DOMESTIC REVENUE MOBILISATION STRATEGY

Semi-Annual Monitoring Report

Financial Year 2024/25

May 2025

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

ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
AGO	Accountant General's Office
AEOI	Automatic Exchange of Information
AIA	Appropriation in Aid
BMAU	Budget Monitoring and Accountability Unit
billion	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 Mobilisation 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 and 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	Organisation for Economic Co-operation and Development
PAU	Petroleum Authority of Uganda
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PIT	Personal Income Tax
PRN	Payment Registration Number
PS/ST	Permanent Secretary/Secretary to the Treasury
PODITRA	Post-Graduate Diploma in Tax Administration
PRN	Payment Registration Number
STI	Science, Technology and Innovation
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 Tenfold Growth Strategy that requires enhanced funding. The exponential economic growth makes enhanced domestic revenue mobilisation a must. To that effect, Government is committed to enhancing efficiency and effectiveness in the mobilisation of its domestic revenue, to finance the strategy while reducing indebtedness. This will be attained through the implementation of various reforms agreed upon in the Public Finance Management Strategy and the Domestic Revenue Mobilisation Strategy (DRMS). The DRMS interventions are broadly geared towards raising additional revenues and encouraging a healthy flow of investment, while addressing issues of fairness and transparency in the tax system. Raising the tax revenue-to-GDP ratio is a must for the increasing demands on public financing. The programme budget monitoring assessments consistently show that inadequate funding is a critical binding constraint. Effective implementation of the DRMS, therefore, is non-negotiable.

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 FY2020/21. This is the Semi-Annual Monitoring Report for FY2024/25.

The report posted a fair level of performance, indicating significant room for improvement. I urge all stakeholders to critically review the report and act to ensure enhanced revenue mobilisation. The challenges noted are not insurmountable, so should not deter the achievement of the DRMS goals.

Ramathan Ggoobi
Permanent Secretary/Secretary to the Treasury

EXECUTIVE SUMMARY

Introduction

This report reviews the performance of interventions under the Domestic Revenue Mobilisation Strategy (DRMS), for the first half of FY2024/25. It is based on tax policy and tax administration indicators, to determine the progress achieved.

Methodology

The report is based on selected interventions under tax policy and tax administration. The DRMS comprises a total of 80 interventions, of which 60 were directly assessable at half-year. Out of these, 36 (60%) were assessed (13 tax policy and 23 tax administration).

Specifically, for tax policy, of the 22 interventions assessable at half-year, 13 (59%) were appraised under the broader DRMS objectives as follows: Strengthening the productivity of Value Added Tax (VAT), Corporate Income Tax (CIT) and Personal Income Tax (PIT), and Improving the excise duty regime. Additionally, for tax administration, of the 38 interventions assessable at half-year, 23 (60%) were assessed under the broader DRMS objectives of: Governance and management of URA; Lifting the human resource capacity at URA; Data management and analytics; Information, communication, and technology infrastructure; Taxpayer registration; Timely payment of taxes; Tax audit; Investigations and enforcement; Dispute resolution; Processing of tax refunds; and Customs and trade facilitation.

The semi-annual assessment covered interventions under Uganda Revenue Authority (URA), the Tax Appeals Tribunal (TAT) and the Tax Policy Department (TPD) 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 Uganda Bureau of Statistics (UBOS) and the Petroleum Authority of Uganda (PAU).

Primary and secondary data was collected from sources through literature review, consultations and key informant interviews, as well as focus group discussions. Physical performance of the interventions was assessed through monitoring a range of indicators and linking the progress to planned targets, semi-annual performance of previous financial years or the baseline and policy measures initiated in the FY.

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

Findings

Overall performance based on the assessed DRMS interventions was rated fair, at 63%. Of the 37 interventions appraised, 11 were rated good, 18 fair, and 8 poor. Tax policy contributed the least to the good performing interventions and the most to the poorly performing ones, thereby reducing the overall performance rating.

i) Tax Policy

The assessed interventions showed mixed results: 3 recorded good performance, 5 were rated fair, and 6 performed poorly. The detailed performance of these interventions is discussed below.

Good performance:

1. **Remove unnecessary VAT exemptions to curb unjustifiable revenue leakages.** The value of exempt supplies as a proportion of total supplies decreased to 18.76%, down from 19.91% in the same period of FY2023/24. In absolute terms, the value of exempt supplies declined from USh 17,173 billion to USh 13,735.54 billion over the same period. This thus reflects the impact of tighter VAT exemption measures.
2. **Improve information sharing domestically and internationally.** Uganda significantly enhanced its information sharing efforts, making 41 requests to treaty partners and responding to nine (9) incoming requests, compared to 14 requests made and eight (8) responded to in FY2021/22. Hence, information sharing domestically and internationally was enhanced.
3. **Balance the objectives of export promotion, revenue generation, and support to the domestic industry.** Trade within the East African Community (EAC) had been growing over the years but dropped by over 50% starting in FY2023/24. This decline is reflected in the Effective Duty Rate (EDR) and is attributed to regional protocols allowing free movement of goods within the EAC. In contrast, the rest of Asia recorded the highest EDR, indicating strong international trade with that region. Overall, international trade was promoted, increasing the availability of essential goods that are not produced locally.

Fair performance:

1. Limit the range of zero-rated supplies as far as possible. By the end of December in FY2024/25, the proportion of zero-rated supplies as a share of total supplies rose to 18.08%, up from 11.26% in the same period of FY2023/24. However, the share of zero-rated non-export items declined to 34.75%, compared to 37.4% during the same period in the previous FY2023/24. Although the intervention did not restrict the scope of zero-rated supplies as intended, the policy nonetheless promoted exports through zero rating.

2. Improve inter-agency coordination and infrastructure to facilitate trade. Border clearance time improved to one (1) day in the first half of FY2024/25, down from 5.8 days in FY2018/19, surpassing the target of two (2) days. This progress reflects enhanced interagency coordination, improved data sharing, and faster document processing. Key ICT systems, such as the Uganda Electronic Single Window and ASYCUDA World, facilitated seamless information exchange among trade regulatory agencies. Additionally, scanners and regional electronic cargo tracking devices were operational at one-stop border posts, supported by stable ICT infrastructure.

3. Work with Local Government (LG) to strengthen analysis, monitoring, and reporting LG own revenue achievement rate. The LGs own revenue achievement rate rose to 37% of the annual budget in the first half of FY2024/25, up from 24.35% during the same period in the baseline year FY2019/20. This growth is largely attributed to the ongoing rollout of the Integrated Revenue Administration System (IRAS) across all LGs. Although the target mid-year achievement rate of 47%–53% (for an annual goal of 95%–105%) has not yet been met, the progress represents a significant improvement. The IRAS strengthened monitoring and reporting own LG revenue.

4. Review the taxation of donor-funded projects. Customs duties foregone on imports for externally funded projects decreased to 35% in the first half of FY2024/25, down from 44% in the same period of FY2023/24. While this decrease is a positive development, it still falls short of the desired 30% effective rate. As a result, the revenue foregone continues to exceed 30%.

Poor performance:

1. Review the policy on deeming to allow the VAT system to function normally. In the first half of FY2024/25, the value of VAT foregone amounted to USh 557.173 billion, representing a 33% (USh 137.763 billion) increase from the performance of the same period in FY2019/20 (baseline). The VAT system continues to be negatively impacted by the practice of deeming.

2. Rebalance the nominal rate and the incentives, deductions and depreciation regime. In the first half of FY2024/25, the Corporate Income Tax (CIT) Effective Tax Rate (ETR) continued to decline relative to the base year (FY2019/20). This means that substantial tax losses have not been effectively addressed, and this is reducing overall CIT yield. Allowable deductions decreased by USh 2,322 billion compared to the same period in FY2023/24, while gross income declared fell by USh 6,845.73 billion. The intended rebalancing of the nominal tax rate with incentives, deductions, and depreciation was not achieved.

3. Strengthen international tax rules and enforcement. The Corporate Income Tax (CIT) Effective Tax Rate (ETR) for foreign firms stood at 2.47%, significantly below the nominal rate of 30%, indicating a low proportion of tax paid on income earned by these entities. Additionally, both taxable income declared and CIT paid by foreign firms have declined over the fiscal years. Although there was a slight increase in the ETR to 2.47%, the broader objective of strengthening international tax rules and enforcement remains unmet.

4. Review exemptions and consider alternative approaches. The average percentage that individual taxpayers pay decreased over the years. The Personal Income Tax (PIT) effective tax rate decreased by 6.02 percentage points in the first half of FY2024/25 compared to the same period in FY2023/24, and by 0.68 percentage points in the same period of FY2021/22. Exemptions for certain high-income individuals were not reviewed as intended.

5. Develop a broader scheme of environmental taxes. In the first half of FY2024/25, environmental tax revenue accounted for 16% of environmental control expenditure, up from 12.77% in the same period of FY2023/24 and 8.09% in the baseline year FY2020/21. Despite the steady growth in revenues from environmental levies, they remain significantly low compared to overall environmental control expenditures. Thus the broader scheme on environmental taxes is not developed as intended.

6. Rationalise multiple rates, designing an alternative incentive scheme promoting the use of local content. In the first half of FY2024/25, the overall effective excise duty rate across all beer brands stood at 40%, which was below the 60% rate applied to specific categories – such as beer made with at least 75% local raw materials (excluding water) and beer produced from Ugandan-grown and malted barley. For soft drinks, the effective excise duty rate across all soft drink categories averaged just 13%, falling short of the potential 15% that could have been uniformly applied to optimise revenue. The intended rationalisation of multiple excise duty rates was not achieved.

(ii) Tax Administration

The interventions performed fairly, with eight (8) registering good performance, 13 fair and two (2) poor. The detailed performance of the interventions is discussed as follows:

Good performance:

1. **Expand the range of measures for assessing URA's performance to reduce reliance on collection targets**. As of 31st December 2024, the URA had expanded its taxpayer base to 4.87 million, including 382,125 new registrations. However, active compliance remained below target, with a filing rate of 70.31% and an on-time filing rate of 66.44%. Despite these compliance gaps, URA surpassed its revenue target by USh 266 billion, collecting a total of USh 15,600 billion. This represented strong recovery from the same period in FY2023/24 that registered a shortfall. This performance was driven by improved enforcement, arrears recovery, and effective tax administration.

2. **Publicise the results of enforcement initiatives.** URA had issued 11 media reports across numerous media outlets, which was a 37.5% increase from the previous half-year (FY2023/24). Results of enforcement were publicised.

3. **Review options available and based on a proper assessment of costs, benefits and risks of each option, upgrade or invest in a new e-tax system to support DRM and meet URA's business needs**. By 31st December 2024, URA had advanced preparations for e-tax 2 by upgrading infrastructure, enhancing user access, and improving system integration and security.

4. **Standardise key government systems to improve integration.** Procurement of an Enterprise Application Integration system commenced in July 2024 (FY2024/25). In addition, the National Information Technology Authority (NITA-U) has seen the development of the Government Enterprise Architecture (GEA) and the introduction of an interoperability framework, which ensures seamless communication between different Government systems across sectors. NITA-U has also implemented the e-Government Strategy to digitalise services, established common platforms like the Uganda Government Portal, and improved public service ICT infrastructure, including the National Data Centre. NITA-U has focused on training and capacity building for Government staff to effectively manage these standardised systems.

5. **Prioritise a data quality improvement strategy and develop processes to maintain data quality.** As of 31st December 2024, URA had strengthened its commitment to data integrity by establishing a Data Governance Office, launching a monitoring tool, and achieving over 80% completion in cleansing taxpayer records. These initiatives demonstrate URA's strong commitment to improving data integrity across its systems.

6. **Implement the Automatic Exchange of Information and common reporting standards for tax purposes.** As of 31st December 2024, URA had launched a Voluntary Disclosure Program for offshore assets, advanced international tax cooperation, and supported African countries with new toolkits to enhance information exchange and joint tax enforcement. Automatic exchange of information was thus enhanced.

7. **Enhance resources to equip scientific laboratories and investigations personnel**. In the first half of FY2024/25, URA had strengthened its scientific laboratory by acquiring critical equipment and consultancy services to improve fraud detection and tax compliance testing. Significant progress was made towards quality management accreditation, with six test methods validated and key Standard Operating Procedures (SOPs) reviewed. To enhance staff capacity, URA conducted four specialised training sessions, including international programs focused on hazardous materials handling, tariff classification, laboratory skills development, and customs operations.

8. **Intensify penalties for non-compliance and increase the number of tax investigations.** URA had implemented key initiatives to boost revenue and compliance, including crypto and e-commerce monitoring, VAT geo-mapping, and mobile money risk management. Through tax investigations and enforcement, URA recovered USh 48.19 billion, with 10,809 seizures recorded. This highlights the effectiveness of these interventions in increasing compliance. Additionally, the Commissioner for Tax Investigations amended Section 84(1) of the Tax Procedures Code Act (TPCA) to improve the management of compliance cases.

Fair performance:

1. **Review the URA structure and consider reorganisation to promote integration**. URA had implemented the following to support the new structure: departmental and divisional meetings for alignment and engagement; staff realignment to new roles; organisation-wide socialisation of the new structure; developed departmental and divisional mandate guides to clarify roles; and created job descriptions for new roles and reviewed existing ones.

2. **Conduct an independent staffing review.** An independent staffing review was not conducted as at 31st December 2024. However, the workload analysis was completed and submitted to guide the URA's Structural Review and Functional Alignment. Two key indicators were tracked: the taxpayer-to-technical staff ratio worsened significantly from 1.10:1 to 1.83:1 due to a 34% drop in technical staff amid a 19% rise in taxpayers. This indicates reduced enforcement and compliance, thus rated poor. Meanwhile, the average revenue per staff rose by 24.8%, reflecting improved efficiency despite staff reductions. The indicator was rated fair.

3. **Prioritise strategies to reverse the current arrears and audit trends**. To improve arrears recovery, URA strengthened its Tax Arrears Management by establishing a dedicated division and leveraging Section 47A to encourage payment of outstanding principal taxes. This initiative led to improved collections and voluntary compliance, with significant waivers on interest and penalties granted. Performance varied across departments, with the

Large Taxpayers Office showing the strongest recovery, reflecting the effectiveness of targeted enforcement efforts.

4. **Implement a comprehensive training strategy and develop a URA tax training academy.** As at 31st December 2024, URA had implemented its training strategy under the Professional, Operational, Leadership and Strategic (POLS) model, achieving a 47% training rate among staff, but below the 60% target. Key programmes focused on customs, tax administration, and investigations, with 1,431 staff and 141 contract staff trained. Progress was also made towards establishing a physical tax academy. Training performance showed modest improvement, with a 4.35 percentage point increase in operational staff completing basic taxation training.

5. **Adopt monitoring of inaccurate reporting as part of URA's routine work.** URA completed 9,850 cases out of a target of 12,107, achieving 81.35% performance. A total of 24 real-time audits were done, collecting USh 518 million out of USh 614 million assured. In addition, USh 454.12 billion in revenue assessments were done, with USh 52.54 billion collected, representing an 11.57% collection rate.

6. **Empower URA to access relevant third-party data and data from other Government agencies.** By 31st December 2024, URA had successfully reviewed the 22 Memoranda of Understanding and entered into key partnerships in exchange of data domestically out of the expected 31 strategic partners. This represents a standing of only 71% of the currently expected ecosystem of data that must be accessible/available to URA.

7. **Create a formal data skills development plan:** By 31st December 2024, 11.74% of the staff (in the selected functional areas) had been trained in data analytics, which is only 8.57 percentage points more than what was achieved at the end of the FY2023/24. This is alongside a 15% decrease in staff compared to the same time in the previous year and implies fair performance, if this trend continues.

8. **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, as at 31st December 2024, five (5) new DT stations were mapped in e-tax and a taxpayer register allocated. These include Kapchorwa, Kayunga, Bweyale, Kisoro and Kagadi. Subsequently, a total of USh 2 billion has been collected.

9. **Fully implement the recently adopted policy on digital tax stamps.** As of 31st December 2024, the EFRIS VAT Register showed notable progress, with 106,093 taxpayers registered and 76.9% actively issuing fiscalised receipts. This was an 11.7% increase in registrations and a 13.3% rise in compliance compared to the same period in FY2023/24. However, the number of gazetted taxpayers under the Digital Tax Solution (DTS) declined sharply by 34.2%, from 1,450 to 954, indicating a need for strengthened enforcement and sustained support to maintain DTS compliance.

10. **Investigate options for enhancing the use of electronic payment methods, including mobile money.** URA has made various payment options available to taxpayers, including online payments (VISA, MasterCard, mobile money), payment transfer instructions (EFT, RTGS, Swift), and traditional methods (cash, cheque, demand draft). Despite over-the-counter payments being the most popular (43.01%), mobile money payments saw an increase from USh 74.11 billion in 2023 to USh 81.43billion in 2024, though still constituting a small percentage (0.52%) of total payments. These diverse payment methods provide greater flexibility, with the rise in mobile money expected to improve payment timeliness for taxpayers.

11. **Strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk targeting, and increasing the number of "mass audits".** The Domestic Taxes Department follows a compliance risk management framework as guided by ISO 31000 to come up with a Compliance Improvement Plan which spells out cases that are targeted for audit. These are profiled in a centralised office and disseminated to compliance offices for execution.

12. **Develop a plan to streamline the management of offsets and refunds, including automatic cross-matching of taxpayer declaration.** In the first half of FY2024/25, URA saw an 8.1% increase in the number of approved tax refund claims and a 73.3% increase in the value of refunds compared to the previous year. However, the completion of refund cases was impacted by changes in taxpayers' tax positions. The proportion of refund claims processed within 30 days significantly improved from 42.74% to 78%, demonstrating faster turnaround times. Despite challenges, the increased value of refunds and quicker processing time reflect positive strides in managing tax refunds. Performance was rated as fair due to the need for tighter verification measures.

13. **Promote audit process integration across taxpayer offices at URA:** By half-year FY2024/25, URA had made notable progress in integrating audit processes across departments, despite the absence of defined targets. Centralised audit case generation with input from Customs as well as Internal Audit was enhanced through the Compliance

Improvement Plan. The introduction of real-time audits led to a 25% increase in taxpayer compliance. Complementary enforcement operations recovered USh 38 billion from 9,303 seizures, while legal interventions, including alternative dispute resolution, contributed USh 86 billion. Overall, these initiatives reflect URA's strengthened audit and compliance efforts.

Poor performance:

1. **No. (and value) of tax objections and appeals.** By 31st December 2024, unresolved tax disputes increased to 233 cases, worth USh 1,296.95 billion, up from 145 in the first half period of FY2023/24. While resolved cases slightly increased to 134, only 11.36% were concluded within six months, down from 68% in the same period of FY2022/23.This highlights growing delays in the Tax Appeals Tribunal. These trends reflect rising inefficiencies and a need for stronger measures to manage the increasing volume, complexity, and cost of tax disputes.

2. **Review the URA performance management and reward system.** URA advanced its performance management system through annual and monthly evaluations, refreshed performance contracting, updated policies, and taking steps towards full automation of the performance cycle. Despite these efforts, morale and motivation remain low. The staff attrition rate rose from 0.22% to 1.71%, with the Domestic Taxes Department recording the highest exits (22 staff), despite receiving the largest training investment. This signals a need for further improvements in work conditions and retention strategies.

Conclusion

In the first half of FY2024/25, URA exceeded its revenue target by USh 266 billion, collecting a total of USh 15,600 billion. This represented a 16% increase in value compared to USh 13,455 billion collected in the same period of FY2023/24. Despite the higher collections, revenue was 7% of GDP. This was similar to the performance in the same period of the FY2023/24. This stagnant revenue-to-GDP ratio, which remains below the desired target, highlights the need for broader economic growth and strengthened tax-to-GDP mobilisation strategies to ensure that revenue generation keeps pace with the expanding economy.

