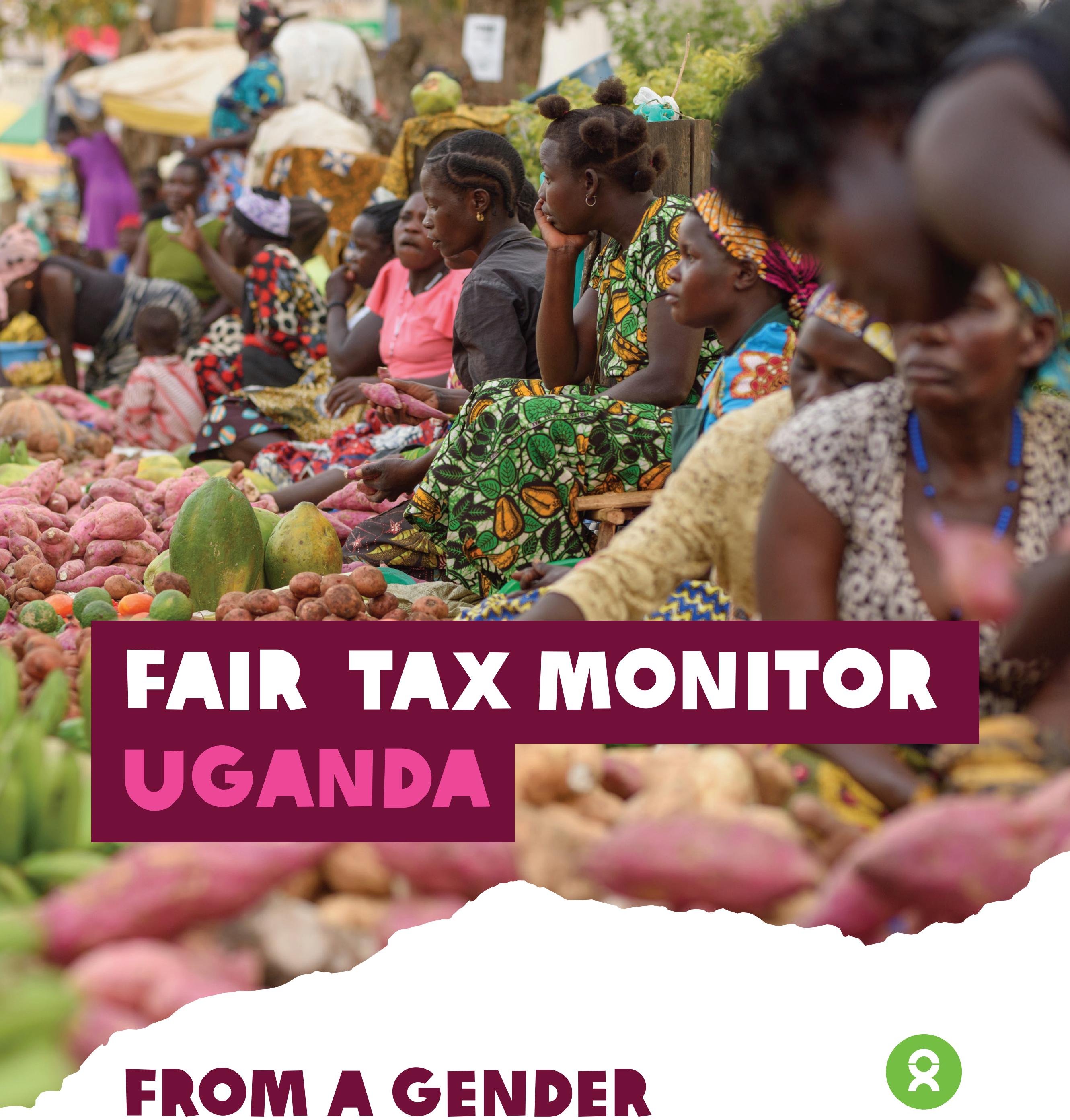

FAIR TAX MONITOR UGANDA

FROM A GENDER PESPECTIVE

OXFAM

FEMNET The African Women's Development and Communication Network

TAX JUSTICE NETWORK AFRICA

SEATINI Strengthening Africa in World Trade

Co-funded by the European Union

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The African Women's Development and Communication Network

TAX JUSTICE NETWORK AFRICA

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FAIR TAX MONITOR

The Fair Tax Monitor (FTM) is a unique evidence-based advocacy tool that makes it possible to identify the main bottlenecks in tax systems, and provides strong evidence for advocacy. At the same time, the standardized methodology allows for comparison of tax policies and practices across countries. In the later stages of the project, it will be used to monitor progress over time.

