921.12	1,702.64	(218.48)	(0.11)
Total	**25,651.21**	**25,752.05**	**(100.84)**	**-0.39%**	**29,856.16**	**27,938.49**	**(1,917.68)**	**(0.30)**

Annex 5: Media Reports on results of URA tax enforcement initiatives FY2022/23 and 2023/24

SOURCE	ACTIVITY DATE	PROOF OF RUN/ MEDIA HOUSE
NEWS	*Jan 2024*	• ***Daily Monitor:*** https://www.monitor.co.ug/uganda/news/national/ex-kenyan-minister-remanded-to-prison-in-uganda-4489428 • ***The East African:*** https://www.theeastafrican.co.ke/tea/news/east-africa/ex-kenya-minister-stephen-tarus-uganda-prison-gold-smuggling-4488836 • ***CEO East Africa:*** https://www.ceo.co.ug/stephen-tarus-an-ex-kenyan-minister-arrested-in-uganda-over-gold-smuggling/ • ***New Vision:*** https://www.newvision.co.ug/category/news/ex-kenyan-minister-faces-3-years-in-ugandan-j-NV_178652 • ***Capital FM-Kenya:*** https://www.capitalfm.co.ke/business/2024/01/ex-internal-security-assistant-minister-held-in-ugandan-custody-over-gold-fraud/ • ***The Kampala Report:*** https://nexusmedia.ug/kenyas-former-minister-arraigned-in-ugandan-court-for-forgery/ • ***Tax Crime Watch Africa:*** https://twitter.com/TaxCrimeWatch/status/1745188762273890459 • ***News 9 Kenya:*** https://www.news9.co.ke/international-news/uganda-detains-kenyas-former-minister-over-ksh-134-5m-gold-smuggling-claims-5648/
NEWS	*Feb 2024*	• *New Vision (22/Feb/2024): Stephen Mubiru Kyamafumbira: https://www.newvision.co.ug/category/news/city-businessman-pleads-guilty-to-sh135m-tax-NV_181863* • *New Vision (22/Feb/2024): Sikhou Gassama: https://www.newvision.co.ug/category/news/trial-of-city-businessman-in-sh96bn-money-lau-NV_181787* • *New Vision (14/Feb/2024): Fred Wadda/Dansem Construction Limited: https://www.newvision.co.ug/category/news/city-businessman-pleads-guilty-to-sh510m-tax-NV_181194* • ***New Vision (29/Feb/2024):*** *City Businessman Charged with Tax Fraud over Vehicle Import". -- https://www.newvision.co.ug/category/news/city-businessman-charged-with-tax-fraud-over-NV_182300* • *New Vision (13/Feb/2024): Shahil Investment*
NEWS	*March 2024*	• ***New Vision (05/March/2024):*** *"Businessman Charged with Falsifying documents in Gold Transactions." -- https://www.newvision.co.ug/category/news/businessman-charged-with-falsifying-documents-NV_182704* • ***27th/March/2024: James Ssekamwa Kulubya*** (New Vision: https://www.newvision.co.ug/category/news/company-director-faces-jail-again-over-tax-ev-NV_184463)