Efforts to limit zero-rated supplies have shown the delicate balance between optimising revenue and advancing broader policy goals such as social welfare and environmental sustainability. While certain reforms align with national development priorities, they have also exposed vulnerabilities in the VAT system, particularly through an expanded zero-rated supply base that strains revenue collection. Inconsistencies between policy intent and actual outcomes were exacerbated by weak enforcement and poor data quality.

Encouraging progress has been made in reducing VAT exemptions and reclassifying supplies to broaden the tax base and improve equity. However, longstanding structural issues, including limited compliance reporting and inadequate enforcement of deemed supply provisions, continue to undermine these gains. These gaps reveal a pressing need for legislative revision, improved administrative capacity, and enhanced data systems to strengthen policy coherence and revenue integrity.

In the corporate tax domain, reforms have achieved some improvements, particularly in capacity building. However, the continued decline in the Corporate Income Tax (CIT) effective rate signals that deeper structural reforms are needed to address tax avoidance and enhance yield, especially from foreign firms.

On the other hand, URA had made commendable strides across several strategic objectives, notably in revenue collection, where it surpassed the half-year target, enforcement, and structural reforms, reflecting effective administrative and governance improvements. However, performance in human resource development, data management, and digital service adoption was rated fair. There were challenges in staff capacity, data quality, and taxpayer compliance. To sustain gains and drive further progress, URA must deepen structural integration, enhance workforce retention and training, and continue to invest in robust digital and data systems.

CHAPTER 1: INTRODUCTION

1.1 Background

The mission of the Ministry of Finance, Planning and Economic Development (MoFPED) is "*To formulate sound economic policies, maximise 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 in the FY2019/20. The strategy was driven by the overarching need to establish a stronger and more predictable revenue stream to enable the Government to meet its expenditure requirements and attract foreign investment. Its core objective was to enhance revenue collection and increase Uganda's tax-to-GDP ratio from 12.5% to between 16% and 18% over the five-year period.

The revenue strategy over the Third National Development Plan (NDP III) period envisages improving compliance and efficiency in tax revenue collections through the implementation of the DRMS. Emphasis is on strengthening administrative efforts to narrow the gap between current and potential revenue performance. On the tax policy side, it is essential that tax reforms are carefully assessed, quantitatively analysed, and discussed candidly. An increase in revenue would reduce the country's deficit and consequently her reliance on debt, thus keeping debt at sustainable levels.

The DRMS interventions are broadly geared towards:

1) Raising additional revenues to support the Government's budgetary position.

2) Encouraging a healthy flow of investment; and

3) Addressing issues of fairness and transparency in the tax system.

Implementation of the DRMS interventions and performance has, since FY2020/21, been tracked by the Budget Monitoring and Accountability Unit (BMAU), semi-annually. This is done using performance indicators of tax policy and tax administration and is aimed at supporting the Government of Uganda's efforts to improve its domestic revenue mobilisation efforts. The semi-annual assessment for FY2024/25 includes a detailed description of the performance of the DRMS interventions. The DRMS status of implementation matrix is included in **Annexes** 4 and 5, indicating progress achieved.

CHAPTER 2: METHODOLOGY

2.1 Scope

The semi-annual DRMS Monitoring Report for FY2024/25 is based on selected interventions under tax policy and tax administration. The DRMS comprises a total of 80 interventions, of which 60 (22 tax policy and 38 tax administration) were directly assessable at half-year. Out of these, 37 (62%) were assessed.

Specifically, for tax policy, of the 22 interventions assessable at half-year, 13(59%) were appraised under the broader DRMS objectives as follows:

1. Strengthening the productivity of Value Added Tax (VAT)
2. Improving the excise duty regime.
3. Personal Income Tax (PIT).
4. Corporate Income Tax (CIT).

Under tax administration, of the 38 interventions, 23(60% coverage) for which full information was provided, were appraised under the broader objectives as follows:

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

The semi-annual assessment covered interventions under Uganda Revenue Authority (URA), Tax Policy Department and the Tax Appeals Tribunal (TAT) of MoFPED. Other Ministries, Departments and Agencies (MDAs) that provided data in respect of interventions and indicators included Uganda Bureau of Statistics (UBOS), and the Petroleum Authority Uganda (Uganda)

2.2 Approach and Sampling Methods

Performance of interventions, actions and outcomes were assessed through monitoring a range of indicators and linking the progress to planned targets, previous FYs' semi-annual performance, baseline data and policy measures undertaken. 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 review (references that are annexed). The primary data was collected through informant interviews, focus group discussions and observation. Consultations and key informant interviews were held with staff of the MoFPED Tax Policy Department and TAT, URA, UBOS, and PAU.

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 semi-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 (**Table 2.1**).

Table 2.1 Assessment Guide to Measure Performance of DRMS Semi-Annual FY2024/25

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 the Ag. Commissioner Tax Policy (MoFPED), Top Management of URA, and Accounting Officers of MDAs upon commencement of the monitoring exercises. Consent was sought for all information obtained during the monitoring exercise.

2.4 Limitations of the Report

A key challenge was the lack of data for several high-priority interventions and indicators related to both tax policy and tax administration. As a result, the performance of these critical interventions could not be assessed. Additionally, many high-level indicators were not assigned to any responsible entity, and thus remain completely unaddressed (**Annex 4 and 5).**

2.5 Structure of the Report

The report has four chapters. These are Introduction, Methodology, Performance, 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 (63%). Of the 37 appraised interventions: 11 were rated good, 18 were fair, and 8 poor. Tax policy contributed the least to the good performing interventions and the most to the poorly performing ones, thereby lowering the overall performance rating.

3.2 PERFORMANCE OF TAX POLICY INTERVENTIONS

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

A total of twelve tax policy objectives, comprising 33 interventions and 64 indicators, were proposed to guide the implementation of select components of the Domestic Revenue Mobilisation Strategy (DRMS) aimed at reforming Uganda's tax policy. These objectives are: P1) Process reform and institutional changes in tax policy; P2) Strengthening the productivity of Value Added Tax(VAT); P3)Corporate Income Tax (CIT); P4) Personal Income Tax (PIT); P5)Tax incentives and exemptions; P6) Improving the excise duty regime; P7) Developing a strong extractives industry taxation regime; P8) Promotion of international trade; P9) Improving the effectiveness of non-tax revenue (NTR); P10) Harmonisation of Local and Central Government taxation; P11)Taxation of donor-funded projects; and P12) Taxation of the digital economy.

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. The performance of the interventions under VAT for the half-year FY2024/25 was as follows:

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

The intervention proposes the removal of certain items from the list of zero-rated supplies and calls for a clearer definition of others to prevent misuse. While many zero-rated items align with Government social and welfare objectives, further expansion should be approached cautiously, as zero-rating can result in revenue leakages, increased administrative burdens, and reduced transparency.

The intervention was in assessed through three (3) indicators:

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

The intervention aims to reduce the number of zero-rated supplies, thereby broadening the taxable base. A significant decrease in the proportion of zero-rated supplies relative to total supplies compared to the baseline would indicate progress toward this objective. Conversely, if the tax ratio continues to rise despite the intervention, it may suggest that the tax base is narrowing due to the ongoing use of zero-rated supplies.

The proportion of zero-rated supplies as a percentage of total supplies increased to 18.08% by the end of December in FY2024/25, up from 11.26% during the same period in FY2023/24. Compared to the baseline in FY2019/20, this represents an increase of 1.78 percentage points. The growth is largely attributed to the expansion of zero-rated categories, particularly the inclusion of energy sector supplies such as those to contractors and sub-contractors of renewable energy projects (hydroelectric, solar, geothermal, biogas, and wind), provided they are not for personal or domestic use and locally assembled cooking stoves using fuel ethanol. These amendments were introduced to align VAT policy with national development priorities. The increase in the proportion of zero-rated supplies also reflects efforts to meet broader Government objectives, including environmental sustainability and affordability. As a result, the performance was rated **fair (Table 3.1)**

Table 3.1: Zero-rated supplies as % of total supplies for the first half FYs 2021/22 to 2024/25

	Baseline FY2019/20	Half-year FY2020/21	Half-year FY2021/22	Half-year FY2022/23	Half-year FY2023/24	Half-year FY2024/25
Value of zero-rated Supplies (USh bn)	10,747.85	12,016.38	11,809.40	7,380.67	9,844.08	13,356
Total value of declared supplies (USh bn)	61,001.28	64,681.10	48,483.66	60,067.77	87,454.99	73,869
Zero-rated supplies as % of total supplies (%)	**16.30**	**18.58**	**24.36**	**12.29**	**11.26**	**18.08**

Source: URA E-HUB

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

The indicator is designed to monitor the implementation of the policy intervention, which aims to increase the taxable base by reducing zero-rated supplies for non-export items. The intervention seeks to reduce the list of zero-rated items that are not for export.

In the first half of FY2024/25, the ratio of zero-rated supplies (non-export items) as a percentage of total supplies declined to 34.75%, down from 37.4% during the same period in FY2023/24. This decline was primarily attributed to administrative challenges, which led to under-reporting of zero-rated supplies, rather than a reduction in the number of zero-rated items. As a result, the performance was rated **poor (Table 3.2).**

Table 3.2: Zero-rated supplies as % of total supplies for the half-year FYs 2019/20 to 2023/24

	Baseline FY2019/20 (Half-year)	Half FY2020/21	Half FY2021/22	Half FY2022/23	Half FY2023/24	Half FY2024/25
Value of zero-rated supplies (non-export items) (USh bn)	3,102.21	2,941.56	2,691.91	2,313.09	3,508.64	4,626
Total value of declared supplies (USh bn)	10,747.85	12,016.38	11,809.40	7,380.67	9,382.06	13,313
Zero-rated supplies (non-export items) as % of total Supplies (%)	**28.86**	**24.48**	**22.79**	**31.34**	**37.40**	**34.75**

Source: URA E-HUB

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

The indicator tracks the trend in the value of zero-rated supplies by type of supply. Items removed from the list are not expected to return zero values, and continued zero values may signal a weakness. The indicator's values and proportions also help assess whether non-export zero-rated supplies benefit the poor. If not, this suggests areas where VAT law revisions regarding zero-rated supplies could be considered.

Exports increased by 38%, reaching USh 8,687.25 billion in the first half of FY2024/25, up from USh 6,299 billion in the same period of FY2023/24. The proportion of export goods also rose to 97% in FY2024/25, compared to 94.82% in the same period of FY2023/24. Additionally, the share of export goods in total zero-rated supplies increased by 2% in the first half of FY2024/25, from 94.82% in FY2023/24. International transportation of goods and passengers saw a 69% rise, reaching USh 100.62 billion in December 2024, up from USh 30.96 billion. This reflects increased volumes of exports and international transportation, both of which are encouraged by zero rating. Zero rating reduces the costs of exports and international transportation, making them more affordable.

In the first half of FY2024/25, the proportion of supplies of educational materials – imported for use in schools, colleges, universities, and institutions offering adult, vocational, or technical education, including training for persons with disabilities – declined to 1% (USh 65.10 billion), down from 2% (USh 158.51 billion) recorded during the same period in FY2023/24. This reduction was attributed to a decrease in imports of educational materials, driven by an increase in locally manufactured alternatives.

By December 2024, the proportion of agricultural supplies, including seeds, fertilisers, pesticides and hoes, accounted for 2% (USh 225.10 billion). This was a slight decrease from 3% (USh 210.2 billion) during the first half in FY2023/24. The trend was mixed. On one hand, there is a growing embrace of agriculture and an increasing preference for organic and biodegradable fertilisers that are locally made. On the other hand, overall soil fertility continues to decline, and the importation of high-quality seeds has risen, and this resulted in only a marginal change in both value and proportion. While the value of seeds and fertilisers increased, spending on hoes and pesticides declined. This shift is largely attributed to the increasing commercialisation of agriculture, as more farmers transition from subsistence to market-oriented farming. Commercial agriculture typically demands higher yields, which in turn require greater input use. Additionally, widespread soil degradation and declining fertility across many regions of the country have made the use of fertilisers essential for maintaining and boosting productivity **(Table 3.3).**

The proportion of cereals grown and milled or produced in Uganda declined to 0.1% (USh 12.63 billion) by December 2024, down from 0.3% (USh 23.26 billion) during the first half of FY2023/24. This decline is largely attributed to limited data available on cereal exports.

Similarly, the proportion of sanitary towels, tampons, and inputs used in their manufacture decreased to 0.2% (USh 16.41 billion) by December 2024, compared to 0.4% (USh 28.43 billion) during the same period in FY2023/24. This trend is attributed to the exemption of raw materials used in production, which has encouraged local manufacturing of sanitary products **(Table 3.3).**

The supply of leased aircraft, parts, and maintenance equipment was not reported. Additionally, handling services related to medical supplies were not filed by the National Medical Stores, resulting in non-compliance **(Table 3.3)**.

However, due to data limitations and instances of non-compliance, the indicator's performance was rated as **fair.**

Table 3.3: Value and proportion of zero-rated supplies by type of supply

Type of zero-rated supplies	Half-year 2019/20	Half-year 2020/21	Half-year 2021/22	Half-year 2022/23	Half-year 2023/24	Half-year 2024/25
1. Export goods	7645.64 (97.66%)	9074.81 (88.44%)	9117.49 (93.85%)	5067.58 (95.59%)	6299.01 (94.82%)	8,687.25 (97%)
2. International transportation of goods and passengers	4.74 (.06%)	7.03 (.07%)	8.21 (.08%)	6.61 (.12%)	30.96(.61%)	100.62(1%)
3. Domestic supply of:	**178.57 (2.28%)**	**1178.83 (11.49%)**	**589.68 (6.07%)**	**227.15 (4.28%)**	**282.76 (4.57%)**	**171.48 (2%)**
a) Educational materials used in schools, colleges, universities, and institutions engaged in adult education, vocational or technical education, or training for handicapped person	68.02 (.87%)	57.36 (.56%)	75.78 (.78%)	103.54 (1.95%)	157.13 (2.54%)	65.10 (1%)
b) Seeds, fertilisers, pesticides, and hoes	44.85 (.57%)	58.91 (.57%)	43.37 (.45%)	70.72 (1.33%)	71.4 (1.15%)	77.34 (1%)
c) Cereals where these are grown, milled, or produced in Uganda	20.87 (.27%)	22.06 (.22%)	18.55 (.19%)	6.99 (.13%)	23.11 (.37%)	12.63 (0.1%)
d)Sanitary towels and tampons and the inputs for their manufacture	44.81 (.57%)	50.92 (.50%)	48.78 (.50%)	45.88 (.87%)	31.12 (.50%)	16.41(0.2%)
e) Supply of leased aircraft, parts, and maintenance equipment	0 (.00%)	0 (.00%)	0 (.00%)	0 (.00%)	0 (.00%)	-
f) Handling services with respect to medical supplies funded by donors	0 (.00%)	989.56 (9.64%)	403.19 (4.15%)	0 (.00%)	0 (.00%)	-
TOTAL	**7828.96 (100%)**	**10260.68 (100%)**	**9715.38 (100%)**	**5301.34 (100%)**	**6194.19 (100%)**	**8,959.34 (100%)**

Source: URA E-HUB

3.2.2: Remove unnecessary VAT exemptions to curb unjustifiable revenue leakages

The intervention calls for a review of items listed under the Second Schedule of the VAT Act, with the aim of removing exemptions that either create unfair competition, fail to effectively benefit the intended recipients, or do not promote equity in the consumption of those items. Additionally, there is a need to refine the definitions of certain items to close loopholes and prevent potential abuse.

The intervention was assessed using two key indicators:

1) Exempt supplies as % of total supplies

The intervention aims to reduce the proportion of exempt supplies. A significant reduction in exempt supplies relative to total supplies indicates an expansion of the taxable base, which is the ultimate goal of the policy intervention.

During the first half of FY2024/25, the value of exempt supplies as a proportion of total supplies decreased to 18.76%, down from 19.91% in the same period of FY2023/24. In absolute terms, the value of exempt supplies declined from USh 17,173 billion to USh 13,735.54 billion over the same period. This reduction in both the share and value of exempt supplies contributed to a broader taxable base. The decline was primarily attributed to the reclassification of certain exempt items as standard rated supplies, for instance, services related to the supply and installation of software and equipment for manufacturers. As a result, the performance of the intervention was rated as **good (Table 3.4).**

Table 3.4: VAT exempt supplies as a % of total supplies

	Baseline Half-year FY2019/20	Half-year FY2020/21	Half-year FY2021/22	Half-year FY2022/23	Half-year FY2023/24	Half-year FY2024/25
Value of VAT-exempt supplies (USh bn)	10,632.19	10,059	10,625	7,366.09	17,173.67	13,735.54
Total value of declared supplies (USh bn)	61,001.28	64,681.10	92,882.39	44,396.56	86,259.99	73,230.73
VAT exempt supplies as a % of total supplies (%)	**16.74**	**15.55**	**11.44**	**16.59**	**19.91**	**18.76**

Source: URA E-HUB

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

This indicator tracks trends in the value of exempt supplies, categorised by type of supply. Items that are removed from the exemption list are not expected to report zero values; however, continued reporting of such values may indicate a weakness in enforcement or compliance. The indicator's values and proportions are also used to assess whether exempt supplies are effectively benefiting the poor. If not, this may highlight areas where revisions to the VAT law should be considered.

During the half-year period of FY2024/25, several items continued to register no values, and these included: i) supply of unimproved land; ii) sale, leasing and letting of immovable property; iii) supply of goods as part of a transfer of business as a going concern; iv) burial and cremation services; v) menstrual cups; vi) agricultural insurance premiums or policies; vii) any goods and services to the contractors and sub-contractors of hydroelectric power, solar power, geothermal power or biogas, and wind energy power projects; viii) supply of movie productions; and ix) photosensitive semiconductor devices, light emitting diodes, solar water heaters, solar refrigerators, and solar cookers. Except for photosensitive semiconductor devices, all other items have consistently registered no values in previous FYs 2019/20–2020/23 as well. This continued trend is largely attributed to non-compliance and limited reporting due to return design limitations, where these items cannot be easily distinguished from other supplies.

Conversely, the supply of the following items showed an increase in value during the half-year period of FY2024/25: i) education services; ii) unprocessed foodstuffs, agricultural products and livestock; iii) social welfare services; iv) betting, lotteries, and games of chance; v) crop extension services; vi) dental, medical, and veterinary equipment; vii) postage stamps; vii) passenger transportation services; and ix) life jackets, life-saving gear, headgear. These items generally align with social, welfare, and equity objectives, as they are predominantly consumed by low-income populations, thereby supporting the intended impact of these exemptions.

On the other hand, the supply of the following items declined: i) petroleum fuels subject to excise duty; ii) deep cycle batteries, composite lanterns, and raw materials for their manufacture; and iii) irrigation works, sprinklers and ready-to-use drip lines. The decline in these items is notable given their importance. Irrigation systems are critical for mitigating the impacts of climate change on agriculture, while petroleum fuels represent a major expenditure area that supports the livelihoods of the poor.

Petroleum fuels subject to excise duty and financial and insurance services accounted for the largest share of exempt supplies, contributing 54% (USh 4,764 billion) and 36.31% (USh 3,199.22 billion), respectively. Together, they made up 90.31% of total exempt supplies **(Annex 1)**. These exemptions are vital for ensuring the affordability of essential services and promoting growth in key sectors, particularly energy and financial services. However, the observed decline in exempt supplies within these categories indicates potential areas for policy review, to balance fiscal sustainability with sectoral support.