The FTM Working Group defines a fair tax system as one which:
is progressive, and serves as a mechanism to redistribute income in a gender-responsive way;
allows sufficient revenue to be raised to perform government functions and provide high-quality essential public services;
refrains from and eliminates tax exemptions and incentives for the elite (individuals and corporate); and
tackles causes of illicit capital flight and tax evasion and avoidance by multinational companies and wealthy individuals.

The FTM project was started in December 2014 by Oxfam Novib and Tax Justice Network Africa in collaboration with partners from Bangladesh (SUPRO), Pakistan (Indus Consortium), Senegal (Forum Civil) and Uganda (SEATINI). The Common Research Framework (CRF) for the FTM was developed during the pilot phase in 2015/2016 and implemented in four pilot countries: Bangladesh, Pakistan, Uganda and Senegal. The 2017 CRF was used during the 2017 country research in nine countries: Senegal, Tunisia, Nigeria, Uganda, the Occupied Palestinian Territory (OPT), Pakistan, Bangladesh, Vietnam and Cambodia. The CRF was revised in 2019. The CRF can be used to gather qualitative and quantitative information in a standardized manner. The collected data is categorized, evaluated and entered into the FTM online tool (www.maketaxfair.net). 'Make Tax Fair' provides an overview of the main issues in this report and compares them with other focus countries.

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LIST OF ABBREVIATIONS

ACODE	Advocates Coalition for Development and Environment
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
ATAF	African Tax Administration Forum
AU	African Union
BEPS	Base Erosion and Profit Shifting
BFP	Budget Framework Paper
Bn	Billion
BTTB	Background To The Budget
CEDAW	Convention of the Elimination of All Forms of Discrimination against Women
CIT	Corporate Income Tax
COMESA	Common Market for Eastern and Southern Africa
CRF	Common Research Framework
CSBAG	Civil Society Budget Advocacy Group
CSCO	Civil Society Coalition on Oil and Gas
CSO	Civil Society Organization
DRMS	Domestic Revenue Mobilisation Strategy
DTA	Double Taxation Agreement
DTT	Double Taxation Treaty
EAC	East African Community
EOC	Equal Opportunities Commission
EPRC	Economic Policy Research Centre
FIA	Financial Intelligence Authority
FTM	Fair Tax Monitor
FY	Financial Year
G&E	Gender and Equity

GDP	Gross Domestic Product
GFI	Global Financial Integrity
HNWI	High Net-Worth Individual
IBP	International Budget Partnership
IFFs	Illicit Financial Flows
IGG	Inspectorate of Government
IMF	International Monetary Fund
IT	Information Technology
ITU	International Taxation Unit
LGFC	Local Government Finance Commission
LGs	Local Governments
LST	Local Service Tax
LRMS	Local Revenue Mobilisation Strategy
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDAS	Ministries, Departments and Agencies
MGLSD	Ministry of Gender, Labour and Social Development
MoES	Ministry of Education and Sports
MoFPED	Ministry of Finance, Planning and Economic Development
MoH	Ministry of Health
MoLG	Ministry of Local Government
MoWE	Ministry of Water and Environment
MPS	Ministerial Policy Statement
NDP N	ational Development Plan
NIRA	National Identification & Registration Authority
NPA	National Planning Authority
NSSF	National Social Security Fund
NTRs	Non-Tax Revenues
OAG	Office of the Auditor General
OECD	Organisation for Economic Co-operation and Development

OPM	Office of the Prime Minister
OTT	Over the Top (Service)
PAYE	Pay As You Earn
PIT	Personal Income Tax
PSA	Production Sharing Agreement
PSPS	Public Service Pensions Scheme
RADEX	Regional Authorities Digital Data Exchange System
SADC	Southern Africa Development Cooperation
SEATINI	Southern and Eastern Africa Trade, Information and Negotiations Institute
SAGE	Social Assistance Grants for Empowerment
SoPs	Standard Operating Procedures
TADAT	Tax Administration Diagnostic Assessment Tool
TIN	Tax Identification Number
TJNA	Tax Justice Network Africa
TREP	Taxpayer Register Expansion Project
TTR	Total Tax Revenue
UBOS	Uganda Bureau of Statistics
UCC	Uganda Communications Commission
UPDF	Uganda People's Defence Force
UGX	Ugandan Shillings
UNCTAD	United Nations Conference on Trade and Development
UPE	Universal Primary Education
URA	Uganda Revenue Authority
USAID	US Agency for International Development
VAT	Value Added Tax
WHT	Withholding Tax

GLOSSARY

Beneficial owner: Person (or persons) who ultimately owns or controls a proportion of a company's shares or voting rights, or who otherwise exercises control over the company or its management through direct or indirect ownership.