		• ***22nd/ March/2024: JazzSupermarkets/Manish Bheriyani (***New Vision: https://www.newvision.co.ug/category/news/supermarket-boss-pleads-guilty-to-sh86b-tax-f-NV_184162) • ***White 20th /March/2024: Afri-Investment Limited/Dennis Banex Namanya*** (New Vision: https://www.newvision.co.ug/category/news/company-director-charged-over-sh539m-tax-evas-NV_183968 • ***27th/March/2024: James Ssekamwa Kulubya*** (New Vision: https://www.newvision.co.ug/category/news/company-director-faces-jail-again-over-tax-ev-NV_184463) • 29/March/2024: New Vision (Thomas Odeke: https://www.newvision.co.ug/category/news/mechanic-jailed-over-impersonating-ura-commis-NV_184629 • 29/March/2024: New Vision (Joseph Dickson Muzaale: https://www.newvision.co.ug/category/news/auditor-in-trouble-over-alleged-sh148m-tax-ev-NV_184625) • ***White 20th /March/2024: Afri-Investment Limited/Dennis Banex Namanya*** (New Vision: https://www.newvision.co.ug/category/news/company-director-charged-over-sh539m-tax-evas-NV_183968 • ***27th/March/2024: James Ssekamwa Kulubya*** (New Vision: https://www.newvision.co.ug/category/news/company-director-faces-jail-again-over-tax-ev-NV_184463) • 29/March/2024: New Vision (Thomas Odeke: https://www.newvision.co.ug/category/news/mechanic-jailed-over-impersonating-ura-commis-NV_184629 • 29/March/2024: New Vision (Joseph Dickson Muzaale: https://www.newvision.co.ug/category/news/auditor-in-trouble-over-alleged-sh148m-tax-ev-NV_184625)
NEWS	April 2024	• 03/April/2024: New Vision (Sandip Hirani: Sandip Hirani — https://newvisionapp.bpage.link/fWQ9bY3Cn3syPDKx6)
NEWS	May2024	• New Vision – 31/My/2024: Businessman accused of filing false tax returns freed on bail - https://www.newvision.co.ug/category/people/businessman-accused-of-filing-false-tax-retur-NV_189128 (Justus Friday Mugisha). • New Vision – 21/May/2024 – Man remanded over Shs.289M Tax Offence Charges - https://www.newvision.co.ug/category/news/man-remanded-over-sh289m-tax-offence-charges-NV_188415 (Justus Friday Mugisha). • New Vision –16/May/2024: Businessman Pleads guilty to EFRIS forgery, fined Shs.31.4M - https://www.newvision.co.ug/category/business/businessman-pleads-guilty-to-efris-forgery-fi-NV_188149 (Musa Senteza) • New Vision – 10/May/2024: Businessman Charged with Shs.3.6 Bn Tax Fraud: https://www.newvision.co.ug/category/news/businessman-charged-with-sh36b-tax-fraud-NV_187666 (Wu Su). • New Vision – 08/May/2024: Chinese National Remanded to Luzira over Shs.3Bn Tax Fraud - https://www.newvision.co.ug/category/news/chinese-national-remanded-to-luzira-over-sh3b-NV_187508 (Wu Su)

		• **New Vision** –16/May/2024: Businessman Pleads guilty to EFRIS forgery, fined Shs.31.4M - https://www.newvision.co.ug/category/business/businessman-pleads-guilty-to-efris-forgery-fi-NV_188149 (Musa Senteza) • New Vision – 10/May/2024: Businessman Charged with Shs.3.6 Bn Tax Fraud: https://www.newvision.co.ug/category/news/businessman-charged-with-sh36b-tax-fraud-NV_187666 (Wu Su). • New Vision – 08/May/2024: Chinese National Remanded to Luzira over Shs.3Bn Tax Fraud - https://www.newvision.co.ug/category/news/chinese-national-remanded-to-luzira-over-sh3b-NV_187508 (Wu Su)
	June-2024	• New Vision - 01/June/2024: Businessman pleads guilty over Shs.157M False Tax Declaration - https://www.newvision.co.ug/articledetails/NV_189223 (Mathias Nsonga). • 17/June/2024: New Vision – Joseph Semaganda – Agent Charged with tax fraud of Shs.5.2Bn: https://www.newvision.co.ug/category/news/agent-charged-with-tax-fraud-of-sh52b-NV_190295 • 17/June/2024: New Vision – Xiang Fei – “Director Charged with Tax Evasion of Shs.7.2Bn” - https://www.newvision.co.ug/category/news/director-charged-with-tax-evasion-of-sh72b-NV_190291 • 13/June/2024: New Vision – Two Men Charged, remanded over impersonating URA Officer.” - https://www.newvision.co.ug/category/news/two-men-charged-remanded-over-impersonating-u-NV_190022 • 01/June/2024: New Vision – Mathias Nsonga – “Businessman pleads guilty over Shs.157 Million false tax declaration.” - https://www.newvision.co.ug/category/news/businessman-pleads-guilty-over-sh157m-false-t-NV_189223 • 29/June/2024: Tax Crime Watch – “Director of Shree Hari Associates – Mr. Premji Pindoria Jayesh is in trouble over Tax Evasion” - https://taxcrimewatchafrica.wordpress.com/2024/06/29/director-of-shree-hari-associates-mr-premji-pindoria-jayesh-is-in-trouble-over-tax-evasion/