Overall, the performance of exempt supplies during the half-year period reflected a balance between achieving policy objectives such as supporting affordable service provision and revenue generation, and was therefore rated as **fair**.

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

The intervention aims to limit the application of deeming provisions to special circumstances where such application preserves the integrity of the VAT system. Under this arrangement, the tax payable on a supply made by a supplier to a contractor involved in an aid-funded project is deemed to have been paid by the supplier.

The effectiveness of this intervention is assessed using the indicator: **Value of VAT foregone on deemed supplies**. Ideally, this value should remain within baseline levels. A significant increase would raise concerns, as it may indicate an erosion of the VAT base.

In the first half of FY2024/25, the value of VAT foregone amounted to USh 557.173 billion, representing a 33% (USh 137.763 billion) increase from the performance FY2019/20 (baseline) **(Table 3.5)**. This upward trend reflects a continued erosion of the VAT base, largely due to the absence of adequate controls over deeming provisions. As a result, the performance was rated **poor**.

Table 3.5: Value of deemed supplies as % of total supplies to Government

	Half-year FY2019/20	Half-year FY2020/21	Half-year FY2021/22	Half-year FY2022/23	Half-year FY2023/24	Half-year FY2024/25
Value of deemed supplies (USh bn)	2,330.03	2,608.35	3,385.26	3,134.80	1,806.60	3,095.41
Value of VAT foregone on deemed supplies (USh bn) (18%)	419.41	469.50	609.34	564.26	325.19	557.173

Source: URA Database

Conclusion

The first half of FY2024/25 marked a strong performance in zero-rated supplies, driven primarily by a 38% surge in exports and accounted for 97% of all zero-rated supplies. This growth, coupled with a 69% rise in international transportation services, highlights the positive impact of zero-rating in promoting export competitiveness and lowering the cost of cross-border trade. However, other zero-rated sectors showed mixed or declining performance. On the other hand, the exempt supplies reveal persistent gaps in compliance and reporting, particularly for items that continue to register no values, reflecting long-standing return design limitations and weak taxpayer awareness. In contrast, increases in supplies tied to social welfare indicate that exemptions are effectively reaching low income populations, supporting pro-poor policy objectives.

CORPORATE INCOME TAX (CIT)

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

The CIT performance is measured under seven interventions: i) Maintain support for priority sectors (continue support the competitiveness of priority sectors of the economy); ii) Support workforce education/training, iii) Review and renegotiate over-generous treaty provisions; iv) Strengthen international trade rules; and v) Improve information sharing domestically and internationally. The interventions monitored at semi-annual were two out of seven: i) Support workforce education/training; and ii) Rebalance the nominal rate and the incentives, deductions and depreciation regime as follows:

3.2.4: Support workforce education/training

An increase in the number of trained and qualified income tax assessors and administrators is expected to enhance the optimisation of CIT revenue. Conversely, a shortage of adequately trained personnel is likely to hinder revenue performance. To address this, the policy intervention emphasises strengthening support for income tax training and education. Accordingly, the indicator measures whether there is an increase in the number of qualified technical staff involved in income tax administration. It is measured through one indicator:

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

In the first half of FY2024/25, a total of 1,431 staff, representing 46.8% of the organisational headcount of 3,055 at URA, received training across various departments. Of these, 326 staff members were from the Domestic Tax Department. This is an improvement compared to the same period in FY2023/24 where 1,079 (33.7%) of the staff had been trained.

The training covered a wide range of specialised areas, including: Extractive industries – Strengthening customs controls of the mining sector; Technical backstopping training on wood products; Tax amendments and new policy changes; Container training programme; Tax amendments; Countering illegal wildlife trade; Brand identification training; Refunds on exports; Section 47A (Interest and Penalty Waiver); Practical on the NII NUCTEC System; Digital Service Tax; and Customs technical training.

The indicator performance was rated **fair** as the proportion of staff that achieved requisite training was less than 50% at semi-annual.

3.2.5 Rebalance the nominal rate and the incentives, deductions and depreciation regime

There are broadly two options: limiting allowable deductions or the amount of losses that can be offset. The number of allowable deductions should be reviewed, considering an alignment of tax depreciation with economic depreciation, where appropriate in accordance with national objectives.

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

1) CIT effective tax rate

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

In the first half of FY2024/25, the CIT ETR continued to decline compared to the base year (FY2019/20), indicating that substantial tax losses have not been effectively minimised, thereby reducing the overall CIT yield. The cumulative decrease in the CIT ETR over the period FY2019/20 to FY2024/25 is significant, amounting to 51.6%. This reflects a negative trend that is misaligned with the objective of this performance indicator. This sustained decline suggests that the policy intervention has not yet achieved its intended impact, as significant tax losses persist and continue to undermine CIT revenue performance **(Table 3.6).**

Therefore, the performance was rated **poor** due to the continued decline in the CIT ETR, which falls short of the indicator's intended target.

Table 3.6: Semi-annual CIT effective tax rate FY2019/20 – 2024/25

	Semi-annual FY2019/20	Semi-annual FY2020/21	Semi-annual FY2021/22	Semi-annual FY2022/23	Semi-annual FY2023/24	Semi-annual FY2024/25
Total corporate income tax revenue collectable (payable) (USh bn)	1,292.46	1,413.64	303.69	270.15	565.49	376.40
Gross income/turnover (USh bn)	10,0843.68	99,668.36	50,924.14	52,082.95	67,335.23	60,489.5
CIT Effective Tax Rate (%)	**1.28**	**1.42**	**0.60**	**0.52**	**0.84**	**0.62**

Source: URA Database

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

The intervention aims to partially restructure allowable deductions in order to expand the taxable income base. It also seeks to monitor whether deductions, as a percentage of gross income, are decreasing as 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.

In the first half of FY2024/25, allowable deductions decreased by USh 2,322 billion compared to the same period in FY2023/24. During the same period, gross income declared also fell by USh 6,845.73 billion. However, when compared to the base year (FY2021/22), both allowable deductions and gross income showed an overall increase. Notably, allowable deductions as a percentage of gross income declined by approximately 1.91 percentage points from 17.03% to 15.12%, which suggests that taxable income has increased relative to FY2023/24 **(Table 3.7)**. As a result, the performance of the intervention was rated **fair.**

Table 3.7: Allowable deductions as a percentage of gross income in a year

	Semi-annual FY2021/22	Semi-annual FY2022/23	Semi-annual FY2023/24	Semi-annual FY2024/25
Total deductions declared by corporate taxpayers (USh bn)	8,961.46	8,353.48	11,467.82	9,145.63
gross income declared (USh bn)	50,924.14	52,082.95	67,335.23	60,489.5
Allowable deductions as % of gross income in a year	**17.60**	**16.04**	**17.03**	**15.12**

Source: URA Database

3.2.6: 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 fuelled 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)**

Ideally, the ETR should align closely with the nominal tax rate. With the strengthening of international tax rules as envisioned in the intervention, the CIT ETR for foreign firms is expected to improve relative to the baseline.

At the semi-annual point of FY2024/25, the CIT ETR for foreign firms stood at 2.47%, indicating that the proportion of tax paid on income earned by foreign firms remained significantly below the nominal rate of 30%. Furthermore, both the taxable income declared and CIT paid by foreign firms declined over the FYs. While there was a slight increase in the ETR to 2.47%, the overall objective of strengthening international tax rules and enforcement has not been achieved **(Table 3.8)**.

Consequently, the performance was rated **poor.**

Table 3.8: Effective corporate tax rate (foreign firms/multinational)

	Semi-annual FY2021/22	Semi-annual FY2022/23	Semi-annual FY2024/25
CIT revenue paid by foreign firms	24.25	24.63	23.01
Taxable income declared by foreign firms	1488.35	1372.13	932.01
Effective corporate tax rate (foreign firms)	**1.63%**	**1.80%**	**2.47%**

Source: URA database

3.2.7: Improve information sharing domestically and internationally

Poor transparency and weak access to information on taxpayers' transactions hamper 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 a two-way process. Both the TPD and URA request information from external entities – domestic and international – and also receive requests for information from such entities. This indicator is designed to monitor the extent to which these information requests are fulfilled. If the intervention is effectively implemented, response rates are expected to improve.

In the first half of FY2024/25, Uganda made 41 requests for information to its treaty partners and responded to nine (9) incoming requests. In comparison, during FY2021/22, 14 requests were made and eight (8) were responded to **(Table 3.9)**. The increase in tax-related information requests suggests a growing concern over declining transparency in taxpayers' cross-border transactions. All incoming and outgoing requests were responded to at a 100% rate where information exchange 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 East African Community (EAC), improved. The performance was rated **good.**

International collaboration on information sharing enables tax authorities to pursue tax avoidance schemes, including off-shoring profits, transfer pricing, and profit shifting by multinational corporations. With shared data, URA can identify discrepancies in reported incomes across jurisdictions.

Table 3.9. Percentage of outgoing tax-related information requests honoured

	Annual FY2020/21	Annual FY2021/22	Annual FY2022/23	Semi-annual FY2024/25
Number of requests for information made	20	14	10	41
Number of requests for information responded to	14	8	8	9
Outgoing tax-related information requests honored (%)	100	100	100	100

Source: URA Database

Conclusion

Efforts to improve Uganda's CIT system have yielded mixed results. While there has been progress in staff training and information sharing, significant challenges remain in curbing tax losses and enhancing CIT yield, especially among foreign firms. The continued decline in the CIT ETR indicates that current reforms have not fully addressed tax avoidance and inefficiencies in collection.

Moving forward, stronger enforcement of international tax rules, better alignment of tax depreciation with economic activity, and sustained investment in tax administration capacity are essential to optimise CIT performance.

PERSONAL INCOME TAX (PIT)

The Personal Income Tax (PIT) framework includes four interventions with nine indicators. Of these, only one indicator linked to the intervention – Review exemptions and consider alternative approaches – had data available to measure implementation progress.

3.2.8: Review exemptions and consider alternative approaches

For taxation to positively influence accountability, it must be broadly felt across the population, including among government employees. However, the use of tax reliefs and exemptions by certain groups undermines the progressiveness of the tax system. Some categories of employees owing to the nature of their work or place of residence, are not taxed, which negatively impacts perceptions of fairness and equity.

One indication of under-declaration is the relatively small size of the Personal Income Tax (PIT) register compared to the overall labour force. This intervention is assessed using a single 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 expanding the tax base, the PIT ETR would be expected to improve relative to the baseline. The intervention particularly requires a review of exemptions applied to judges, Members of Parliament, expatriates and employees under donor-funded programmes.

The average percentage that individual taxpayers pay has decreased over the years. The PIT ETR decreased by 6.02 percentage points in the first half of FY2024/25 compared to the same period in FY2023/24, and by 0.68 percentage points in the same period of FY2021/22.

However, this change relative to the baseline cannot be attributed to any policy reviews targeting exempt income categories such as judges, Members of Parliament, expatriates, and employees under donor-funded programmes.

While overall individual income tax revenue declined, the total taxable income from Pay-As-You-Earn (PAYE) and presumptive tax increased by USh 838.55 billion. The declining individual income tax revenue indicates that tax reliefs and exemptions granted to specific income streams continue to undermine the equity of the tax system, allowing certain individuals to remain outside the tax net despite a broader increase in taxable income **(Table 3.10).** The performance was therefore rated **poor.**

Table 3.10: PIT Effective Tax Rate

	Semi-annual FY2021/22	Semi-annual FY2022/23	Semi-annual FY2023/24	Semi-annual FY2024/25
Total individual income tax revenue payable (USh bn)	1,981.88	1,947.32	2,100.51	1,781.88
Total taxable income relating to PAYE and presumptive taxes. (USh bn)	9,597.70	9,890.8	8,083.46	8,922.01
PIT Effective Tax Rate (%)	**20.65**	**19.69**	**25.99**	**19.97**

Source: URA database

IMPROVE THE EXCISE DUTY REGIME

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

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

3.2.9: Develop a broader scheme of environmental taxes.

The development of policy should: i) seek to adopt a rate which balances revenue yield, the cost to consumers, and the deterrent effect; and ii) Limit the arbitrary introduction of new excisable items.

This 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 effects on health and well-being. While Uganda generally discourages the ring-fencing of tax revenues, the most effective way to assess the implementation of this policy is by tracking the proportion of environmental control expenditures funded by revenues from environment-related taxes. Ideally, these expenditures should be fully (100%) covered by such revenues. A coverage rate below 25% would indicate that greater effort is needed to leverage excise taxes in curbing environmentally harmful activities. Currently, it is expected that 25% of these expenditures will be covered by environment-related tax revenues.

In the first half of FY2024/25, environmental tax revenue covered 16% of environmental control expenditure. This was an increase from 12.77% in the same period of FY2023/24 and from the baseline of 8.09% in FY2020/21. While revenues from environmental levies have shown steady growth, they remain significantly low relative to total environmental control expenditures, as reflected in the water and environment budget. This underscores the need for enhanced efforts to expand taxation on pollutants **(Table 3.11)**. Consequently, the performance was rated as **poor**, since revenues from environment-related taxes still fall short of covering the associated expenditures. Furthermore, several major pollutants such as carbon emissions remain outside the excise duty tax framework despite their eligibility for taxation.

Table 3.11: Revenue from environment-related taxes compared to environmental control

	Half-year FY2020/21	Half-year FY2021/22	Half-year FY2022/23	Half-year FY2023/24	Half-year FY2024/25
Revenue from environmental taxes/levies (USh bn)	140.07	133.41	140.66	146.13	160.44
Expenditure on environmental control (USh bn)	1,730.52	1,404.32	1,404.32	1144.50	1,030
Revenue from environment-related taxes (%)	8.09	9.50	10.02	12.77	16

Source: URA Database

3.2.10: Rationalise multiple rates, designing an alternative incentive scheme promoting the use of local content

The application of multiple excise duty rates to certain products has created opportunities for tax planning and abuse. For example, excise duties on beer, wines, and spirits are determined based on the source of raw materials, a policy originally intended to promote the use of local content. However, this has allowed some manufacturers to manipulate or overstate the proportion of local inputs in order to benefit from more favourable tax rates. Moreover, the policy deviates from international best practices by implicitly favouring the consumption of locally produced alcoholic beverages over imported ones, despite both having similar health risks.

The objective of the intervention is to ensure that excise taxes on products such as alcohol are applied in response to the negative externalities associated with their consumption. Accordingly, the tax burden faced by consumers should not vary based on the source of production inputs. The intervention was evaluated using the following indicator:

Effective Duty Rates (EDR) by excisable items

Where the intervention against multiple rates is implemented, it will help maintain consistent average excise rates for affected products, assuming all other factors remain constant.

Additionally, it highlights the importance of indexing specific excise rates, those based on quantity, or to inflation, to preserve their real value over time.

In the half-year FY2024/25, excise duty applied to beer, continued to be determined based on the source of raw materials:

Beer

In the first half of FY2024/25, excise duty rates increased for all brands of beer based on the source of raw materials, except for malt beer, whose rate declined significantly from 60% to 10%. The effective excise duty rate across all beer brands stood at 40%. However, this average rate remains well below the 60% previously applied to specific categories that included beer with at least 75% local raw material content (excluding water) and beer produced from barley grown and malted in Uganda (**Table 3.12**). This suggests that the intervention aimed at rationalising multiple excise duty rates was not implemented. As a result, the performance of this measure was rated as **poor**.

Table 3.12: Excise Duty Rates and effective Excise Duty Rate (%) for beer

Name based on the source of raw material	Excise Duty Rate	EDR baseline FY2019/20 (%)	EDR FY2020/21 (%)	EDR FY2021/22 (%)	EDR FY2022/23 (%)	EDR FY2023/24 (%)	EDR FY2024/25 (%)
1.Malt beer	60% or USh 1860 per litre, whichever is higher	69	65	60	60	60	10
2. Beer whose local raw material content, excluding water, is at least 75% by weight of its constituent	30% or USh.650 per litre, whichever is higher.	31	31	30	30	30	60
3. Beer produced from barley grown and malted in Uganda	30% or USh 950 per litre, whichever is higher	32	31	76	76	32	60
4. Opaque beer	30% or USh 650 per litre, whichever	28	42	21	21	20	30
5. Other alcoholic beverage locally produced	20% or USh 230 per litre, whichever	-	-	20	20	21	40
Effective excise duty rate for beer (%) – Average of EDRs		**40**	**42**	**47**	**41**	**33**	**40**

Source: **URA Database**

Soft drinks

In the first half of FY2024/25, the highest Excise Duty Rate (EDR) for soft drinks, i.e. 15%, was applied to powder for reconstitution into juice or dilute-to-taste drinks, excluding pulp. The other soft drink categories were taxed at rates of 10%, 11% and 14% **(Table 3.13)**. However, the effective EDR across all soft drink categories was only 13%, which is lower than the potential 15% that could have been applied uniformly to maximise revenue. This indicates that multiple rates were not rationalised and, therefore, the performance of this intervention was rated as **poor.**

Table 3.13: Excise Duty Rates and effective Excise Duty Rate (%) for soft drinks

Name based on the source of raw material	Excise Duty Rate	EDR baseline FY2019/20 (%)	EDR FY2020/21	EDR FY2021/22	EDR FY2022/23	EDR FY2023/24	EDR FY2024/25
1.Non-alcoholic beverages, not including fruit or vegetable juices	12% or USh 200 per litre, whichever is higher	12	13	14	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 USh 300 per litre, whichever is higher	13	12	14	14	14	11
3. Powder for reconstitution to make juice or dilute-to-taste drinks, excluding pulp	15% of the value	18	15	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	10
Effective Excise Duty Rate for beer (%) – Average of EDR		**14**	**13**	**14**	**14**	**15**	**13**

Source: URA Database

Conclusion

The use of multiple excise duty rates has led to several challenges, including tax avoidance through misclassification, administrative inefficiencies, reduced revenue potential, and market distortions. These issues undermine the core objectives of excise taxation namely, to correct for negative externalities, generate predictable revenue, and ensure equity and fairness. To address these concerns, there is a strong case for rationalising the excise duty structure by adopting more uniform rates across similar products. Doing so would simplify administration, close loopholes, enhance revenue collection, and align the tax policy with international best practices.

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 has hurt Ugandan manufacturers and protecting certain sectors will help to build growth-enhancing industries.

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

Uganda is a landlocked country and is mainly dependent on ports in neighbouring countries for the import and export of goods. Poor monitoring of long trade corridors and porous borders, as well as the extensive use of warehouses have introduced opportunities for smuggling and tax evasion. Furthermore, customs administration experiences challenges in determining the value of imported goods and the tax due, as well as the accuracy of declarations. This can undermine domestic producers and 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:

3.2.11: 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 17 items with an EPR below 10%, representing a significant proportion of the total items, account for 17.7% of the overall list. This is a considerable share, yet lower than the nominal tariff rate **(Annex 2).** Additionally, 25% of the items have an EPR ranging between 10% and 20%, indicating that a substantial number of items (42.7%) are experiencing relatively low levels of protection.

Furthermore, 40.6% of the items on the list have seen an increase in their EPR compared to the baseline. These include a variety of goods such as live animals, fish and crustaceans, mollusks and other aquatic invertebrates, products of animal origin, live trees and other plants, bulbs and roots, cut flowers, edible vegetables and certain roots and tubers, edible fruits and nuts (including citrus and melons), production mill industries (e.g., malt, starches, insulin, wheat gluten), animal and vegetable fats and oils and their cleavage products, miscellaneous edible preparations, ores, slag and ash, mineral fuels and their distillation products, pharmaceutical products, tanning and dyeing extracts, albuminoidal substances, modified starches, glues, enzymes, explosives, pyrotechnic products, matches, pyrotechnic alloys, plastics, rubber, fur skins, cork products, straw and plaiting materials, printed books and newspapers, silk, wool, fine and coarse animal hair, yarns made from other vegetable textile fibres, paper yarn, man-made staple fibres, wadding, felt, nonwoven materials, and more.