Base erosion and profit shifting (BEPS): According to the OECD (2013), base erosion and profit shifting refers to tax planning strategies that exploit gaps and mismatches in tax rules to make profits 'disappear'. This is done to shift profits to locations where there is little or no activity but the tax rates are low. This results in little or no corporate tax being paid.

The base erosion and profit shifting project coordinated by the OECD, originally requested by the G20, seeks to reform international tax standards that have become open to exploitation by multinational companies.

Direct taxes: Taxes imposed (levied) on income, wealth and property, such as personal income tax, corporate income tax, property tax and capital gains tax. The tax burden is always on an individual or entity and can't be shifted by the taxpayer to someone else.

Double taxation treaties (DTTs): DTTs are meant to regulate taxation in multiple jurisdictions to avoid double taxation and double non-taxation. In general, DTTs tend to, among others: determine which country has taxation rights over a certain income; define which taxes are covered in the treaty; determine who is a resident and eligible for benefits in each state; and reduce the amounts of tax withheld from interest, dividends and royalties paid by a resident of one country to residents of the other country.

Tax equity/fairness: Making people with greater ability (i.e. wealthy people and large corporations) pay more taxes (vertical equity), and establish that taxpayers in similar circumstances pay similar amounts of tax (horizontal equity).

Fair tax system: A tax system that has the following characteristics:

- **is progressive, serving as a mechanism to redistribute income in a gender-sensitive way;**

- **raises sufficient revenue to perform government functions and provide essential services;**
- **avoids tax exemptions and incentives for the rich; and**
- **tackles the causes of illicit capital flight and tax evasion and avoidance by multinational corporations and wealthy individuals.**

Gender: According to the Uganda Gender Policy (2007), gender is the social and cultural construct of roles, responsibilities, attributes, opportunities, privileges, status, access to and control over resources and benefits between women and men, boys and girls in a given society. Gender roles vary between cultures, and they change over time.

Gender-disaggregated data: A body of statistics compiled, analysed and presented by sex, reflecting gender issues in society. However, this information should go beyond quantitative data to include qualitative indicators, capturing information on human relations such as division of labour and distribution of resources and benefits in a given setting.

Gender equality: The ability of men and women, boys and girls to enjoy the same status and have equal opportunity to realize their potential to contribute to socio-cultural, economic and political development.

Gender mainstreaming: Addressing gender within mainstream policies, budgets and services, rather than providing separate initiatives.

Gender and equity budgeting: Resource allocation that includes analysis of public revenue and public expenditures from a gender and equity perspective. This means that the budgetary implications for and impacts on women and girls compared to men and boys are considered. Gender and equity budgeting does not produce a separate budget, but is an analytical tool applied to mainstream budgetary processes.

Gender-responsive budgeting: Government planning, programming and budgeting that contributes to the advancement of gender equality and the fulfilment of women's rights. It entails identifying, reflecting and funding needed interventions.

Illicit financial flows (IFFs): Money that is generally illegally earned, transferred or utilized. These funds originate from three sources: commercial tax evasion, trade misinvoicing and abusive transfer pricing; criminal activities including the drug trade, human trafficking, illegal arms dealing and smuggling contraband; and bribery and theft by corrupt government officials. While most illicit financial flows stem from illegal activities, aggressive tax avoidance is also considered part of the concept, even though it is not illegal in all instances.

Indirect taxes: Taxes on consumption, such as value added tax/sales taxes, goods and services taxes, customs duties and excise duties. Indirect taxes are generally more regressive than direct taxes.

Informal sector: Economic activities and the income derived thereof that circumvent or avoid government regulation or taxation. This research focuses on informal sector businesses rather than informal sector workers.

Progressive tax: A tax placing the greatest burden on the rich. Most often applied in the form of an income tax with a rate that rises alongside income levels, so that those who earn higher incomes pay a greater proportion as tax.

Public spending: Expenditure by the government on public infrastructure/ goods and social amenities such as education and healthcare.

Regressive tax: In contrast to a progressive tax, a regressive tax is one where everyone pays the same amount of tax regardless of their income or ability to pay. Here, the tax rates decrease as the taxable amount increases, resulting in a greater tax burden for poor people compared to rich people. Indirect taxes are often regressive.