Annex 6: status of DRMS tax policy interventions

S/no	Intervention	Implementation timeframe	Activities/indictors	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.	H	In the FY 2023/24 tax related proposals were received but were not distinguishable between non-state stakeholders and from other stakeholders. It was also noted that no feedback is given to the stakeholders on what was adopted or not or why.
			No. of tax related proposals received from stakeholders within Government in a year		
			No. of revenue measures adopted from tax proposals from non-stakeholders in a fiscal year		
2.	Elevate the status of taxation within MOFPED	2022/23	Tax policy department budget as % of MOFPED budget	H	The Tax Policy Department's (TPD) appropriated budget increased to Ug shs 14.63bn in FY2023/24 from Ug shs 12.75bn in FY 2022/23 representing 14.7% increased, whereas the total MOFPED budget increased by 1.6%
3.	Enhance the analytical capacity of TPD & URA	2021/23	No. of tax related analytical papers published per year.	H	By the end of FY2023/24, no tax related analytical papers were confirmed to have been published, which was less than the 4 published the previous F/Y.
			No. of related analytical papers published by TBD/URA staff per year.		
4.	Address TPD structure and staffing/training needs	2021/23	No. of TPD staff attended specialized training in a year.	H	10 members of staff attended a specialized training, which was the same as the previous year.
5.	Strengthen partnerships with URA and formalize arrangements	2020 /22	No. of tax related analytical papers jointly published by TPD and URA staff	H	In FY 2023/24, no paper was confirmed to have been jointly published
Objective 2: VAT					
6.	Limit the range of zero-rated-supplies as far as possible.		Zero-rated VAT supplies as % of total VAT supplies	H	The proportion of export goods to total zero-rated supplies was 3.74% in FY 2023/24 compared to 6.76% in the FY 2019/20 baseline.

S/no	Intervention	Implementation timeframe	Activities/indictors	Priority Level	Status (As at FY 2022/23)
		2021/23	Zero-rated VAT supplies (non-export items) as % of total VAT zero-rated supplies	**H**	International transportation of goods and passengers increased by 5.43 percentage points in FY2023/24.
			Zero-rated supplies (export items) as % of total exports	**H**	The proportion of export goods to total zero-rated supplies was 95% in FY 2023/24 compared to 96% in the FYs 2023/24.
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 decreased to 7.54% in the FY 2023/24 from 9.84% in FY 2022/23. This decrease was 2.23 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**	In FY 2023/24 the proportion of the value of deemed supplies to total supplies to government reduced significantly from 81% in FY 2022/23 to 18%. This was 76 percentage points decrease.
9	Re-assess registration threshold and rate	2021/23	No. of VAT payers and tax paid per turnover bracket. Review 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 2023/24 increased by 4,739 registered taxpayers in the less than 150 million (voluntary registrations) while the numbers in the rest of the bands decreased.
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 increased more than the GDP thus support to priority sectors of the economy was achieved.
12.	Support workforce education/training.	2021/23	Proportion of technical staff handling domestic taxes that have requisite qualifications (PODTRA)	H	As at the end of FY 2023/24 a total of 2,290 staff had been trained across the different departments. This translated into 70.4% of the total URA head count.
13.		2021/24	CIT effective tax rate	**H**	

S/no	Intervention	Implementation timeframe	Activities/indictors	Priority Level	Status (As at FY 2022/23)
	Rebalance the nominal rate and the incentives, deductions, and depreciation regime.		Allowable deductions as % of gross income in a year		The CIT effective rate increased even in FY 2023/24. Deductions had a slight decrease (15.5%) during FY 2023/24 compared to the gross income declared (41.9% Increase) which boosts the tax base
14.	Review and renegotiate over-generous treaty provisions.	2022/24	Tax value of approve applications for DTA from taxation as a % of taxable income No. of applications for DTA related exemption/reduction from taxation	H	2 treaties were renegotiated out of the 10 that Uganda agreed to renegotiate. The Netherlands treaty was completed and Mauritius treaty was not completed.
15	Strengthen international tax rules and enforcement	2021/23	Effective corporate tax rate (foreign firms)	H	The CIT-ETR for foreign firms was 20.01% indicating that the proportion of tax from income earned by foreign firms was still lower than the baseline figure of (23.8%). Local firms are continuously being taxed more than 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	The PIT effective tax rate increased by 1.15 percentage points in FY2023/24 and by 8.12 percentage points from the baseline (FY 2019/20).
14.	Address thresholds, bands, and rates.	2021 /23	Number (and proportion) of taxpayers by income bands	M	Uganda taxes continue to tax the poor through PAYE resulting into reduced disposable income and limited savings.
19	Consider scope to encourage saving through PIT system	2021/24	Percent increase in gross capital formation (dwellings) Level of savings in Uganda	M	There was a significant percentage decrease in gross capital formation (dwellings) in FY 2023/24(-5.7%) compared to the previous FY 2022/23.Earners had no savings to invest in acquiring fixed assets.
10	Address weaknesses in	2021/22	Effective rental income tax rate	H	On track.