This also includes a wide range of other manufactured goods, such as apparel, footwear, umbrellas, walking sticks, ceramics, and metal products (e.g., iron, steel, copper, aluminum, lead, tin). Tools, cutlery, and base metal articles are also represented.

Overall, despite some variations, more than 57.1% of items on the list enjoy a higher level of protection. Based on this distribution, the performance was 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 realised 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.

At semi-annual FY2024/25, there are regions where the effective duty rates reduced, for example, the East African Community, Latin America and the Caribbean, the Middle East, North Africa, the rest of Africa, the rest of Europe and South Africa (Table 3.14).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.

Also to note is that trade within the East African Community had increased over the years but significantly reduced by more than 50% starting in FY2023/24 to date 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. Thus the performance was rated **good.**

Table 3.14: Effective Duty Rate at Semi-annual for FY2019/20 to FY2024/25

Region	Effective Duty Rate (baseline) 2019/20	Effective Duty Rate 2020/21	Effective Duty Rate 2021/22	Effective Duty Rate 2022/23	Effective Duty Rate 2023/24	Effective Duty Rate 2024/25
China	24.88%	24.97%	25.17%	17.7%	23.3%	23.9%
East African Community (EAC)	10.13%	10.53%	11.91%	17.2%	6.8%	6.5%
European Union	12.02%	27.18%	18.60%	11.7%	13.9%	13.9%
Latin America and the Caribbean	25.01%	30.16%	25.40%	22.6%	22.2%	16.0%
Middle East	29.08%	15.70%	20.23%	16.1%	23.2%	14.8%
North Africa	0.37%	8.60%	2.05%	7.2%	15.2%	8.4%
North America	15.61%	9.90%	7.75%	10.3%	9.4%	10.9%
Rest of Africa	1.81%	3.33%	12.10%	19.3%	1.0%	0.6%
Rest of Asia	22.42%	32.14%	32.98%	23.1%	27.6%	33.1%
Rest of Europe	18.38%	20.12%	8.80%	20.0%	19.9%	18.2%
South Africa	6.05%	7.01%	24.22%	9.5%	7.4%	5.0%
Other				0.0%	0.0%	0.0%
World		16.03%				

Source: URA Database

3.2.12: 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 operationalised 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.

In the first half of FY2024/25, border clearance time improved to 1 day in the first half of FY2024/25, down from 5.8 days in FY2018/19, surpassing the target of 2 days. This reflects better data sharing among trade regulatory agencies and faster document processing. At the Busia border, scanner integration with the Kenya Revenue Authority (KRA) has significantly sped up clearance. At the Malaba border, clearance now takes between 20 minutes and 3 hours, under normal conditions.

Several technological systems were in use, including the Uganda Electronic Single Window and ASYCUDA World, enhancing data sharing among trade regulatory agencies. Scanners and regional electronic cargo tracking devices were also operational at one-stop border posts, supported by generally stable ICT connections.

Road infrastructure leading to several border posts is in poor condition, contributing to major delays, accidents, and frequent truck breakdowns. At the Goli border, trucks often get stuck due to the deteriorated road surface. The Elegu border faces similar issues, with large potholes causing trucks to overturn and block access; however, responsibility for this road lies with the Ministry of Works and Transport (MoWT), limiting URA's intervention. At Malaba, a single-lane road serves high volumes of traffic of over 1,400 vehicles daily, making it insufficient and prone to congestion.

On the other hand, the One-Stop Border Post (OSBP) concept has not been fully operationalised. At borders like Elegu, Mpondwe, and Ntoroko, each country still operates from its own side, resulting in two separate stops at a single station contrary to the OSBP's intended purpose. Additionally, cargo transported by train is often not scanned due to the lack of appropriate scanners, and offloading for scanning is a tedious process that is usually avoided. Similarly, trucks carrying live animals such as cows, goats, and chicks are only subjected to physical checks, which further delays clearance.

As a result, performance was rated as **fair**.

Conclusion

Promoting international trade remains central to Uganda's economic strategy, balancing export growth with domestic industry protection. While over 57% of assessed items are safeguarded through tariffs, many still face low effective protection, leaving local industries vulnerable to competition. Uganda has improved import clearance times through ICT systems like the Uganda Electronic Single Window and ASYCUDA World, along with better inter-agency coordination and scanner integration at key borders such as Busia and Malaba.

Despite these gains, infrastructure challenges persist. Poor road conditions cause delays and accidents, and the full operationalisation of OSBPs is lacking, with some still requiring dual stops. Additionally, the absence of scanners for train cargo and trucks transporting live animals hampers clearance efficiency.

HARMONISATION OF LOCAL AND CENTRAL GOVERNMENT TAXATION

The Government's fiscal decentralisation strategy provides a framework and set of principles for service delivery through Central and Local Government (LG) structures, based on the devolution of powers and responsibilities to popularly-elected Local Governments. This is intended to improve service delivery, promote good governance, and develop political and administrative competence in the management of public affairs. The Local Government Act empowers LGs to generate own-source revenues from property rates, local service taxes, trading licences, 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 develops a direction for reform and the focus for LG taxation, while a fuller strategy for enhancing LG taxation will be developed separately. This objective is measured through one intervention, which is reported on as follows:

3.2.13: 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 analyse revenue streams is strengthened. Many LGs do not have a comprehensive system for monitoring revenues and still predominantly use cumbersome, independent, manual systems that do not facilitate integrated reporting. Systems are being put in place to close this gap and thus increase revenue collected from LGs. This is also intended to improve the poor taxpayer profile management.

This intervention is measured through four indicators, one of which was 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 105% 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, reaching 37% of the annual budget for FY2024/25 from 24.35% at half-year of the baseline year FY2019/20. This growth was attributed to the automation of systems, where the Integrated Revenue Administration System (IRAS) is currently being rolled out in all LGs. Although LGs have not achieved the desired own revenue achievement rate of 95% –105% (at half-year 47% – 53%), there was great improvement. Thus, the performance rated **fair**.

Street parking fees have emerged as a significant contributor to local revenue growth. However, challenges with contract management for street parking services have been identified. Local Governments are currently unable to track contractor collections through IRAS, making it difficult to verify actual revenues. As a result, LGs are often paid arbitrary amounts by contractors. In some cases, such as in Gulu City, contractors have failed to remit any payments at all.

Performance of the Integrated Revenue Administration System (IRAS)

The performance of IRAS was monitored across nine cities, while the tenth city, Jinja, continued to use the e-LogRev system. Overall, the performance of various tax heads showed improvement in FY2024/25, despite the persistence of revenue leakages. IRAS is functioning effectively and demonstrates significant potential for enhancing local revenue mobilisation. Notable improvements were recorded in property rates, ground rent, street parking fees, licences and permits, and land premiums.

By December 2024, Gulu City had achieved 63% of its annual revenue target. However, collections were negatively impacted by the street parking contractor, who did not remit the full amounts collected. In Arua City, revenue reached USh 2.998 billion by mid-FY2024/25, up from USh 2.097 billion during the same period in FY2023/24.

IRAS has enhanced the monitoring of all revenue sources, with significant improvements in reporting. However, several challenges were identified. The system has a tendency to generate multiple assessments, sometimes producing the same bill more than ten times due to programming issues, and these errors cannot be easily corrected. Furthermore, there have been cases of forged receipts, raising concerns that the system may have been compromised or hacked.

Fiscal Social Contract

Cities are increasingly demonstrating the effective use of locally raised revenues to enhance service delivery and community development. Funds collected are being reinvested into essential infrastructure and social services, including beautification efforts, waste management, and support to schools and health centres.

For instance, in Jinja City, local revenue has supported the installation of street lighting, acquisition of road maintenance equipment, grading and gravelling of roads, payment of utility bills for Health Centre IVs, procurement of land for development projects, and construction of two classroom blocks.

In Fort Portal City, funds were used to purchase land for the relocation of timber dealers operating along roadsides. The city also installed street lights, boosting the night-time economy, renovated Kitumba Primary School, improved garbage collection systems, and procured three vehicles for monitoring and inspection. Additionally, local revenue facilitated the beautification of the Mpanga River to promote tourism.

In Arua City, daily garbage management has been institutionalised. Preliminary work on constructing an incinerator at one health centre has begun. The city also constructed toilet facilities at Riki Health Centre III, maintained street lighting, built pit latrines at Otayo and Rufi Primary Schools, and renovated sanitation facilities in two other primary schools.

Challenges

1) Delayed fund releases by MoFPED often result in incomplete disbursements, which severely hinder service delivery and the implementation of planned activities in the cities.

2) Lack of a dedicated budget for revenue mobilisation activities. This gap has hindered efforts to expand the local revenue base, as observed in Soroti City, where limited resources for mobilisation have negatively impacted revenue growth.

Conclusion

The implementation of IRAS across the cities and LGs has contributed to improvements in revenue collection, transparency, and reporting. Cities are increasingly leveraging locally generated revenue to deliver essential services, enhance infrastructure, and improve the welfare of their communities. However, several challenges persist. Addressing these issues is key to sustaining progress and enabling cities to drive local development through effective resource generation and use.

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.

3.2.14: Review the taxation of donor-funded projects

Over time, in the absence of evidence to show that exemptions improve aid outcomes, the regime has come to be increasingly considered inconsistent with the broader drive to improve domestic revenue mobilisation. This is measured under one indicator:

1) Effective Duty Rate (imports of donor-funded projects)

The intervention seeks to assess revenue foregone and the administrative burden for new projects. The aim is to minimise 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. A comparative increase in the ratio of customs duties foregone for the value of the same imports indicates poor performance.

In the first half of FY2024/25, customs duties foregone on imports for externally funded projects decreased to 35%, down from 44% in FY2023/24 **(Table 3.15**). This reduction is also evident when compared to the same period in FY2021/22. While this decrease is a positive development, it still falls short of the baseline rate from FY2020/21 and remains above the desired 30% effective rate. As a result, the revenue foregone continues to exceed 30%, indicating persistent revenue losses due to exemptions. Consequently, the performance was rated as **fair.**

Table 3.15: Effective Duty Rate of revenue foregone (imports for externally-funded projects)

	Semi-annual FY2020/21	Semi-annual FY2021/22	Semi-annual FY2023/24	Semi-annual FY2024/25
Total customs duties foregone on externally funded projects (USh bn)	426,113,936,739	519,526,379,437	1,133,027,263,259	274,475,531,219
Cost Insurance Freight (CIF) value of the same imports (USh bn)	1,220,240,593,394	1,144,396,096,242	2,568,614,134,528	787,274,958,818
Revenue foregone as % of value of imports	**34.9**	**45.4**	**44**	**35**

Source: URA Database

Challenge

Imported duty-free supplies for externally funded projects incentivise imports instead of promoting local suppliers. This undermines other government policies to promote domestic production. Local producers are disadvantaged when competing to supply externally funded projects, hindering local development.

Conclusion

The taxation exemptions for externally funded projects have led to significant revenue losses. Despite a decrease in customs duties foregone in the first half of FY2024/25, performance remains unsatisfactory, with foregone revenue still exceeding the 30% threshold. This highlights ongoing inefficiencies in managing exemptions, which continue to favour imports over local sourcing, undermining efforts to support local businesses and sustainable development.

TAX ADMINISTRATION INTERVENTIONS/INDICATORS

3.3 Performance of Tax Administration Interventions

Of the 23 tax administration interventions assessed, 12 demonstrated good performance, nine (9) were rated as fair, and two (2) were found to be poor.

GOVERNANCE AND MANAGEMENT OF URA

The Uganda Revenue Authority (URA) Act (1991) established the Authority as “an agency of government under the general supervision of the Minister of Finance” responsible for the assessment and collection of specified revenue, as well as for administering and enforcing the laws related to such revenue. The URA Board is tasked with monitoring the performance of the Authority and formulating policies on staffing and procurement.

Progress under this objective is measured through four key interventions:

(i) Review the URA structure and consider reorganisation to promote integration;
(ii) Expand the range of performance measures to reduce reliance on collection targets;
(iii) Strengthen the oversight functions of the URA Board and the Minister; and
(iv) Separate the internal audit and staff compliance functions to enhance focus on corruption and staff integrity issues (this intervention has been completed).

One of these interventions was fully achieved during the DRMS implementation period. Of the remaining three, two were assessed during the first half of FY2024/25.

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

The DRMS requires that the structure is reviewed in order 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 specialising the Large and Medium Taxpayer Offices. This intervention is measured through one indicator:

1. **Leadership Effectiveness Index**

The indicator is designed to track URA's organisational efficiency by monitoring progress in implementing key aspects of the intervention, specifically the establishment of standardised processes for tasks such as registration, revenue management, and taxpayer services. A low score indicates that significant efforts are still required to effectively implement the intervention.

As of 31st December 2024, URA had implemented a comprehensive structural review, resulting in several significant organisational changes. These included the integration and alignment of critical functions, the creation of new departments, and the elevation of key functions such as Risk Management, IT Security, Performance Management, Tax Education, and Procurement. Additionally, staffing levels increased by 41% to support strategic priorities, including digitalisation, domestic taxes, and customs. The new structure was approved by the URA Board and has been fully rolled out.

To support the implementation of the new structure, departmental and divisional meetings were held to promote alignment and engagement; staff were realigned to new roles; and organization-wide socialisation of the structure was conducted. Additionally, departmental and divisional mandate guides were developed to clarify roles, new job descriptions were created, and existing ones were reviewed. As a result, the performance of this intervention was rated as **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, and improvement of arrears collection, IT availability and response times. This intervention is measured through five indicators, three of which were tracked at semi-annual and the following was noted:

Growth in active taxpayer population

The Growth in Active Taxpayer Population indicator tracks the URA's efforts to expand the taxpayer base and improve compliance among registered taxpayers. The primary objective is to ensure a steady increase in the number of active taxpayers, those who consistently file and pay taxes across key tax categories, including income tax, VAT, and excise.

As of 31st December 2024, the URA registered a total of 4,881,983 taxpayers, marking a significant increase from 4,461,800 during the same period in FY2023/24. This growth was attributed to targeted initiatives aimed at enhancing compliance and simplifying tax processes. In the first half of FY2024/25 alone, 420,183 new taxpayers were registered, contributing USh 59.01 billion to revenue collections between July and December 2024.

Of the total taxpayer base, 4,649,920 (95.3%) were individuals, while 232,063 (4.7%) were non-individuals, including businesses, organisations, and institutions. This distribution reflects the ongoing efforts to broaden the tax base and ensure equitable contribution from various sectors of the economy. Therefore, performance was rated as **good.**

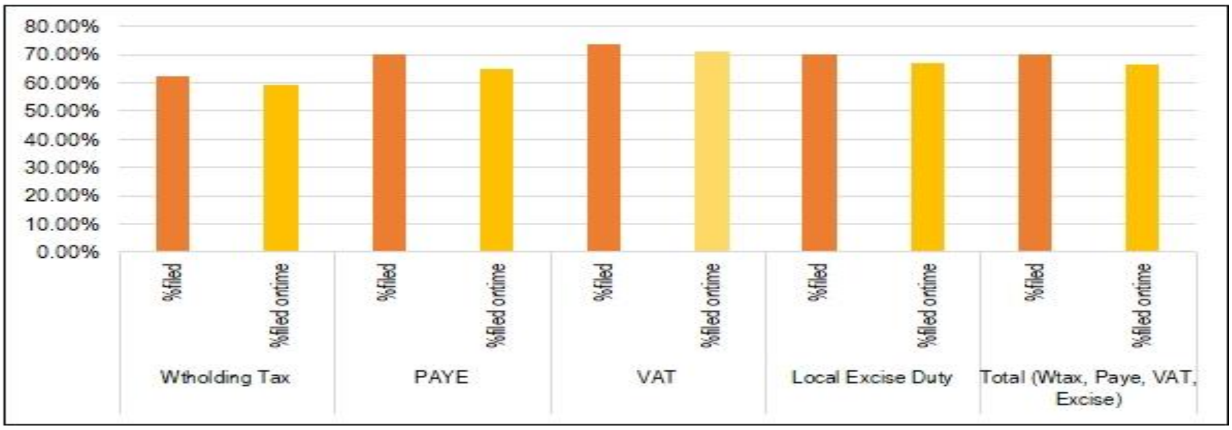
Filing and on-time filing

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

As of December 2024, URA achieved an overall filing rate of 70.31% and an on-time filing rate of 66.44% across major tax types: withholding tax, PAYE, VAT, and local excise duty **(Annex 3)**. Among these, VAT recorded the highest compliance, with 73.65% of returns filed and 71.19% filed on time, while withholding tax had the lowest performance at 62.61% filed and 59.09% filed on time **(Figure 1)**. A consistent gap between total filing and on-time filing was observed across all tax types, indicating delays in taxpayer compliance. Nevertheless, the performance reflects an improvement compared to the same period in the FY2023/24, and overall performance was rated as **fair**.

The fair achievement indicates that there is still room for improvement, particularly in enhancing the timeliness of filings and addressing underperformance in areas such as withholding tax. Persistent filing delays pose risks to timely revenue collection and the effective execution of the national budget. To strengthen compliance, URA may need to intensify taxpayer support initiatives, enforce stricter penalties for late filing, and invest further in automation and taxpayer awareness campaigns.

Figure 1: Filing and on-time filing rates by tax type FY2024/25



Source: URA Database

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

The indicator assesses how well actual revenue collection aligns with the set target.

By 31st December 2024, URA had collected USh 15,600 billion, exceeding the target of USh 15,330 billion and registering a surplus of USh 266 billion, indicating strong revenue performance. In contrast, during the same period in FY2023/24, collections totalled USh 13,450 billion, falling short of the target and resulting in a deficit of USh 1,920 billion.

The uncollected tax-to-target ratio improved significantly from 5.62% in FY2023/24 to 1.74% in FY2024/25, a positive shift of 3.88 percentage points. Revenue collections grew by over USh

1,50 billion compared to the same period of FY2023/24. By December 2024, all major tax categories – direct domestic taxes, indirect domestic taxes, international taxes, and NTR – exceeded their respective targets, achieving performance rates above 105%.

This improvement is attributed to strengthened administrative measures, including intensified arrears recovery efforts, which yielded notable collections from corporation and rental taxes. In addition, significant recoveries were made from government payments made on behalf of taxpayers. These actions reflect stronger enforcement, improved taxpayer compliance, and the effectiveness of URA's revenue mobilisation strategies. As a result, this performance was rated as **good**.

Conclusion

Under the objective of **Governance and Management of URA**, notable progress was made in strengthening structural, strategic, and performance oversight mechanisms. The comprehensive structural review and reorganisation enhanced functional alignment and integration, with the new structure approved and rolled out, although further efforts are needed to fully embed leadership effectiveness. Additionally, expanding URA's performance measurement beyond revenue targets demonstrated a balanced approach, with fair improvements in taxpayer registration, filing compliance, and on-time filing. Importantly, revenue collection performance exceeded targets significantly, reflecting effective administrative reforms and enforcement strategies. While progress is evident, continued efforts are necessary to solidify structural changes, improve filing compliance, and reinforce accountability systems to sustain performance and institutional resilience.

LIFTING THE HUMAN RESOURCE CAPACITY AT URA

Weak Human Resource (HR) management is a major obstacle to modernising 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. In this connection, the following was noted:

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, prioritisation, and productivity. It would also provide critical guidance necessary for new recruitment, such as front-loading hiring and redeployment to areas that will have the greatest impact on domestic revenue mobilisation.