Tax avoidance: The practice of minimizing a tax bill by taking advantage of a loophole in tax regulations or adopting an unintended interpretation of the tax code. Sometimes tax avoidance is clearly legal, but at other times it is done in an aggressive manner where the behaviour falls into a grey area between what is legal and illegal.

Tax evasion: Illegal actions by a taxpayer to escape tax liability by hiding the income on which the tax liability has arisen from the revenue authority.

Thin capitalization: A state of a business entity's financing structure where debt is significantly higher than equity. With Uganda's domestic tax law allowing interest deductions on debts acquired, an entity may choose to have high debt in the capital structure to increase expenditures, thereby reducing the taxable income.

Trade misinvoicing: Defined by Global Financial Integrity (GFI) as a method for moving money illicitly across borders, which involves misreporting the value of a commercial transaction on an invoice submitted to customs. The GFI report (2014) identifies four basic categories of trade misinvoicing: import under-invoicing, import over-invoicing, export under-invoicing and export over-invoicing.

Transfer pricing: The price charged in transactions entered into by related companies which are part of the same economic group for goods, services or intangible property. Abusive transfer pricing or transfer mispricing occurs when prices are manipulated to allocate income and expenses improperly to reduce taxable income in specific countries.

Value added tax (VAT): Specific type of turnover tax levied at each stage of the production and distribution process. VAT is a tax on all final consumption of goods and services, as the suppliers of goods and services are liable to remit it to the tax authorities. VAT is a percentage of the price that each supplier charges their customer.

Wealth tax: A tax based on the market value of assets owned by individuals. These assets include, but are not limited to: cash, bank deposits, shares, fixed assets, private cars, assessed value of real property, pension plans, money funds, owner-occupied housing and trusts. An ad valorem tax on real estate and an intangible tax on financial assets are examples of a wealth tax. Not all countries have this type of tax. Although many developed countries choose to tax wealth, the US has favoured taxing income and property taxes. In this study, property, land and capital gains tax represent wealth taxes.

Unpaid care work: Caring for a household and contributing to others' wellbeing by carrying out tasks such as cooking, cleaning, collecting water and firewood, caring for the ill, elderly and children, and caring for the community, when these activities are done for no pay.

Exchange rate

The exchange rates between Ugandan Shillings (UGX) and US$ (US$) used in this study are:

FY	2017/18	2018/19	2019/20	2020/21	2021/22
Average	3,658.7	3,736.8	3,714.6	3,661.1	3,544.7

Source: Bank of Uganda (https://www.bou.or.ug/bou/bouwebsite/Statistics/Statistics.html)

N.B. Conversion from UGX to US$ was done using the average exchange rate during that financial year.

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EXECUTIVE SUMMARY

The Fair Tax Monitor (FTM) is an evidence-based advocacy tool developed by civil society to promote fair tax systems. This report is the third FTM study conducted for Uganda. It stands apart from previous studies by focusing on the gendered impacts of Uganda's tax system.

Major findings

The impact of Covid-19 on taxation and public spending and the government's response

The impact of the Covid-19 pandemic led to a reduction in government revenues and grants of about UGX 2,291bn (US$626m) against a target of UGX 23,529.6bn (US$6.4bn) during FY 2020/21. The government instituted austerity measures which included cuts in spending on social sectors (education, health and social development), agriculture, and water and sanitation. Consequently, those sectors' spending was lower than expected, at 90%, 94%, 83%, 60%, and 81% for agriculture, education, health, water and environment, and social development, respectively. These budget cuts affected women more, as women account for a bigger share of use of most public services such as health facilities.

The government has generally ignored calls from international organizations such as the IMF and UN for countries to adopt progressive tax measures to fund social support programmes for low-income households to cushion the effect of the Covid-19 pandemic. Instead, in FY 2021/22 the government instituted numerous tax measures to collect more taxes without evaluating their impact on people, especially low-income earners (the majority of whom are women). For example, an additional UGX 100 per litre of gasoline and diesel excise duty levy increased the cost of transport; and a 12% excise duty levy on internet data and 12% VAT on telecommunication services increased the cost of communication.