S/no	Intervention	Implementation timeframe	Activities/indictors	Priority Level	Status (As at FY 2022/23)
	rules for taxing rental income		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 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".
22	Establish and publish a Tax Expenditure Governance Framework.	2021	Value (and share to total revenue) of tax expenditures	H	Not assessed.
			Tax exemptions as % of GDP		
Objective 6: Excise duties					
23	Develop a broader scheme of environmental taxes.	2021/24	Revenue from environment-related taxes as percentage of public expenditure on environment control	M	Ongoing however performance remains below 50% of pollutant control.
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)	H	Ongoing
			Average effective tax rate (mining)		
			Resource Governance Index score for Uganda		

S/no	Intervention	Implementation timeframe	Activities/indictors	Priority Level	Status (As at FY 2022/23)
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% cover a 21.4% 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 days in FY 2023/24 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 percent of GDP	**L**	The NTR as a percentage of GDP declined to 0.8% in the FY 2023/24 from 1.02% in FY 2022/23. Although the performance was more than 0.5% of GDP the ratio has mostly remained within the same range (less than 1%) indicating limited progress.
Objective 10: Local government taxes					
31	Work with local government to strengthen analysis, monitoring, and reporting.	2021-2024	LG own revenue achievement rate 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 guiding framework for LG taxation and the linkage with CG tax systems.	**L**	The LG own revenue achievement rate has continued to increase from 48.7% in the baseline year FY2019/20 to 89.3% in FY 2023/24 and still on going.

S/no	Intervention	Implementation timeframe	Activities/indictors	Priority Level	Status (As at FY 2022/23)
			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	In the FY 2023/24 customs duties foregone on imports for externally funded projects increased to 33% from 30% registered in the FY 2022/23 and 3 percentage points less compared to FY 2020/21(baseline).
			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 The ratio relating to revenue collected from digital businesses has continued to increase i.e. from 0.00277 in FY 2022/23 to 0.0634 in FY 2023/24.
			No. of active taxpayers classified as web-based businesses.		

Source: MOFPED Tax Policy and field findings

Annex 7: Status of DRMS Tax Administration interventions

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2023/24)
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 -0.06% in FY 2023/24 from -10.8% in FY 2020/21 (baseline). In addition, collections have increased by 42%. Over the same period.
			Growth in active taxpayer population	H	There has been a 156% 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 (2019/20) by 9.5 percentage points to 71.3%. • On-time filing rates have improved by 1 percentage points to 67%. Over the same time period.
			Proportion of tax arrears collected	H	Although the total arrears stock has increased by 51% from the baseline year (2019/120). (note within the same year the MOFPED wrote off tax arrears for different taxpayers for domestic and customs taxes amounting to Ug shs 809.73 bn)
			Tax effort	H	Not Assessed

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2023/24)
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: 99261. This is alongside a decrease in technical staff by 3% from the baseline.
			Revenue per URA staff (by tax group)	H	Revenue per capita has increased by 28% 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 20 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 3 percentage points from the baseline year (2019/20).
Objective 3: Data Management and Analytics					