By 31st December 2024, the comprehensive workload analysis had been completed and the comprehensive report was submitted to management as critical inputs to guide the organisational structural review and functional alignment.

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

1. **Taxpayer/technical staff ratio**

This intervention aims to track the number of taxpayers handled by each staff member. It is assumed that each technical/operational staff member (Domestic and Customs) is expected to handle a maximum number of taxpayers to remain efficient.

By 31st December 2024, the ratio of taxpayers to URA staff increased to 1.83:1 from 1.10:1 (237,336 from 129,978) due to a decrease in the number of URA staff alongside an increase in the number of taxpayers (**Table 3.16).**

The number of URA technical staff decreased by 34%, while registered taxpayers increased by 19%. This decline in the staff-to-taxpayer ratio indicates limited enforcement capacity and a reduced ability to ensure compliance. It may result in increased tax evasion and delays in processing refunds, which could negatively impact taxpayer morale. As a result, performance in this area was rated **poor.**

Table 3.16: Taxpayers to technical staff as at 31st December 2024

	Half-year FY2023/24	Half-year FY2024/25
No. of taxpayers	4,064,432	4,872,508
No. of URA technical/operational staff	3,127	2,053
Taxpayer-to-technical/operational staff ratio	129,978	237,336

Source: URA Database

2. Average revenue per URA staff (by tax group)

The goal is to monitor staff contribution by measuring the average revenue collected per staff member. A decline in this metric should be examined, particularly if it is not the result of new staff recruited to maintain a balanced taxpayer-to-staff ratio.

Revenue collected by 31st December 2024 was USh 15,595.36 billion, of which USh 10,158.96 billion was domestic taxes and USh 5,436.41 billion customs. The total (operational) average revenue per staff increased by 24.8% compared to the same period in FY2023/24. The average revenue per staff for Domestic Taxes increased by 25.2%. However, it was accompanied by an 8% reduction in the number of staff. Conversely, average revenue per staff for Customs increased by 19% alongside 6% reduction in staff **(Table 3.17).** This indicates improved staff efficiency and productivity in tax collection, likely driven by technology, automation, and enhanced compliance measures. Thus performance was rated **good.**

Table 3.17: Average revenue per URA staff

Area	Half-year FY2023/24			Half-year 2024/25		
	Revenue collected (USh bn)	No. of staff	Average Revenue per staff (USh bn)	Revenue collected (USh bn)	No. of staff	Average Revenue per staff (USh bn)
Total (operational)	**13,454.91**	2,310	5.824	**15,595.36**	2,145	7.27
o/w Domestic taxes	**8,808.51**	1,320	6.673	**10,158.96**	1,215	8.36
o/w Customs	**4,646.40**	990	4.693	**5,436.41**	930	5.85

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, 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 31st December 2024, the percentage of Domestic Tax (DT) operational staff who had completed PODITRA/ITRAT increased by 4.35 percentage points compared to the same period in FY2023/24 **(Table 3.18)**. While the increase is modest, it reflects some progress towards achieving the desired objective. This improvement resulted from a 14.9% decrease in DT staff, compared to a 9.7% decrease in staff with PODITRA qualifications. Thus, performance was rated as **fair**.

Table 3.18: Number of staff that completed basic training in taxation

	July–December 2023/24 (Half-year)	July–December 2024/25 (Half-year)
No. of DT staff with PODITRA or some other recognised qualification*	937	846
Total no. of DT staff	1320	1,123
% of staff with PODITRA or some other recognised qualification*	**70.98%**	**75.33%**

Source: URA Database

In addition, the Tax Academy is implementing the training strategy using the Professional, Operational, Leadership and Strategic (POLS) model that skills the staff in POLS areas. The target this FY is to train 60% of the 3,007 staff in URA. As at the end of December 2024, a total of 1,431 staff had been trained in the various programmes and initiatives representing a training performance of 47%. Various training programmes falling into one of the ambits of the POLS model include:

i) The East African Community Customs Course (EACCC) with an enrolment of 94 participants;
ii) Integrated Tax and Revenue Administrative Training (ITRAT) with 300 participants admitted and to be trained in Cohort; and
iii) Post-Graduate Diploma in Tax Investigations, which is scheduled to commence in November 2025 with an enrolment of 25 participants.

As per the status of the physical tax academy, URA management sanctioned the construction of the physical Tax Academy at one of its properties on Plot 7 Industrial Area. The process is awaiting the contracting of a consultant and allocation of the budget to begin drawing the plans for the physical academy.

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.

With regards to reviewing performance management, the following was noted:

URA focused on performance management and evaluation through: implementation of a comprehensive performance management framework to enhance accountability and alignment with corporate goals. This included annual evaluations of the Commissioner General, senior management, and staff; monthly tracking of senior management deliverables; and reviews of departmental work plans to ensure strategic alignment.

To strengthen understanding and execution, refresher training on performance contracting was conducted, and staff performance contracts were developed with clear objectives. Additionally, mid-year appraisal guidelines and the performance management policy were reviewed to improve evaluation practices. The Total Reward Framework was updated to support talent attraction and retention. Efforts are also underway to automate the entire performance management cycle – from planning to reporting and consequence management through a new Performance Management System.

The above 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.

The staff attrition rate increased by 1.7 percentage points, from 2.21% at half-year FY2023/24, to 1.71% at half-year FY2024/25. This was due to a 26% decrease in staff leaving **(Table 3.19).** In absolute terms, the Domestic Taxes Department continues to have the highest number of staff leaving (22), which is still concerning as it is not only critical to revenue mobilisation but also benefits from the largest share of the training budget (23% of the operational and professional training budget was allocated to Domestic Taxes). Similarly, the Customs and Corporate Services Departments reported eight (8) and five (5) staff exits, respectively, reflecting a 2.14% decrease for Customs and an 8.6% decrease for Corporate Services. URA needs to further improve working conditions to retain the talent it has recruited and invested in. Therefore, the performance of the indicator is rated as **poor**.

Table 3.19: Staff attrition rate

Department	July – December 2023 (Half-year)			July – December 2024 (Half-year)		
	No. of staff	No. of staff left	Attrition rate	No. of staff	No. of staff left	Attrition rate
CG's Office	134	0	0	119	4	3.36%
Domestic Taxes	1320	31	2.35%	1215	22	1.81%
Customs	990	9	0.91%	930	8	0.86%
Corporate Services	271	13	4.80%	234	5	2.14%
Internal Audit	41	1	2.44%	39	0	0
Tax Investigations	146	6	4.11%	140	3	2.14%
Information Technology and Innovation	164	6	3.66%	149	4	2.68%
Legal Services	61	3	4.92%	80	2	2.50%
Tax Academy	0	0	0	24	0	0
Strategy and Risk Management				52	3	5.77%
Total URA	**3,127**	**69**	**2.21%**	**2,982**	**51**	**1.71%**

Source: URA Database

Conclusion

Overall performance towards achieving the objective of strengthening human resource capacity was rated as fair, with two out of three interventions showing progress. URA made notable strides through the completion of a staffing review, implementation of a structured training strategy, and improvements to its performance management system. However, challenges persist. The taxpayer-to-staff ratio worsened due to staff reductions, impacting service delivery and compliance. Although training coverage reached 47%, attrition, particularly in critical departments, remains a concern. While gains were observed in average revenue per staff, issues related to staff retention and workload demand urgent attention.

DATA MANAGEMENT AND ANALYTICS AND ICT GOVERNANCE AND INFRASTRUCTURE

Without clean data covering the full taxpayer lifecycle and accurate account management, URA lacks a complete view of its tax base and cannot effectively manage compliance. Additionally, it is increasingly essential for Information and Communications Technology (ICT) systems to become less complex, more user-friendly, adaptable, and intelligent – advancing to a level where pre-populated tax returns are possible.

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; ii) Standardise key government systems to improve integration; iii) Empower URA to access relevant third-party data and data from other government agencies; iv) A data quality improvement strategy should be prioritised and processes to maintain data quality should be developed; and v) Review options available and based on a proper assessment of costs, benefits, and risks of each option, upgrade or invest in a new e-tax system to support DRM and meet URA's business needs. The performance was as follows:

3.3.6. Standardise key government systems to improve integration

The objective of this intervention was designed to enhance interfacing. NITA-U developed a data sharing and integration platform to enhance the delivery of services in government and private sector. This was created to tackle the challenges faced by MDAs in data sharing due to low levels of automation; use of legacy systems; limited funding for Application Programming Interface (API) development; and lack of a mechanism through which data can be exchanged between MDAs in a rational, secure, efficient and sustainable way.

By 31st December 2024, procurement of an Enterprise Application Integration system was in progress. During this period, the National Information Technology Authority (NITA-U) made significant strides in standardising key government systems to enhance integration and interoperability. Major achievements included the development and implementation of the Government Enterprise Architecture (GEA) to provide a unified framework for ICT systems, the introduction of an Interoperability Framework to enable seamless communication across sectors, and the rollout of an e-Government Strategy to digitalize and standardise service delivery platforms.

Additionally, NITA-U improved public service ICT infrastructure, such as the National Data Centre, and invested in training and capacity building for government staff to ensure effective management of standardised systems. As a result of these efforts, performance was rated **good.**

3.3.7. Empower URA to access relevant third-party data and data from other government agencies

This particularly pertains to information from the lands registry, NSSF, the banking sector, company registry, and utilities. Without access to such data, the identification of the full tax base is impeded.

By 31st December 2024 URA had successfully reviewed the 22 MOUs entered into with key domestic data sharing partners, out of the expected 31 strategic partners. This represents coverage of only 71% of the anticipated data ecosystem that should be accessible to URA. Thus performance was rated **fair.**

3.3.8. Priorities 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 fully populated with relevant and complete information. Any gaps compromise the overall quality of the data. This is the focus of the indicator being monitored. A score below 100% indicates that further improvement is needed in the affected data areas. The intervention is assessed using a single indicator, as outlined below:

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

The percentage of data records completed was not provided. However, data quality is a prioritized business outcome in URA. With respect to this, URA implemented a Data Governance Office. One of the deliverables the office has implemented is establishing a web-based data quality monitoring tool which is now in force and is accessible by URA staff only. The process is that Data Stewards are the ones to routinely complete the data quality monitoring tool. The completed tool is reviewed and worked upon with the data engineers and applicable responsibility centres.

The Data Quality Monitoring Tool is currently under review, with an updated version already developed and pending formal approval by the reconstituted Data Governance Steering Committee. Once approved, the tool will be accessible to both internal and external users. Similarly, the Data Quality Identification and Resolution business process has been documented but also awaits approval by the same committee, whose new membership is yet to be appointed by the Commissioner General.

In parallel, URA continues to conduct register maintenance across all compliance centres. This initiative aims to cleanse the taxpayer register by addressing inaccurate or missing information, removing duplicates and dormant Tax Identification Numbers (TINs), and processing reactivations and deactivations

As at 31st December 2024, out of the targeted 21,656 cases, the department completed 17,503 cases, performing at 80.83% **(Table 3.20)**. Thus this performance was rated **good.**

Table 3.20: Performance of register maintenance/clearing FY2024/25

Register Maintenance/ Clearing	July – December 2023 (H1 FY2023/24)	July – December 2024 (H1 FY2024/25)
Target	12,040	21,656
Completed	10,463	17,503
Completion rate (%)	**86.90%**	**80.83%**

Source: ***URA Database***

3.3.9. Create a formal data skills development plan

Effective tax administrators should be well-versed not only in tax laws but also in data analytics, with at least a basic ability to interpret raw data and draw meaningful conclusions. To develop these skills, staff must receive relevant training in data analytics. The goal is to achieve 100% training coverage across all staff. Any result below this target indicates that further effort is needed to fully realise the objectives of the intervention. This intervention is measured using a single indicator, as detailed below:

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

By 31st December 2024, 11.74% of staff in selected functional areas had been trained in data analytics. This was an increase of only 8.57 percentage points compared to the same period in FY2023/24 **(Table 3.21)**. During the same period, staff numbers declined by 15%, but a corresponding growth in training was not achieved as would be expected. This highlights the need for greater effort in training. The functional areas with the highest training coverage were Domestic Taxes (25.09%) and Customs (3.66%). The performance was thus rated as **fair**.

Table 3.21: Staff trained in data analytics (%) FY2023/24 and 2024/25

Functional area	**July - December 2023/24 (Half-year)**			**July - December 2024/25 (Half-year)**		
	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	134	0	0.00%	109	0	0.00%
Domestic Taxes	1320	64	4.85%	1120	281	25.09%
Customs	990	22	2.22%	820	30	3.66%
Corporate Services	271	7	2.58%	147	0	0.00%
Internal Audit & Compliance	41	0	0.00%	35	0	0.00%
Tax Investigations	146	5	3.42%	134	0	0.00%
ICT/Innovation	164	1	0.61%	142	0	0.00%
Legal Services	61	0	0.00%	71	0	0.00%
Tax Academy				20	0	0.00%
Strategy and Risk Management				50	0	0.00%
Total URA	**3127**	**99**	**3.17%**	**2,648**	**311**	**11.74%**

Source: URA Database

3.3.10. Review options available and based on a proper assessment of costs, benefits, and risks of each option, upgrade or invest in a new e-tax system to support DRM and meet URA's business needs

By 31st December 2024, URA developed a Procurement Plan for the new Tax Administration System (e-Tax 2 Update), achieving significant milestones. These included the unveiling of a new Data Centre to support eTAX2, decoupling the URA portal from e-TAX to improve user experience and support multi-language access, and upgrading the Oracle Database to enhance scalability and security.

URA also introduced new client access channels such as USSD, mobile money payments, and a Contact Centre, and initiated the implementation of an Enterprise Service Bus (ESB) for better system integration. Further, iterative enhancements to the current eTAX system were made to ease the transition to eTAX2, and updated Terms of Reference (TORs) and technical requirements were developed to guide procurement. As a result, URA's performance in this area was rated **good.**

Conclusion

Overall performance in achieving the objective of data management, analytics, and ICT governance was rated as fair. URA made progress in areas such as system integration, register maintenance, and foundational e-tax infrastructure upgrades. However, challenges persist, including limited access to third-party data, weak data quality frameworks, and low staff training in data analytics. Although core ICT infrastructure is in place, its full potential has yet to be realized. To advance, URA must strengthen data quality monitoring, expand data-sharing partnerships, and invest in staff capacity to fully harness technology for effective tax administration and revenue mobilisation.

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 **five** interventions as follows:

3.3.11 Address infrastructure constraints by offering points for connection across the country

This intervention is assessed 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, as of 31st December 2024, five new Domestic Tax stations, which included Kapchorwa, Kayunga, Bweyale, Kisoro, and Kagadi, were mapped in the e-tax system and allocated in the taxpayer register. Subsequently, a total of USh 2 billion was collected. However, specific data on the revenue collection target for these new connection points during the first half of FY2024/25 is not publicly available. As a result, performance was rated as **fair**.

3.3.12. Adopt monitoring of inaccurate reporting as part of URA's routine work

URA implemented a Compliance Improvement Plan (CIP) for FY2024/25, which introduced real-time audits aimed at verifying taxable transactions as they occur and engaging taxpayers to improve the accuracy of return filings. As of 31st December 2024, URA completed 9,850 audit cases out of a target of 12,107, achieving a performance rate of 81.35%. Additionally, 24 real-time audits were conducted, yielding USh 518 million from USh 614 million assessed. In total, USh 454.12 billion in revenue was assessed, with USh 52.54 billion collected, reflecting a collection rate of 11.57%.

While URA did not disclose the number of audit cases completed in the first half of FY2023/24, it exceeded its revenue collection target for that period by 5%, collecting USh 22.4 trillion against a target of USh 21.3 trillion. This strong revenue performance, despite limited audit-specific data, suggests continued improvements in audit efficiency and taxpayer compliance. Overall, audit performance for the first half of FY2024/25 can be rated as **fair.**

3.3.13. Prioritise strategies to reverse the current arrears and audit trends

URA manages tax arrears by assigning debt over 90 days to the Tax Arrears Management (TAM) unit for follow-up and collection. A dedicated division under Legal and Board Affairs has also been established in the new structure to handle tax debt.

To reduce tax arrears, URA used Section 47A to encourage taxpayers to clear their principal tax by 30th June 2024. Thus performance was rated **fair.**

3.3.14. 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.

URA has provided a range of payment options for taxpayers who wish to make payments, including:

i) Online Payment Options (VISA, MasterCard, American Express, Union Pay, mobile money)
ii) Payment transfer instructions (EFT, RTGS and Swift)
iii) Other payment options (cash, cheque, mobile money, demand draft, point of sale)

All these payment methods are fully supported by financial institutions.

In terms of payment method distribution, over-the-counter payments remain the most popular, accounting for 43.01%, followed by demand drafts at 19.4% and Electronic Funds Transfer (EFT) at 14.5%. Although mobile money services represent a small share of total payments (0.52%), the value of transactions increased to USh 81.43 billion by 31st December 2024 from USh 74.11 billion as of 31st December 2023 **(Table 3.22)**.

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

Table 3.22: Distribution of payments by payment method

Tax payments methods	July to December 2022/23 (Half-year) USh bn	% share of payment method	July - December 2023/24 (Half-year) USh bn	% share of payment method	July to December 2024/25 (Half-year) USh bn	% share of payment method
Bank counter	4,705.00	39.46	5,677.67	42.20	6,708.26	43.01
Cheque	879.21	7.37	855.89	6.36	972.84	6.24
Demand draft	2,353.55	19.74	2,510.43	18.66	3,024.91	19.4
Electronic Funds Transfer (EFT/internal transfer)	1,853.86	15.55	2,110.29	15.68	2,259.07	14.5
Mobile payment	28.51	0.24	74.11	0.55	81.43	0.52
Point of sale payment	327.67	2.75	388.39	2.89	436.44	2.799
Real-Time Gross Settlement (RTGS)	0.28	0.00	2.26	0.02	2.40	0.015
Swift transfer	0.13	0.00	2.26	0.02	0	0
Visa/Mastercard Payment	1,775.66	14.89	1,833.61	13.63	2,110.01	13.53
Total gross revenue collected	**11,923.87**	**100%**	**13,454.91**	**100%**	**15,595.36**	**100%**

Source: URA database

Conclusion

URA made registered progress towards the objective of promoting timely and accurate tax filing. Efforts to improve infrastructure resulted in the addition of five new tax stations, though return filing through these connection points could not be tracked. The adoption of real-time audits and multiple payment channels, including mobile money supported compliance, with mobile payments showing modest growth. Despite these interventions, challenges such as limited connectivity, persistent arrears, and low usage of electronic payment methods persist. Overall, performance toward this objective is rated as **fair**, reflecting steady but constrained progress.

TAX AUDIT

This objective is assessed through five interventions, of which three were assessed at half-year 2024/25: (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. The following performance was noted:

3.3.15. Fully implement the recently adopted policy on digital tax stamps

As of 31st December 2024, the EFRIS VAT register recorded 106,093 taxpayers, with 76.90% (81,585) actively issuing fiscalised receipts, an improvement from 95,000 taxpayers and 75.79% compliance at half-year FY2023/24. This reflects an 11.7% increase in registered taxpayers and a 13.3% rise in fiscalised receipt issuers. In contrast, the Digital Tax Solution (DTS) recorded 954 gazetted taxpayers, down from 1,450 in the previous period, a 34.2% decline, highlighting a need for stronger enforcement and support to sustain compliance in the DTS program. Therefore, performance was rated as fair.

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

Domestic Taxes follows a compliance risk management framework as guided by ISO 31000 to come up with a Compliance Improvement Plan which spells out cases that are targeted for audit. These are profiled in a centralised office and disseminated to compliance offices for execution.