Tax burden and progressivity

Uganda's dependence on indirect taxes makes the tax system regressive. Indirect taxes disproportionately affect low-income earners, especially women, because they spend a higher proportion of their income on consumer goods for their families. Changes in the price of these goods can reduce consumption or result in substitution of better-quality goods with inferior ones. On a positive note, the share of indirect taxes in the total tax revenue has been declining, from 66.4% in 2016/17 to 64.4.2% in 2020/21, which is a sign that Uganda's taxation is becoming less regressive. This is a step in the right direction; however, more needs to be done to ensure progressivity by strengthening policy around direct taxes such as property tax, capital gains tax, corporate tax and taxation of business income.

There are significant gender inequalities related to personal income taxes in Uganda, but these do not specifically have a negative impact on women, since very few women pay Pay As You Earn (PAYE). Results of the Uganda National Household Survey 2019/20 showed that of the 31.8% of females in paid employment, most of their income is not liable for personal income tax, since the monthly nominal median wage for females was UGX 100,000 (US$27.3) in 2019/20, and the PAYE threshold was UGX 235,000 (US$62.9).

Uganda's excise duty regime has a degree of progressivity, as households in the top deciles pay more excise duty as a percentage of their consumption than households in the bottom deciles. However, in some cases excise duties are regressive because they are usually flat-rated (e.g. a 0.5% levy on mobile money withdrawals). These tend to affect low-income earners more – especially women, who spend a higher portion of their income on these items.

Revenue sufficiency and tax leakages

Uganda is implementing the Domestic Revenue Mobilisation Strategy (DRMS) 2019/20 - 2023/24, which aims to increase the country's tax-to-GDP ratio to between 16-18% by 2023/24 and achieve tax-to-GDP ratio growth of 0.5% every financial year. However, Uganda's tax-to-GDP ratio is still less than 13%, which is below the sub-Saharan Africa average of approximately 16.5%, and below that of its East Africa Community (EAC) neighbours Kenya, at 15.9% and Rwanda, at 14.6%. Based on current performance, it is unlikely that Uganda will meet the DRMS target.

Illicit financial flows (IFFs) are estimated to cost Uganda in excess of UGX 2 trillion (US$547m) annually. Multinational companies are mostly perpetuating IFFs through aggressive tax avoidance mechanisms such as base erosion and profit shifting (BEPS), double taxation treaties and trade misinvoicing. IFFs drain critical resources that could be invested in vital areas of development. With a shortfall in revenue collection to finance the budget, there is a reduction in spending in key areas such as education, healthcare and care facilities, which directly impacts women. For instance, the estimated annual loss due to IFFs would be enough to raise the FY 2021/22 health and education budgets by over 28%.

Tax competition and corporate incentives

The Ugandan government has granted both tax and investment incentives over the years, especially to attract foreign direct investments. However, tax incentives are very costly to Uganda's state budget; during FY 2019/20, Uganda's lost revenue from tax expenditures amounted to UGX 5,030.45bn (US$1,354m), which is 30% of total revenue and 3.6% of GDP. This is more than the total budget allocated to the health, agricultural, water and environment, and social development sectors during FY 2019/20. Tax incentives tend to benefit the highest income earners and corporations, which are predominantly owned and managed by men and employ relatively few women.

Effectiveness of the tax administration

The Ministry of Finance, Planning and Economic Development (MoFPED) gives the Uganda Revenue Authority (URA) annual targets, which form part of the wider midterm strategies of three to five years. The URA year-on-year total nominal tax revenue collections were below target for all the financial years apart from FY 2017/18. This is mainly because tax effort or productivity is relatively low.

URA does not allocate resources to collect and update gender-disaggregated data. Tax returns do not enquire as to the gender of the person filing the return. Taxes such as income taxes are imposed on the basis of income only, irrespective of gender. This makes it hard to ascertain the gender statistics needed to facilitate gender analysis.

Government spending

The share of budget allocated to social sectors and agriculture and water has remained stagnant, at less than 30% of the total national budget.

Consequently, Uganda is unable to meet its international and regional commitments, including allocating at least: 15%, 10% and 20% of the annual budget to health, agriculture and education sectors, respectively. Due to limited funding, only 3% of the Ugandan population have access to formal social security, and only 2.8% and 2.3% of the working population are covered by the public service pensions scheme (PSPS) and National

Social Security Fund (NSSF), respectively. Several small, private social security schemes managed by groups also exist, but have minimal impact. This results in a high level of vulnerability to shocks and persistent poverty.