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2023/24)
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. Register maintenance is ongoing however.
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 nondomestic 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 4 percentage points from the baseline year (2021/22)
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 4 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	Complete.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2023/24)
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.
Objective 5: Taxpayer Registration					
16.	Regularly detect and de-register "ghost" taxpayers to cleanse the taxpayer register	2021-2024	1. Number of new taxpayers 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) however, data for this indicator was not availed this FY (2023/24)
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 2023/24.
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	Data not availed for FY 2023/24
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. (Completed)
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 2023/24 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	H	Requires a survey and this hasn't been assigned or funded.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2023/24)
			strategies adopted and implemented by URA.		
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.
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 97% from the baseline year of 2019/20 alongside a 1% improvement in on-time filing rates over the same period. However, this FY (2023/24) URA implemented Section 40D of the Tax Procedures Code Act, 2014 which provided a chance for taxpayers to have their interest and penalty fees waived, if they pay off their outstanding principal tax by 31st December 2023.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2023/24)
27.	Adopt monitoring of inaccurate reporting as part of URA's routine work	2021-2024	Additional revenue identified (and realized) 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 licenses 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 licenses, 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	Slow progress noted. Total arrears stock (at the start of the fiscal) has increased by 51% from the baseline year (2019/20). However Total arrears recovered as a percentage of total revenue collected only marginally increased by 0.95 percentage points.
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 over 100% in absolute terms.
32.	Streamline tax debt collection and improve transparency	2020/21	Annual arrears recovery as a percentage of arrears closing stock (formally Tax arrears collected as % of	H	Progress noted: This has improved by 11.4 percentage points from the baseline (2019/20).

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2023/24)
			total outstanding tax arrears)		
			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**	Partially on track. The no. of firms using digital stamps (after baseline year) has increased by over 100% from the baseline year (2019/20). However, the Average LED paid (by firms using digital stamps) has decreased by 62% over the same period.
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	H	Partially on track. All Audits have been automated. Lifestyle Audits are yet to be undertaken.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2023/24)
			tax assessed from lifestyle audits.		
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 across taxpayer offices at URA	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 bases them on the risks identified.
38.	include reports on audit activities and outcomes as an integral aspect of reports to MOFPED	2021-2024	No. of reports on tax audit activities discussed by MOFPED 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 over 100% from the baseline (2020/21) and the Recoverable Revenue identified by 53%, over the same time period.
			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	M	Progress noted. The No. of Tax investigations and related enforcements conducted increased by over 100% from the baseline (FY

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2023/24)
			completed, (iii) Tax value of tax investigations completed, (iv) Amount of penalties collected for tax noncompliance, (v) No. of cases against which asset seizure was done, (vi) No. of criminal prosecutions initiated relating to tax non-compliance		2020/21) and the Revenue identified by 53%, over the same period.
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.	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 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.		Not on Track: 1. the No. of outstanding tax disputes (excluding new cases) has increased by over 100% from last FY (2021/22) and the proportion of tax disputes resolved within 6 months of lodging the case has reduced by 17 percentage points, over the same period. 2. TAT is still very much underfunded and understaffed.
45.	Provide adequate funding for TAT to	2021/22	No. (and value) of tax objections and appeals	M	The indicator requires review. Mismatch with intervention.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2023/24)
	cover infrastructure and resource constraints				
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 46 percentage points from the baseline year (2019/20).

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

S/No	Intervention	Implementation Timeframe	Activities /Indicators	Priority Level	Status (As at FY 2022/23)
					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 MOFPED 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 servicerelated 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 Active TINs (rental income tax) as % of active NWSC nondomestic clients Active TINs (income tax) as % of active UMEME commercial clients Active TINs as % of potential taxpayers identified from overall third-party data	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.
11.	Develop a crossgovernment 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	3. Number of new taxpayers registration 4. % 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 nonfiling 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 realized) 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 licenses 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 licenses, 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. (vii) No. of tax audits conducted by tax type (viii) Automated audits as % of total tax audits, (ix) Additional tax assessed from audit. (x) Additional tax assessed from audit of the hospitality sector (xi) Audit yield (% of tax assessed from audit that was collected) (xii) 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 MOFPED	2021-2024	No. of reports on tax audit activities discussed by MOFPED 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 noncompliance, (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	(iii) No. of outstanding tax disputes, (iv) Tax value of outstanding tax disputes, (iii) No. (and tax value) of cases lodged at the Objections and Appeals Unit (OAU),		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)**
			(iv) No. (and tax value) of 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: MOFPED Tax Policy and Field Findings

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