In the first half of FY2024/25, all tax audits were conducted through the Audit Module in e-TAX, except for advisories and inspection visits. This was also the case in FY2023/24. These remaining activities are expected to be conducted in real time once the online program under e-TAX 2 is adopted. Therefore, performance was rated as **fair**.

3.3.17. Promote audit process integration across taxpayer offices at URA

Audits are generated from a central office and disseminated to the different regional stations (compliance centres). The process of generating cases (risk identification, analysis, assessment, evaluation and treatment) involves consultation with other departments such as Customs, TID, and Internal Audit.

URA did not disclose specific targets for the integration of audit functions across departments such as Customs, TID, and Internal Audit. However, as at half-year FY2024/25, significant strides were made in enhancing audit processes and compliance measures. The implementation of the Domestic Taxes Compliance Improvement Plan (CIP) has introduced initiatives such as real-time audits, allowing for immediate identification and reorganisation of taxpayer discrepancies. This approach has led to a notable 25% increase in taxpayer compliance.

In addition, URA's enforcement operations have been robust, with country-wide activities recovering USh 38 billion from 9,303 seizures, including both dutiable and non-dutiable goods. Legal interventions have also contributed significantly, with collections totalling USh 86 billion, of which USh 55.25 billion was generated through Alternative Dispute Resolution (ADR). These efforts underscore URA's commitment to strengthening audit functions and improving compliance through strategic initiatives and effective enforcement measures, thus performance was therefore rated as **fair.**

Conclusion

Overall, URA made moderate progress towards strengthening its tax audit function during the first half of FY2024/25. While improvements were noted in digital tax stamp adoption and taxpayer compliance, particularly with EFRIS, the decline in DTS compliance and limited integration of real-time audit tools highlight areas needing further attention. Continued implementation of the Compliance Improvement Plan and robust enforcement operations contributed to increased compliance levels. However, given the mixed outcomes and absence of clear targets for some interventions, performance under this objective is rated as fair.

INVESTIGATIONS AND ENFORCEMENT

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) Publicise the results of enforcement initiatives. These interventions were monitored and the following performance was noted:

3.3.18. Implement the Automatic Exchange of Information and common reporting standards for tax purposes

As at 31st December 2024, URA launched a Voluntary Disclosure Program (VDP) for taxpayers with offshore assets, based on Section 84(2) of the Tax Procedures Code Act (TPCA). This is meant to boost tax compliance and revenue collection, while promoting economic transparency and accountability.

In addition, Uganda recently presented on the "Automatic Exchange of Information: Crypto-Asset Reporting Framework" at the African Tax Administration Forum (ATAF) Technical Committee meeting. This presentation comes after Uganda committed to implementing the Crypto Asset Reporting Framework by 2027, as agreed upon in Asuncion, Paraguay, in November 2024.

Three toolkits were launched at the meeting to increase African countries' participation in the Exchange of Information:

i) Toolkit for Joining the African Tax Administration Forum Agreement on Mutual Assistance in Tax Matters: A step-by-step guide to signing onto the AMTAM, the international legal basis for EOI among African countries.
ii) Automatic Exchange of Information IT Infrastructure Toolkit: A toolkit providing system, process, and technological considerations for developing an AEOI IT System.
iii) Toolkit for Simultaneous Tax Examination and Joint Audit: A toolkit offering alternative uses of exchange of information, such as developing a framework for cross-border joint audits and simultaneous tax examinations.

Thus performance was rated **good**

3.3.19. Enhance resources to equip scientific laboratories and investigations personnel

As at 31st December 2024, URA acquired resources to equip its scientific laboratory, including: tamper-proof bags; laboratory fume hoods; international accreditation consultancy; laboratory air handling unit; and satellite imagery GIS. These resources aim to enhance the laboratory's capabilities in detecting fraud and enforcing tax compliance through testing of imported and locally manufactured goods.

In terms of quality management systems, the laboratory made significant strides towards accrediting the final validation protocols for key testing methods and reviewing critical Standard Operating Procedures (SOPs). Also, the laboratory team developed a data collection method for validation and commenced results data analysis. Subsequently, six test methods were validated. In addition, URA conducted four training sessions to enhance the skills of its science staff as follows:

i) Organization for the Prohibition of Chemical Weapons (OPCW) Training (Germany): One staff member attended a training on handling hazardous materials, improving safety protocols, and detecting chemicals using Raman and Infrared Spectroscopy.

ii) World Customs Organization (WCO) Regional Customs Laboratory Professionals Programme (Brussels): One staff member participated in a capacity-building programme focusing on tariff classification, Harmonized System (HS), and classification of agricultural products.

iii) PODITI Programme: Two laboratory team members were enrolled in the programme.

iv) Customs Processing and Administration Module (CPAM) End-User Training: Training was conducted on 12th December 2024, for intelligence collection and Special Operations Teams.

This performance was rated **good.**

3.3.20. Intensify penalties for non-compliance and increase the number of tax investigations

As per the intervention, URA took several steps to enhance revenue mobilisation and compliance as at 31st December 2024 as follows: i) Crypto Asset Monitoring – Developed a concept note for monitoring crypto assets, online earnings, and e-commerce to identify risky players; ii) VAT Register Mapping – Created a work plan to map the VAT register, refining Tax Arrears Management (TAM) data through geo-location; iii) Mobile Money Transaction Risks – Discussed, identified risks and tax evasion schemes in mobile money transactions with the AEOI-TID Intelligence team; and iv) AEOI Law Sensitisation – Conducted numerous sensitisation drives to explain the AEOI Law (MAAC Implementation Act, 2023) to regulators, associations, and financial institutions. In addition, the Commissioner Tax Investigations amended **Section 84 (1) of** Transparency, Participation, Compliance, and Accountability **(TPCA**) to modify the departmental process guidelines for compounding to include managing such scenarios in a bid to increase 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.

During the first half of FY2024/25, URA's customs enforcement operations recovered USh 48.19 billion from 10,809 seizures, marking a 26.7% increase in recoveries and a 16.2% rise in seizures, compared to USh 38 billion recovered from 9,303 seizures in the same period of FY2023/24. Of the total recoveries, USh 7.05 billion came from enforcement checkpoints and stations, while USh 41.13 billion was generated through other enforcement activities. The increase reflects stronger enforcement strategies and improved operational effectiveness. Performance was thus rated **good.**

3.3.21. Publicise the results of enforcement initiatives

The DRMS asserts that enforcement programmes will have a limited deterrent effect if they are not visible, and thus not as threatening. It, therefore, requires that successes of efforts to curb non-compliance by specific taxpayers are publicised.

This intervention is assessed through one indicator, which was assessed as follows:

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

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

By 31st December 2024, URA issued 11 media reports, which was a 37.5% increase from the previous half-year, across numerous media outlets (**Annex 4)**. This was, thus, **a good** performance. Increasingly publicising the result of enforcement activities acts as a deterrent to taxpayers.

Conclusion

URA demonstrated strong performance under the Investigations and Enforcement objective, making commendable progress across all interventions. The Voluntary Disclosure Programme and participation in international frameworks reflect Uganda's commitment to global tax transparency. Laboratory enhancements and targeted staff training significantly boosted investigative capacity. Compliance efforts intensified through risk monitoring in emerging areas like crypto and mobile money, while enforcement actions yielded substantial revenue recoveries. Furthermore, the increased publicising of enforcement outcomes supports deterrence. Overall, the interventions were well-executed, with results indicating effective and sustained enforcement action.

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:

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

The DRMS intended to see TAT properly resourced, specifically requiring the Chairperson of TAT to be appointed to 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 TAT.

By 31st December 2024, unresolved tax disputes had risen sharply to 233 cases, up from 145 in the first half of FY2023/24, with the value of these disputes soaring to USh 1,296.95 billion from USh 227.59 billion over the same period. While the number of resolved cases increased slightly to 134 from 108, the proportion resolved within six months fell drastically – from 68% in the first half of FY2022/23 to just 11.36% in FY2024/25. This highlights significant delays in the resolution process. Meanwhile, a decline in new disputes filed, down to 62 cases in the half-year FY2024/25, may indicate improved tax compliance, fewer contentious issues, or a shift towards URA's Alternative Dispute Resolution (ADR) mechanism, which offers quicker and more cost-effective outcomes.

Additionally, there was a significant increase in cases escalating from TAT to the High Court, rising from 18% in 2023 to 58% in 2024, with the tax value of these cases increasing from USh 15.53 billion to USh 243.89 billion **(Table 3.23).** This rise highlights inefficiencies in TAT's ability to handle disputes effectively. Overall, while some progress has been made in resolving disputes, the data points to the need for stronger interventions to address the increasing complexity, delays, and rising costs associated with tax. Therefore, performance was rated **poor**.

Table 3.23. Tax disputes resolution process indicators half-years 2022, 2023 and 2024

Tax disputes sub-indicators	July –December 2022	July –December 2023	July –December 2024
No. of outstanding tax disputes (excluding new cases)	114	145	233
Tax value of outstanding tax disputes (TAT) (USh bn)	127,310,099,189.94	227,590,748,785	1, 296, 952, 656,629
No. of new tax disputes lodged to TAT	123	154	62
Tax value of new tax disputes lodged to TAT (USh bn)	127,310,099,189.94	496,539,849,828	34, 928,973,464
No. of tax disputes resolved	119	108	134
Value of tax disputes resolved (USh bn)	138,488,901,544	154,298,666,741	181, 853, 271, 869
Proportion of tax disputes resolved within 6 months of lodging the case (%)	68	9	11.36
Proportion of TAT cases escalated to the High Court (%)	12	18	58
Tax value of cases escalated to the High Court (USh bn)	14,884,799,883.49	15,527,826,957.3	243, 894, 594, 176

Source: TAT

PROCESSING OF TAX REFUNDS

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

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

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

This intervention is assessed through one indicator: Excel.

No. and value of tax refunds

The indicator monitors URA's efforts towards managing tax refunds and offsets in a way that does not narrow the revenue base. The number of approved tax refund claims (of the claims received by half-year FY2024/25) increased by 8.1% and the value by 73.3% from half-year FY2023/24. This calls for tighter verification measures. The low performance in completion of the refund cases is partly attributed to the changes made in taxpayers' tax position which have affected the completion of refund cases. Comparatively, the proportion of refund claims processed timeously (within 30 days) increased from 42.74% to 78%, indicating a big improvement in turnaround time from the previous half-year FY **(Table 3.24).** Therefore, performance was rated **fair**.

Table 3.24: Tax refunds half-year FY2022/23, FY2023/24 and FY2024/25

Sub-indicators	July–December 2022 (Half-year)	July – December 2023 (Half-year)	July – December 2024 (Half-year)
A. Tax refunds;			
No. of tax refund claims	3,056	2,335.00	2,525
Value of tax refund claims (USh bn)	660.57	563.99	977.47
No. of refund claims approved	1,440	1,107.00	978
Value of refund claims approved (USh bn)	348.99	254.75	203.10
No. of refund claims audited	1,772	2,217.00	1,897
Value of refund claims audited (USh bn)	435.38	516.30	853.39
No. of tax refunds claims disallowed	827	1,110.00	919
No. of tax refunds claims disallowed as % of total claims received	27.06%	261.55	36.40%
No. of tax refunds paid	1,440	1,110.00	1,186
Value of tax refunds paid (USh bn)	348.99	318.59	346.37
Proportion of refund claims processed timeously (within 30 days)	41.36%	42.74	78%

Source: URA database

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

Although the first Domestic Revenue Mobilisation Strategy (DRMS) was scheduled to conclude in FY2023/24, its interventions remained in effect during the first half of FY2024/25, pending the rollout of a second DRMS. The initial strategy had projected an increase in the tax-to-GDP ratio of between 16% and 18% within five FYs. However, the current trajectory indicates that substantial effort is still required to meet this target. Achieving it will depend on supportive legal reforms, structural adjustments, and process improvements, as evidenced by the half-year performance in FY2024/25. Overall, the ongoing tax policy and administration reforms reflect a complex environment characterised by notable progress, yet persistent and structural challenges remain.

Tax policy

The performance of tax policy interventions assessed over the first half of FY2024/25 reveal a complex interplay between revenue mobilisation goals and broader socio-economic policy objectives. Several interventions, particularly those relating to VAT, CIT, excise duty, and personal income tax, highlight areas of both progress and concern.

The expansion of zero-rated supplies reflects an alignment with social welfare and development goals. However, it simultaneously narrows the VAT base and constrains revenue potential. The increase in the value of non-export zero-rated supplies, despite a technical decline in their proportion, signals that the underlying policy objectives are not being met and that current measures may unintentionally erode VAT's efficiency. Furthermore, the growth in VAT revenue continues to lag behind GDP growth, indicating underperformance in realising its full yield potential.

Similarly, the persistently low Corporate Income Tax (CIT) effective rate, especially from foreign firms, suggests that ongoing reforms have yet to effectively address tax planning loopholes, underreporting, and sectoral inefficiencies. Personal income tax policies also continue to underperform due to excessive exemptions that disproportionately benefit certain citizens. While individual income tax revenue has risen, the decrease in taxable income from PAYE and presumptive tax regimes suggests a narrowing of the tax base and weakening equity, contrary to the fairness objectives of the DRMS.

The implementation of the Integrated Revenue Administration System (IRAS) in LGs and cities has enhanced transparency, collection, and utilisation of local revenue. However, its long-term impact will depend heavily on improved administrative capacity, consistent resource management, and expanded institutional support.

Policy enforcement and reporting remain key bottlenecks. Weak monitoring systems, continued zero reporting on exempt items, and failure to review outdated deeming provisions under VAT contribute to ongoing revenue leakages. Moreover, the absence of progress on environmental taxation under the excise regime underscores a missed opportunity to leverage fiscal tools for environmental protection and sustainability. Current revenues from environmental levies remain far below the levels needed to offset pollution control expenditures.

Critically, the technical capacity of the Tax Policy Department (TPD) remains insufficient to support evidence based policymaking. The limited output and stagnation of analytical publications restrict the ability to conduct robust impact assessments, which are essential for responsive and adaptive tax policy development.

While there are pockets of administrative and policy progress, significant gaps remain in ensuring policy coherence, enforcement effectiveness, and equity in tax burden distribution.

Tax administration

In the first half of the FY2024/25, URA demonstrated commendable progress in its organisational transformation, revenue mobilisation, and taxpayer registration. The comprehensive structural review, coupled with strategic realignment, increased staffing, and enhanced ICT initiatives, significantly contributed to surpassing revenue targets and expanding the taxpayer base. These achievements underscore URA's strengthened administrative capacity, improved compliance measures, and growing operational efficiency, especially in Domestic Taxes and Customs.

However, the performance data also highlights persistent and emerging challenges. The decline in technical staff despite rising taxpayer numbers has strained enforcement capacity, potentially undermining long-term compliance efforts. Filing rates, particularly for withholding tax, remain below optimal levels, indicating delayed compliance among taxpayers. Furthermore, dispute resolution processes have become increasingly inefficient, as evidenced by the sharp rise in unresolved and escalated cases from TAT. As well, delays in digital tool rollouts and underinvestment in data analytics training limit the full realisation of URA's digital transformation agenda.

Going forward, URA must strengthen staff retention, enhance capacity building, fast-track technology adoption, and improve dispute resolution to sustain gains and close compliance gaps. Balancing operational efficiency with a resilient workforce will be key to sustained revenue growth and service excellence.

4.2 Key Challenges

1. The delays in implementing critical legislative and policy reforms continue to impede the timely realisation of the expected benefits associated with the interventions. For example, amendments to statutes governing VAT, personal income taxation, and excise duties remain pending.
2. Capacity and human resource constraints continue to limit the effectiveness of both TPD and URA in achieving their objectives. URA faces a decline in technical staff despite a growing taxpayer base, high attrition of skilled personnel, and insufficient training in critical areas such as data analytics. Similarly, while TPD engages in a broad range of policy issues, inadequate technical skills weaken the depth and quality of policy analysis.
3. Inadequate funding to enable TPD and URA to fully execute their mandate and expanded scope envisaged in the DRMS interventions.

4. Limited access to relevant data hampers effective modelling. While taxpayer confidentiality must be respected, TPD and URA should have easier access to necessary data to ensure successful operations.
5. Lack of an official Taxpayers' Ombudsman. There exists no credible and dedicated avenue for taxpayers to address administrative complaints, beyond corruption or assessment reviews.
6. Inadequate infrastructure continues to hinder trade facilitation. Poor road conditions at many border posts cause delays and incomplete border post development limit efficient customs processing. Additionally, limited scanner coverage for certain cargo types reduces the effectiveness of inspections, compromising both border security and operational efficiency.

4.3 Recommendations

1. MoFPED-TPD should urgently finalise key tax laws critical to the DRMS. This includes revising VAT legislation to close loopholes, align with policy goals, and protect the VAT base, and rationalising excise duty on alcohol by eliminating input-based rate differentials.
2. MoFPED-TPD budgets should prioritise capacity building to strengthen policy development and implementation, including enhancing enforcement of international tax standards to curb profit shifting and tax avoidance by multinationals and foreign-owned firms.
3. MoFPED should increase funding to URA based on performance and results to help fulfil its mandate. This includes strengthening administrative capacity and data systems for better VAT monitoring, enforcement, and reporting, as well as investing in capacity building for audits, transfer pricing, and digital tools to improve compliance and enforcement.
4. URA should further strengthen mechanisms to collate and collaborate existing data sets of tax payers and citizen information, as well as enhance information sharing inter- and intra-country.
5. URA should explore options that can support revenue recovery without impairing sustainability of the sources such as a more facilitative approach with taxpayers to encourage voluntary compliance and settlement of arrears.
6. MoWT, in collaboration with MoFPED, should enhance trade infrastructure by upgrading road networks, completing border post construction, and ensuring reliable cargo scanning systems to improve cross-border movement and trade efficiency.
7. 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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ANNEXES

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

Type of Exempt Supplies	Baseline FY2019/20–Half-Year (USh bn)		Half-Year 2021/22 (USh bn)		Half-Year FY2022/23 (USh bn)		Half-Year FY2023/24		Half-Year FY2024/25	
	USh bn	**%**	**USh bn**	**%**	**USh bn**	**%**	**USh bn**	**%**	**USh bn**	**%**
Unprocessed foodstuffs, agricultural products, and livestock	153.77	2.09	210.45	3.66	113.02	1.28	254.45	1.83	298	3.38%
Postage stamps	141.54	1.93	0.63	0.03	0.64	0.01	75.87	0.55	53.18	0.60%
Financial and insurance services	1,211.34	16.50	1,975.67	34.38	1,223.58	13.81	3,166.84	22.81	3199.22	36.31%
Supply of unimproved land	0	-	0	-		0.00	-	0	0	0%
Sale, leasing, and letting of immovable property, excluding commercial premises	0	-	0	-		0.00	-	0.00	0	0%
Education services	8.75	0.12	6.11	0.11	7.37	0.08	12.87	0.09	19.11	0.22%
Veterinary, medical, dental, and nursing services	520.05	7.08	439.60	7.65	306.65	3.46	455.96	3.28	5.52	0.06%
Social welfare services	0.67	0.01	0.69	0.01	1.26	0.01	1.80	0.01	2.94	0.03%
Betting, lotteries, and games of chance	6.38	0.09	1.37	0.02	6.42	0.07	7.99	0.06	13.51	0.15%
Supply of goods as part of a transfer of business as a going concern	0	-	0	-		0.00	-	0.00	0	0%
Burial and cremation services	0	-	0	-		0.00	-	0.00	0	0%
Passenger transportation services, except travel and tour operators	15.46	0.21	8.62	0.15	7.64	0.09	12.76	0.09	19.16	0.22
Petroleum fuels subject to excise duty	4,970.84	67.70	2,541.79	44.23	6,724.24	75.88	9,649.56	69.51	4784.11	54.08%
Dental, medical, and veterinary equipment	146.78	2.00	266.67	4.64	233.05	2.63	23.92	0.17	92.33	1.05%
Animal feeds and premixes	66.92	0.91	210.88	3.67	192.74	2.17	172.87	1.25	267.21	3.03%

Type of Exempt Supplies	Baseline FY2019/20–Half-Year (USh bn)		Half-Year 2021/22 (USh bn)		Half-Year FY2022/23 (USh bn)		Half-Year FY2023/24		Half-Year FY2024/25	
	USh bn	%	USh bn	%	USh bn	%	USh bn	%	USh bn	%
Machinery, tools, and implements suitable for use only in agriculture	14.32	0.19	17.26	0.30	14.07	0.16		0.00	0	0%
Crop extension services	12.28	0.17	1.81	0.03	4.91	0.06	16.63	0.12	40.01	0.45%
Irrigation works, sprinklers and ready-to-use drip lines	14.32	0.19	17.26	0.30	14.07	0.16	20.89	0.15	27.5	0.31%
Deep cycle batteries, composite lanterns, and raw materials for their manufacture	0.04	0.00	0.01	0.00	0.30	0.00	0.10	0.00	0.03	0.00%
Menstrual cups	0	-	0	-		0.00	-	0.00	0	0.00%
Agricultural insurance premiums or policies	0	-	0	-		0.00	-	0.00	0	0.00%
Photosensitive semiconductor devices, light emitting diodes, solar water heaters, solar refrigerators, and solar cookers	42.79	0.58	40.70	0.71	0.99	0.01	-	0.00	0	0.00%
Life jackets, life-saving gear, headgear, and speed governors	4.33	0.06	4.51	0.08	5.17	0.06	3.51	0.03	6.43	0.07%
Any goods and services to the contractors and sub-contractors of hydroelectric power, solar power, geothermal power or biogas, and wind energy power projects	0	-	0	-		0.00		0.00	0	0.00%
Bibles, Qur'ans, and textbooks	11.97	0.16	2.30	0.04	5.98	0.07	5.3	0.04	1.56	0.02%
Supply of movie productions	-	-	-	-		0.00	-	0.00	0	0.00%
TOTAL	**7,342.55**		**5,746.29**		**8,862.08**		**13,881.32**		**8809.89**	**100%**

Source: URA E-HUB

Annex 2: Effective import duty rates by import commodity

Code	Chapter Description	Effective Duty Rate 2020/21	Effective Duty Rate 2021/22	Effective Duty Rate 2022/23	Effective Duty Rate 2023/24	Effective Duty Rate 2024/25
01	01-LIVE ANIMALS	1.39%	2.25%	2.59%	1.42%	1.00%
02	02-MEAT AND EDIBLE MEAT OFFAL	23.40%	20.09%	14.69%	12.56%	13.34%
03	03-FISH & CRUSTACEAN, MOLLUSC & OTHER AQUATIC INVERTEBRATE	1.40%	2.99%	16.09%	19.08%	12.11%
04	04-DAIRY PROD; BIRDS' EGGS; NATURAL HONEY; EDIBLE PROD NES	24.08%	19.25%	33.32%	18.08%	8.23%
05	05-PRODUCTS OF ANIMAL ORIGIN, NES OR INCLUDED	5.34%	0.92%	3.90%	6.94%	6.20%
06	06-LIVE TREE & OTHER PLANT; BULB, ROOT; CUT FLOWERS ETC.	0.29%	0.38%	2.55%	1.21%	2.08%
07	07-EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	5.10%	4.43%	5.51%	12.27%	11.48%
08	08-EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUIT OR MELONS	13.88%	19.81%	22.25%	23.12%	22.45%
09	09-COFFEE, TEA, MATE AND SPICES	4.44%	25.62%	26.67%	23.68%	18.56%
10	10-CEREALS	15.46%	14.04%	23.74%	20.02%	7.43%
11	11-PROD MILL INDUST; MALT; STARCHES; INSULIN; WHEAT GLUTEN	27.20%	29.91%	31.55%	32.88%	33.43%
12	12-OIL SEED, OLEAGI FRUITS; MISCELL GRAIN, SEED, FRUIT ETC	1.27%	0.24%	1.92%	3.67%	1.16%
13	13-LAC; GUMS, RESINS & OTHER VEGETABLE SAPS & EXTRACTS	18.16%	19.31%	18.53%	19.55%	17.97%
14	14-VEGETABLE PLAITING MATERIALS; VEGETABLE PRODUCTS NES	40.14%	5.21%	31.34%	34.61%	33.08%
15	15-ANIMAL/VEG FATS & OIL & THEIR CLEAVAGE PRODUCTS; ETC	17.67%	29.67%	29.06%	29.79%	29.72%
16	16-PREP OF MEAT, FISH OR CRUSTACEANS, MOLLUSCS ETC	21.96%	11.05%	11.95%	18.78%	16.67%
17	17-SUGARS AND SUGAR CONFECTIONERY	28.16%	29.09%	27.24%	32.44%	27.72%
18	18-COCOA AND COCOA PREPARATIONS	76.66%	57.98%	59.90%	49.34%	49.86%
19	19-PREP OF CEREAL, FLOUR, STARCH/MILK; PASTRYCOOKS' PROD	22.58%	33.27%	29.25%	17.68%	30.30%
20	20-PREP OF VEGETABLE, FRUIT, NUTS OR OTHER PARTS OF PLANTS	34.31%	33.18%	45.42%	43.16%	35.45%
21	21-MISCELLANEOUS EDIBLE PREPARATIONS	24.29%	24.72%	28.04%	25.62%	25.18%
22	22-BEVERAGES, SPIRITS AND VINEGAR	129.19%	59.83%	122.98%	129.89%	124.77%
23	23-RESIDUES & WASTE FROM THE FOOD INDUST; PREPR ANI FODDER	2.30%	1.02%	1.36%	1.45%	1.35%
24	24-TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	315.58%	342.29%	307.96%	275.44%	236.89%

Code	Chapter Description	Effective Duty Rate 2020/21	Effective Duty Rate 2021/22	Effective Duty Rate 2022/23	Effective Duty Rate 2023/24	Effective Duty Rate 2024/25
25	25-SALT; SULPHUR; EARTH & STON; PLASTERING MAT; LIME & CEM	11.50%	20.53%	20.95%	20.87%	20.50%
26	26-ORES, SLAG AND ASH	19.29%	17.43%	15.20%	19.27%	18.00%
27	27-MINERAL FUELS, OILS & PRODUCT OF THEIR DISTILLATION; ETC	60.90%	48.08%	20.08%	29.75%	49.80%
28	28-INORGN CHEM; COMPDS OF PREC MET, RADIOACT ELEMENTS ETC	18.71%	17.21%	17.74%	17.04%	16.35%
29	29-ORGANIC CHEMICALS	9.01%	10.06%	10.51%	10.17%	10.35%
30	30-PHARMACEUTICAL PRODUCTS	0.19%	0.12%	0.14%	0.11%	0.16%
31	31-FERTILISERS	1.44%	0.14%	0.15%	0.25%	0.34%
32	32-TANNING/DYEING EXTRACT; TANNINS & DERIVS; PIGM ETC	24.44%	24.31%	20.05%	20.32%	23.66%
33	33-ESSENTIAL OILS & RESINOIDS; PERF, COSMETIC/TOILET PREP	29.92%	30.12%	28.05%	27.31%	27.83%
34	34-SOAP, ORGANIC SURFACE-ACTIVE AGENTS, WASHING PREP, ETC	32.50%	31.72%	32.03%	29.07%	27.98%
35	35-ALBUMINOIDAL SUBS; MODIFIED STARCHES; GLUES; ENZYMES	28.78%	30.67%	27.22%	29.22%	33.47%
36	36-EXPLOSIVES; PYROTECHNIC PROD; MATCHES; PYRO ALLOY; ETC	0.16%	2.22%	5.03%	3.78%	13.94%
37	37-PHOTOGRAPHIC OR CINEMATOGRAPHIC GOODS	22.98%	21.43%	23.06%	25.34%	19.12%
38	38-MISCELLANEOUS CHEMICAL PRODUCTS	3.84%	4.56%	5.57%	4.68%	3.65%
39	39-PLASTICS AND ARTICLES THEREOF	20.86%	24.74%	24.01%	24.32%	23.91%
40	40-RUBBER AND ARTICLES THEREOF	28.08%	29.20%	29.69%	31.83%	32.70%
41	41-RAW HIDES AND SKINS (OTHER THAN FUR SKINS) AND LEATHER	19.36%	18.63%	2.86%	7.96%	15.79%
42	42-ARTICLES OF LEATHER; SADDLERY/HARNESS; TRAVEL GOODS E.T.C.	41.79%	53.37%	53.29%	52.39%	49.53%
43	43-FURSKINS AND ARTIFICIAL FUR; MANUFACTURES THEREOF	52.11%	53.47%	52.17%	47.74%	54.71%
44	44-WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	36.93%	37.37%	39.59%	35.70%	32.16%
45	45-CORK AND ARTICLES OF CORK	8.08%	16.39%	18.00%	2.43%	30.59%
46	46-MANUFACTURES OS STRAW, ESPARTO/OTHER PLAITING MAT; ETC	13.66%	38.01%	39.40%	43.29%	48.70%
47	47-PULP OF WOOD/OF OTHER FIBROUS CELLULOSIC MAT; WASTE ETC	18.47%	18.96%	18.16%	18.77%	18.48%
48	48-PAPER & PAPERBOARD; ART OF PAPER PULP, PAPER/PAPERBOARD	25.20%	23.82%	23.42%	23.51%	23.50%
49	49-PRINTED BOOKS, NEWSPAPERS, PICTURES & OTHER PRODUCT ETC.	6.93%	14.09%	19.52%	3.64%	6.33%

Code	Chapter Description	Effective Duty Rate 2020/21	Effective Duty Rate 2021/22	Effective Duty Rate 2022/23	Effective Duty Rate 2023/24	Effective Duty Rate 2024/25
50	50-SILK	55.00%	36.74%	34.14%	19.28%	62.58%
51	51-WOOL, FINE/COARSE ANIMAL HAIR, HORSEHAIR YARN & FABRIC	39.57%	55.14%	58.90%	39.06%	46.04%
52	52-COTTON	30.60%	12.02%	17.26%	40.01%	38.61%
53	53-OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN & WOVEN FAB	18.02%	3.60%	25.68%	2.28%	22.03%
54	54-MAN-MADE FILAMENTS;STRIP AND THE LIKE OF MAN-MADE TEXTILE MATERIALS.	28.88%	24.86%	12.11%	17.86%	19.69%
55	55-MAN-MADE STAPLE FIBRES	35.78%	35.62%	33.79%	40.00%	40.03%
56	56-WADDING, FELT & NONWOVEN; YARNS; TWINE, CORDAGE, ETC	27.44%	27.27%	25.82%	28.64%	33.44%
57	57-CARPETS AND OTHER TEXTILE FLOOR COVERINGS	52.79%	47.37%	43.83%	41.81%	44.47%
58	58-SPECIAL WOOVEN FAB; TUFTED TEX FAB; LACE; TAPESTRIES ETC	44.80%	53.70%	44.98%	49.83%	46.67%
59	59-IMPREGNATED, COATED, COVER/LAMINATED TEXTILE FABRIC ETC	28.06%	29.56%	29.45%	30.00%	30.41%
60	60-KNITTED OR CROCHETED FABRICS	21.71%	14.96%	27.19%	18.51%	16.14%
61	61-ART OF APPAREL & CLOTHING ACCESS, KNITTED OR CROCHETED	53.38%	49.95%	67.83%	67.13%	65.18%
62	62-ART OF APPAREL & CLOTHING ACCESS, NOT KNITTED/CROCHETED	50.54%	60.12%	51.10%	41.64%	52.71%
63	63-OTHER MADE UP TEXTILE ARTICLES; SETS; WORN CLOTHING ETC	37.06%	59.38%	45.93%	49.19%	64.83%
64	64-FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES	45.34%	45.91%	54.79%	50.69%	51.92%
65	65-UMBRELLAS, WALKING-STICKS, SEAT-STICKS, WHIPS, ETC	21.95%	19.52%	18.82%	27.77%	22.47%
66	66-UMBRELLAS,WALKING STICKS, WHIPS, RIDING-CROPS AND PARTS THEREOF	53.32%	49.10%	42.17%	48.66%	52.33%
67	67-PREPR FEATHERS & DOWN; ARTI FLOWER; ARTICLES HUMAN HAIR	47.06%	39.67%	41.99%	39.29%	39.06%
68	68-ART OF STONE, PLASTER, CEMENT, ASBESTOS, MICA/SIM MAT	27.44%	37.73%	37.09%	30.00%	32.61%
69	69-CERAMIC PRODUCTS	45.32%	44.99%	40.42%	38.87%	48.56%
70	70-GLASS AND GLASSWARE	29.30%	27.07%	27.85%	26.89%	25.62%
71	71-NATURAL/CULTURED PEARLS, PREC STONES & METALS, COIN ETC	0.03%	0.13%	0.11%	0.02%	0.02%
72	72-IRON AND STEEL	18.89%	18.29%	16.85%	16.96%	15.85%
73	73-ARTICLES OF IRON AND STEEL	20.67%	25.88%	17.62%	13.12%	13.57%
74	74-COPPER AND ARTICLES THEREOF	24.74%	21.90%	20.78%	19.37%	20.54%
75	75-NICKEL AND ARTICLES THEREOF	40.71%	22.76%	33.18%	23.73%	13.80%

Code	Chapter Description	Effective Duty Rate 2020/21	Effective Duty Rate 2021/22	Effective Duty Rate 2022/23	Effective Duty Rate 2023/24	Effective Duty Rate 2024/25
76	76-ALUMINIUM AND ARTICLES THEREOF	14.50%	15.69%	21.35%	21.97%	23.07%
77	78-LEAD AND ARTICLES THEREOF	28.93%	30.41%	20.12%	6.82%	15.41%
78	79-ZINC AND ARTICLES THEREOF	18.13%	18.15%	18.04%	18.07%	18.02%
80	80-TIN AND ARTICLES THEREOF	3.60%	10.87%	6.10%	5.28%	18.25%
81	81-OTHER BASE METALS; CERMETS; ARTICLES THEREOF	20.28%	18.02%	18.14%	18.44%	17.27%
82	82-TOOL, IMPLEMENT, CUTLERY, SPOON & FORK, OF BASE MET ETC	25.11%	24.39%	20.96%	22.06%	26.54%
83	83-MISCELLANEOUS ARTICLES OF BASEE METAL	40.27%	32.46%	38.33%	41.04%	41.10%
84	84-NUCLEAR REACTORS, BOILERS, MCHY & MECH APPLIANCE; PARTS	8.95%	10.82%	5.65%	9.05%	8.16%
85	85-ELECTRICAL MCHY EQUIP PARTS THEREOF; SOUND RECORDER ETC	24.23%	20.96%	19.47%	17.72%	16.88%
86	86-RAILW/TRAMW LOCOM, ROLLING-STOCK & PARTS THEREOF; ETC	5.49%	0.60%	9.54%	5.03%	10.64%
87	87-VEHICLES O/T RAILW/TRANW ROOL-STOCK, PTS & ACCESSORIES	49.32%	43.18%	42.52%	42.36%	38.36%
88	88-AIRCRAFT, SPACECRAFT, AND PARTS OF	0.01%	0.02%	0.02%	0.06%	0.02%
89	89-SHIPS, BOATS AND FLOATING STRUCTURES	1.01%	2.59%	0.50%	3.73%	2.58%
90	90-OPTICAL, PHOTO, CINE, MEAS, CHECKING, PRECISION, ETC	3.84%	0.80%	1.76%	4.91%	4.48%
91	91-CLOCKS AND WATCHES AND PARTS THEREOF	56.10%	51.77%	54.63%	54.03%	52.10%
92	92-MUSICAL INSTRUMENTS; PARTS AND ACCESS OF SUCH ARTICLES	34.74%	35.80%	34.64%	31.35%	32.42%
93	93-ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF	0.05%	0.09%	0.50%	0.19%	0.09%
94	94-FURNITURE; BEDDING, MATTRESS, MATT SUPPORT, CUSHION ETC	37.90%	39.39%	29.89%	26.29%	32.35%
95	95-TOYS, GAMES & SPORTS REQUISITES; PARTS & ACCESS THEREOF	52.01%	51.70%	53.98%	54.86%	52.17%
96	96-MISCELLANEOUS MANUFACTURED ARTICLES	18.75%	16.61%	18.54%	22.17%	20.61%
97	97-WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES	37.18%	29.75%	9.83%	11.91%	46.43%
NA	Not categorised	12.01%	28.87%	38.96%	27.93%	26.40%
	Total	41.22%	0.00%	34.38%	#DIV/0!	#DIV/0!

Source: URA

Annex 3: On-time filing rates FY2019/20 baseline, FY2022/23 and FY2024/25

Tax Type	FY2019/20 (Baseline)	July to December 2023 (Half-Year)	July to December 2024 (Half-Year)
1) Withholding Tax			
No. of expected returns in a year	50,131	64,604	87,136
No. filed	31,768	43,894	54,552
No. filed on-time	22,847	40,436	51,485
%filed	63.37%	67.94%	62.61%
%filed on-time	45.57%	62.59%	59.09%
On-time payment			
2)PAYE			
No. of expected returns in a year	320,513	269,003	309,785
No. filed	**255,945**	168,714	217,258
No. filed on-time	198,342	151,041	201,803
%filed	79.85%	62.72%	70.13%
%filed on-time	61.88%	56.15%	65.14%
Ontime payment			
3) VAT			
No. of expected returns in a year	194,115	151,587	219,294
No. filed	167,655	125,282	161,501
No. filed on-time	145,048	117,819	156,109
%filed	86.37%	82.65%	73.65%
%filed on-time	74.72%	77.72%	71.19%
On-time payment			
4) Local Excise Duty			
No. of expected returns in a year	3,408	6,124	7,692
No. filed	3,190	5,612	5,387
No. filed on-time	2,799	4,154	5,149
%filed	93.60%	91.64%	70.03%
%filed ontime	82.13%	67.83%	66.94%
On-time payment			
5) Total (Wtax, PAYE, VAT, Excise)			
No. of expected returns in a year	568,167	491,318	623,907
No. filed	458,558	343,502	438,698
No. filed on-time	369,036	313,450	414,546
%filed	80.80%	69.91%	70.31%
%filed on-time	66.08%	63.80%	66.44%

Source: URA

Annex 4: STATUS OF DRMS TAX ADMINISTRATION INTERVENTIONS

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
Objective 1: Governance					
1.	Review the URA structure and consider reorganisation to promote integration	2020/21	Managerial Effectiveness Index	H	URA reorganised its structure to improve integration, supported by staff realignment, role clarification, updated job descriptions, and alignment meetings.
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 ratio improved significantly from 5.62% in FY2023/24 to 1.74% in FY2024/25, a positive shift of 3.88 percentage points. In addition, revenue collections grew by over USh 1,50 billion compared to same period of FY2023/24.
			Growth in active taxpayer population	H	URA's taxpayer base grew by 9.4% to 4.88 million, up from 4.46 million in FY2023/24. In FY2024/25, 420,183 new taxpayers were registered, contributing USh 59.01 billion in revenue.
			% filed on-time filing and payment rates.	H	• URA is still unable to provide on-time payment rates. • URA achieved an overall filing rate of 70.31% and an on-time filing rate of 66.44% across major tax types: withholding tax, PAYE, VAT, and local excise duty.
			Proportion of tax arrears collected	H	Assessed at annual.
			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.

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
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	2021–2023	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 URA staff increased to 1.83:1 from 1.10:1 (237,336 from 129,978) due to a decrease in the number of URA staff alongside an increase in the number of taxpayers.
			Revenue per URA staff (by tax group)	H	The average revenue per staff increased by 24.8% compared to the same period in FY2023/24.
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 4.35 percentage points compared to the same period in FY2023/24.
8.	Review the URA performance management and reward system	2021–2023	Staff attrition rate	M	The staff attrition rate decreased slightly by 1.7 percentage points, from 2.21% at half-year FY2023/24, to 1.71% at half-year FY2024/25.
Objective 3: Data Management and Analytics					

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
9.	Prioritise a data quality improvement strategy and develop processes to maintain data quality	2021/22	Percentage of data records that are complete.	H	The percentage of data records completed was not made available. However, data quality is a prioritised business outcome in URA. In respect of this, URA implemented a Data Governance Office. One of the deliverables the office has implemented is establishing a web-based data quality monitoring tool which is now in force and is accessible by URA staff only.
10.	Empower URA to access relevant third-party data	2021/22	PAYE filers as a % of total NSSF contributors' employers	M	By 31st December 2024 URA had successfully reviewed the 22 MOUs entered into with key domestic data sharing partners, out of the expected 31 strategic partners. This represents coverage of only 71% of the anticipated data ecosystem that should be accessible to URA.
			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	By 31st December 2024, 11.74% of staff in selected functional areas had been trained in data analytics.
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 5 years.

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
14.	Review options available and based on a proper assessment of costs, benefits, and needs, upgrade or invest in a new e-tax system	2021/22	Development of etax2 is underway.	H	URA developed a Procurement Plan for the new Tax Administration System (e-Tax 2 Update), achieving significant milestones. These included the unveiling of a new Data Centre to support eTAX2, decoupling the URA portal from e-TAX to improve user experience and support multi-language access, and upgrading the Oracle Database to enhance scalability and security.
15	Standardise key government systems to improve integration	2021–2024		H	By 31st December 2024, procurement of an Enterprise Application Integration system was underway. NITA-U advanced Government ICT integration through the Government Enterprise Architecture, an interoperability framework, and an e-Government Strategy, alongside infrastructure upgrades and staff capacity building.
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 made available at half-year 2024/25.
17	Expand the use of the biometric National ID for registration	2021/22	Percentage of personal TINs linked to NINs.	H	The NIN is now the primary ID for individual registration, and with instant TIN functionality, users only provide their NIN, enabling automatic bio-data capture. through NIRA-URA integration.

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
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 made available for at half-year 2024/25. However, URA has created a platform through which periodic payments made by Government through IFMS are received. This supports identification of potential taxpayers. In addition, URA has access to URSB data, NSSF data and KCCA data.
19	Adopt a simple and fully online registration system for those with internet access	2021–2023		M	**Completed:** A fully online registration process for both individual and non-individual TIN applications was designed and rolled out on 4th June 2021. The new online process is accessible on the URA Portal Home Page.
20	Enforce registration as a qualifying requirement for professions and key trades	2021/22	No. of forced or amended registrations effected.	H	**Implemented:** In the Tax Procedures Code Amendment Act of 2021, Section 5(9) was enacted.
21	Promote political messaging supportive of a "civic duty" to register	2020/21	Voluntary registrations as % of new registrations	H	Information for half-year FY2024/25 was not made available 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 has not 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	As per intervention, a comprehensive tax education plan, approved in September 2023, led to several achievements: review of school curricula, translation of 34 tax materials, distribution of 16,610 print copies, and integration of tax content across platforms. The team also developed and shared 50 tax tips online, uploaded 38 translated web articles,

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
					produced multimedia content, and progressed curriculum development for eight sectors. Additionally, 63 manuscripts were translated into local languages, and a BTVETcurriculum rollout began with trainer sessions. Printing procurement reached 75% completion.
24	Make online services more user-friendly and intuitive	2021–2024		M	URA handled 55,787 hybrid chats with a 98.77% response rate and answered 98.12% of 30,237 inbound calls. Of 483,971 total support tickets, 44.24% came via email, 25.7% through the CRM portal, and 13.72% from walk-ins.
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 has not 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 assessed. However, at half-year FY2024/25 URA has so far introduced prefilled returns for Value Added Tax (VAT). There are ongoing tests to do pre-filled returns for VAT and LED.

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
27	Adopt monitoring of inaccurate reporting as part of URA's routine work	2021–2024	Additional revenue identified (and realised) from audit of returns for inaccurate reporting as a 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 is hard to tag time and money for audits. However, as at 31st December 2024, under the 2024/25 CIP, URA introduced real-time audits to verify transactions as they occur and guide taxpayer reporting.
28	Work more closely with relevant regulators to improve filing compliance	2020/21	No. of taxpayers denied renewal of licences due to failure to meet their tax obligations as a percent of the total number of non-filers identified.	H	Indicator needs review. No response from KCCA. BoU and the Local Governments do not deny licences; instead, they work with them to get all the requirements. URA currently collaborates with Uganda Police in the enforcement and collection of express penalties, the Ministry of Lands in the collection of stamp duty and information sharing, and URSB in enforcing compliance of active businesses, among others.
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. However, as of 31st December 2024, five new Domestic Tax stations were mapped in the e-tax system and allocated in the taxpayer register.
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.

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
31	Investigate options for enhancing the use of electronic payment methods, including mobile money	2021–2023		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 total outstanding tax arrears)	H	Data not made available.
			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 resolution.
			Tax arrears written off as a percent of uncollectible arrears		Data not made available.
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 – minimise tax evasion through under-declaration of sales, especially VAT supplies	H	Cumulatively, as at 1st July 2024, the EFRIS register stood at 77,966 taxpayers, and by 31st December 2024 the register stood at 85,204 taxpayers, implying a growth rate of 9%.

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
35	Strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk-targeting, and increasing the number of "mass audits"	2020–2023	Tax audits conducted. (i) No. of tax audits conducted by tax type (ii) Automated audits as % of total tax audits (iii) Additional tax assessed from audit (iv) Additional tax assessed from audit of the hospitality sector (v) Audit yield (% of tax assessed from audit that was collected) (vi) No. of lifestyle audits undertaken among risky individuals, and additional tax assessed from lifestyle audits.	H	Partially on track. All audits have been automated. Lifestyle audits are yet to be undertaken. By 31st December 2024, all tax audits were conducted through the Audit Module in e-TAX, except for advisories and inspection visits. This was also the case in FY2023/24. These remaining activities are expected to be conducted in real time once the online program under e-TAX 2 is adopted.
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 does not base joint audits on tax heads.
38	Promote audit process integration across taxpayer offices at URA				Audits are centrally generated and distributed to regional compliance centres. The case generation process – including risk identification, analysis, assessment, evaluation, and treatment – involves collaboration with departments like Customs, TID, and Internal Audit.
39	include reports on audit activities and outcomes as an integral aspect of	2021–2024	No. of reports on tax audit activities discussed by MoFPED top management.	M	This indicator needs to be revised or deleted. Audit performance reports are always shared with MoFPED.

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S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
	reports to MoFPED				
Objective 10: Investigations and Enforcement					
40	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.
41	Implement the Automatic Exchange of Information and common reporting standards for tax purposes	2020/21	No. of tax evasion cases detected at URA	H	Data on tax evasion cases detected was not provided. However as at 31st December 2024, URA launched a Voluntary Disclosure Program (VDP) for taxpayers with offshore assets, based on Section 84(2) of the Tax Procedures Code Act (TPCA). This is meant to boost tax compliance and revenue collection, while promoting economic transparency and accountability.
			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.
42	Enhance resources to equip scientific laboratories and investigations personnel	2020–2023	No. of forensic tax investigations completed	H	Intervention on track. URA strengthened its scientific laboratory by acquiring critical equipment and consultancy services to improve fraud detection and tax compliance testing.

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
43	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	Several initiatives towards the intervention included developing a concept note for monitoring crypto assets and e-commerce, mapping the VAT register with geo-location, addressing risks in mobile money transactions, and conducting sensitisation on the AEOI Law.
44	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					
45	Facilitate TAT to expeditiously deal with cases by increasing staff numbers and training	2021/22	I. No. of outstanding tax disputes; II. Tax value of outstanding tax disputes; III. No. (and tax value) of cases lodged at the Objections and Appeals Unit (OAU); IV. No. (and tax value) of		Not on track: By 31st December 2024, unresolved tax disputes surged to 233 cases worth USh 1,296.95 billion, up from 145 in 2023. While resolved cases slightly increased to 134, only 11.36% were concluded within six months – down from 68% in 2022 – highlighting significant delays and growing inefficiencies in the Tax Appeals Tribunal (TAT).

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
			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	2. TAT is still very much underfunded and understaffed.
46	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.
47	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 has not been assigned, so no progress is registered.
Objective 12: Processing of Tax Refunds					

S/No.	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at half-year FY2024/25)
48	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) (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 35.2 percentage points from FY2021/22.

Source: URA, MoFPED Tax Policy Department and Field Findings

Annex 5: STATUS OF DRMS TAX POLICY INTERVENTIONS

S/N	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at semi-annual FY2024/25)
Objective 1: Process reform and institutional changes					
1.	Reform of the tax policymaking process	2021/23	No. of tax-related proposals received from non-state stakeholders in a year. No. of tax-related proposals received from stakeholders within Government in a year No. of revenue measures adopted from tax proposals from non-stakeholders in a fiscal year	H	Not assessed at semi-annual FY2024/25 but by the end of FY2023/24 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.
2.	Elevate the status of taxation within MoFPED	2022/23	Tax policy department budget as % of MoFPED budget	H	Not assessed at semi-annual FY2024/25, but at annual FY2023/24,the Tax Policy Department's (TPD) appropriated budget increased to USh 14.63 billion in FY2023/24 from USh 12.75 billion in FY2022/23, representing a 14.7% increase, 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 No. of related analytical papers published by TBD/URA staff per year	H	Not assessed at semi-annual FY2024/25, but 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.
4.	Address TPD structure and staffing/training needs	2021/23	No. of TPD staff attended specialised training in a year	H	10 members of staff attended a specialised training, which was the same as the previous year.
5.	Strengthen partnerships with URA and formalise arrangements	2020 /22	No. of tax-related analytical papers jointly published by TPD and URA staff	H	In FY2023/24, no paper was confirmed to have been jointly published.
Objective 2: VAT					
6.	Limit the range of zero-rated supplies as far	2021/23	Zero-rated VAT supplies as % of total VAT supplies	H	The proportion of zero-rated supplies as a percentage of total supplies increased to 18.08% by the end of December in FY2024/25, up from 11.26% during the

S/N	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at semi-annual FY2024/25)
	as possible				same period in FY2023/24.
			Zero-rated VAT supplies (non-export items) as % of total VAT zero-rated supplies	H	The ratio of zero-rated supplies (non-export items) as a percentage of total supplies declined to **34.75%**, down from **37.4%** during the same period in FY2023/24.
			Zero-rated supplies (export items) as % of total exports	H	Exports increased by 38%, reaching USh 8,687.25 billion in the first half of FY2024/25, up from USh 6,299 billion in the same period of FY2023/24. The proportion of export goods also rose to 97% in FY2024/25, compared to 94.82% in the same period of FY2023/24.
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 18.76%, down from 19.91% in the same period of FY2023/24. In absolute terms, the value of exempt supplies declined from USh 17,173 billion to USh 13,735.54 billion over the same period.
8.	Narrow deeming provisions	2021/23	Value of deemed supplies as a % of total supplies made to Government	H	The value of VAT foregone amounted to USh 557.173 billion, representing a 33% (USh 137.763 billion) increase from the performance FY2019/20 (baseline).
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	Not assessed at semi-annual FY2024/25, but as at annual FY2023/24, the number of taxpayers per turnover band in FY2023/24 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	Standardise government best practices	2021/23			Not assessed.
Objective 3: CIT					
11	Maintain support for priority sectors	N/A	Tax buoyancy	H	This is assessed annually. In FY2023/24,the tax revenue increased

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S/N	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at semi-annual FY2024/25)
					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	A total of 1,431 staff, representing 46.8% of the organisational headcount of 3,055 at URA, received training across various departments. Of these, 326 staff members were from the Domestic Tax Department.
13.	Rebalance the nominal rate and the incentives, deductions, and depreciation regime	2021/24	CIT effective tax rate Allowable deductions as % of gross income in a year	H	The Corporate Income Tax (CIT) Effective Tax Rate (ETR) continued to decline compared to the base year (FY2019/20), indicating that substantial tax losses have not been effectively minimised.
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	Assessed annually. In FY2023/24, two (2) treaties were renegotiated out of the 10 that Uganda agreed to renegotiate. The Netherlands treaty was completed and the Mauritius treaty was not completed.
15	Strengthen international tax rules and enforcement	2021/23	Effective corporate tax rate (foreign firms)	H	The Corporate Income Tax (CIT) Effective Tax Rate (ETR) for foreign firms stood at 2.47%, indicating that the proportion of tax paid on income earned by foreign firms remained significantly below the nominal rate of 30%
15	Improve information-sharing domestically and internationally	2021 /24	Percentage of [outgoing] tax-related information requests honoured.	M	Uganda made 41 requests for information to its treaty partners and responded to 9 incoming requests. In comparison, during FY2021/22, 14 requests were made and 8 were responded to.
Objective 4: PIT					
16	Review exemptions and consider	2021/22	PIT effective tax rate	H	The PIT effective tax rate decreased by 6.02 percentage points in the first half of FY2024/25 compared to the same period

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S/N	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at semi-annual FY2024/25)
	alternative approaches				in FY2023/24, and by 0.68 percentage points in the same period of FY2021/22.
17.	Address thresholds, bands, and rates	2021 /23	Number (and proportion) of taxpayers by income bands	M	Not assessed at semi-annual FY2024/25. In FY2023/24, Uganda taxes continued to tax the poor through PAYE, resulting in reduced disposable income and limited savings.
18	Consider scope to encourage saving through PIT system	2021/24	Percent increase in gross capital formation (dwellings) Level of savings in Uganda	M	Assessed annually. In FY2023/24, there was a significant percentage decrease in gross capital formation (dwellings) in FY2023/24(-5.7%) compared to the previous FY2022/23. Earners had no savings to invest in acquiring fixed assets.
19	Address weaknesses in rules for taxing rental income	2021/22	Effective rental income tax rate 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)	H	Assessed annually and as of end FY2023/24. It was on track.
Objective 5: Incentives and exemptions					
20	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".
21	Establish and publish a Tax Expenditure Governance Framework	2021	Value (and share to total revenue) of tax expenditures Tax exemptions as % of GDP	H	Not assessed.
Objective 6: Excise duties					
22	Develop a broader scheme of	2021/24	Revenue from environment-related taxes as percentage of public expenditure on	M	Ongoing. However, performance remains below 50% of pollutant control.

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S/N	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at semi-annual FY2024/25)
	environmental taxes		environment control		
23	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.
25	Consider revised approach to inflation adjustments.	2021/22	Effective excise duty rates by excisable items	M	Not assessed.
Objective 7: Extractives industry					
26	Fine-tune the framework for taxing the extractives industries	2021/22	Average effective tax rate (oil) Average effective tax rate (mining) Resource Governance Index score for Uganda	H	Ongoing.
Objective 8: International trade					
27	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 17 items with an EPR below 10%, representing a significant proportion of the total items account for 17.7% of the overall list.25% of the items, have an EPR ranging between 10% and 20%, indicating that a substantial number of items (42.7%) are experiencing relatively low levels of protection. More than 57.1% of items on the list enjoy a higher level of protection.
28	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	M	On track. The clearance time at the border points has improved to 1 day in FY2023/24 from 5.8 days in the baseline year (2018/2019)

S/N	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at semi-annual FY2024/25)
			imports from selected trading partners		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					
29	Streamline the policy on NTR.	2020/21	NTR as percent of GDP	L	Assessed annually and in FY2023/24, the NTR as a percentage of GDP declined to 0.8% in the FY2023/24 from 1.02% in FY2022/23. 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					
30	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 Adopt an integrated approach to the introduction of LG fees and charges	L	The LG own revenue achievement rate has continued to increase to 37% of the annual budget for FY2024/25 from 24.35% at half-year of the baseline year FY2019/20.
Objective 11: Donor-funded projects					
31	Review the taxation of donor-funded projects	2021-2023	Effective duty rate (imports of donor-funded projects) Income tax paid by expatriates for donor-funded projects as % of total income tax from non-residents.	M	Customs duties foregone on imports for externally funded projects decreased to 35%, down from 44% in FY2023/24. This reduction is also evident when compared to the same period in FY2021/22.

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S/N	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at semi-annual FY2024/25)
			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					
32	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	Not tracked but in FY2023/24, this was on track.
			No. of active taxpayers classified as web-based businesses.		The ratio relating to revenue collected from digital businesses has continued to increase, i.e. from 0.00277 in FY2022/23 to 0.0634 in FY2023/24.

Source: URA, MoFPED Tax Policy Department and Field Findings

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Annex 6: Media reports published as at 31st December 2024

PLATFORM	Topic/Suspect	TITLE	DATE	LINK
The Taxman	FinTechs	Emerging threats of FinTechs to revenue mobilisation in Uganda	11/Dec/2024	https://thetaxman.ura.go.ug/?p=7392
New Vision	Alfred Ayena Eyul - Shajapa Technical Works Ltd	*Company director pleads guilty to sh917m tax evasion*	18/Nov/2024	https://www.newvision.co.ug/category/news/company-director-pleads-guilty-to-sh917m-tax-NV_199774#:~:text=The%20director%20of%20Shajapa%20Technical,connection%20with%20a%20tax%20return.
New Vision	Lui Xiang Fei	Kampala businesses man seeks plea bargain in sh7.2b case	16/Nov/2024	https://newvision-web-testing.newvisionapp.com/category/news/kampala-businesses-man-seeks-plea-bargain-in-NV_199670
New Vision	Hellen Aiko - Director of Heaat General Engineers and Constructors Limited	Construction firm boss seeks out-of-court settlement in sh1.3b tax dispute	15/Nov/2024	https://www.newvision.co.ug/category/news/construction-firm-boss-seeks-out-of-court-set-NV_199644
New Vision	Farouk Nsubuga – NFK Investment	Businessman charged over sh319m tax evasion	12/Nov/2024	https://www.newvision.co.ug/category/news/businessman-charged-over-sh319m-tax-evasion-NV_199485
New Vision	Lin Lin (Limwin Holdings Limited)	Chinese businessman charged with tax fraud	24/Oct/2024	https://www.newvision.co.ug/category/news/chinese-businessman-charged-with-tax-fraud-NV_198351
New Vision	Stephen Mubiru Kyamufumba	City businessman loses appeal in vehicle fraud case	15/Oct/2024	https://www.newvision.co.ug/category/news/city-businessman-loses-appeal-in-vehicle-frau-NV_197762
New Vision			03/July/2024	https://www.newvision.co.ug/articledetails/NV_191419
New Vision			24/July/2024	https://www.newvision.co.ug/articledetails/NV_192714
New Vision	Ex-Kenyan minister remanded to prison in Uganda		20/Aug/2024	https://www.monitor.co.ug/uganda/news/national/ex-kenyan-minister-remanded-to-prison-in-uganda-4489428
Tax Crime Watch-Africa	Indian businessmen to serve their time in jail for selling fake tax invoices in Uganda		11/Sept/2024	https://www.newvision.co.ug/articledetails/NV_179004

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