Uganda has made inroads into promoting gender equality. Government expenditure on education, health, agriculture, social protection, water and sanitation seems to be gender responsive. This is mainly because of the legal requirement for all ministries, departments and agencies (MDAs) and local governments (LGs) to obtain a certificate of gender and equity (G&E) compliance before their budgets are appropriated by Parliament. Consequently, G&E compliance of the budget has improved over the years; the G&E assessment score was 70% in 2021/22 compared to 60% in 2017/18. Nevertheless, much still needs to be done, since gender issues are not integrated into all MDA processes, which limits the ability of MDAs to implement gender-responsive interventions.

The Ugandan government does not recognize unpaid care and domestic work in the provision of public services, infrastructure and social protection policies. For instance, the government does not support or provide childcare services, or services for the care of elderly or disabled dependants. In spite of the fact that women in Uganda spend 30 hours a week on unpaid domestic and care work – more than twice the amount of time spent by men (12 hours a week) – the government has been consistently underinvesting in the key sectors (i.e. health, education and agriculture) which could reduce women's unpaid care workload.

Transparency and accountability

Uganda has policies that promote or support the participation of women and women's organizations in decision-making processes, including the development of revenue policies. The government engages a wide range of stakeholders, including civil society organizations (CSOs), during the budget process (tax formulation and budget allocations). However, participation of citizens in the tax policy formulation process has generally been very limited. This can be seen in the low score of 22% on public participation in different stages of the budget process in the 2019 Open Budget Survey.

Recommendations

The study proposes the following recommendations:

Uganda's tax system

a. The Ministry of Finance Planning and Economic Development (MoFPED) and Uganda Revenue Authority (URA) should strengthen the consideration given to issues of fairness, inequality and gender in tax policy-making by accelerating more extensive use of micro-simulation models, so that the potential impacts of policy choices can be better understood.

Distribution of tax burden and progressivity

b. The government should follow the path recommended by the IMF, UN and others to respond to the Covid-19 crisis by enacting progressive tax measures that increase the revenue contribution from wealth and corporations to fund social support programmes, to cushion the effects of the pandemic.

c. URA should put in place mechanisms for the collection and analysis of gender-disaggregated data. For instance, when filing income tax returns the sex of the person filing or owners of the company should be included, and impact assessments by gender and income category should be carried out to identify the direct and indirect effects of taxes/budget choices on poor people, women and vulnerable groups.

d. MoFPED and URA should make personal income taxes more progressive by raising the personal income tax entry threshold, raising tax rates of the higher income brackets, introducing additional tax bracket(s) for the highest incomes, focusing compliance efforts on high-income earners, and further strengthening anti-tax avoidance strategies.

e. Property tax presents a powerful mechanism to redistribute wealth and resources from rich to poor people as well as from men to women. In addition, if property taxation at local government levels is strengthened and spent on critical public services, this will have the added benefit of building accountability between the local governments providing services and the population using these services.

Sufficient revenues and illicit financial flows

f. Parliament should enact a dedicated Extractive Industries Transparency Initiative (EITI) law to support the operationalization of the EITI Standard following Uganda's admission as a member country.

g. The Ministry of Energy and Mineral Development should implement the distribution and sharing of the benefits of oil and gas as stipulated in the Oil and Gas Revenue Management Policy 2012, which prescribes that 7% of royalty revenues arising from gross oil and gas production should be shared with local governments and communities.

Tax competition and corporate incentives

h. URA should improve the collection of taxes that are both progressive and that reduce gender biases, such as taxes on high-income earners and corporations. This can be done, for instance, by strengthening compliance and removing unequitable tax incentives.

i. MoFPED needs to expedite the implementation of the Tax Expenditure Governance Framework to help manage tax exemptions. The framework should include rules related to tax expenditures to assess the efficiency, impact and equity of tax incentives, and remove them if warranted.

Effectiveness of the tax administration

j. MoFPED (Tax Policy Department) and URA should include gender equality and inclusion analysis, and provide on- and off-the-job training for staff on how to engage with marginalized groups.

Government expenditure

k. In light of the negative impacts the Covid-19 pandemic has had on public budgets and revenue collection, the government needs to reprioritize the budget by increasing spending on social sectors (education, health and social protection) and reducing spending on public administration and security. Failure to do so hits women harder, as they are more dependent on healthcare and water and sanitation services, and carry a much larger share of the increase in unpaid care work that results when these services are lacking.

l. The Equal Opportunities Commission needs to build the capacity of ministries, departments and agencies and local government officials on the gender and equity concepts, knowledge and analytical skills needed to prioritize inequality issues, design appropriate interventions, and monitor and evaluate gender outcomes.

Transparency and accountability

m. Parliament should expedite the debate of the Auditor General Reports to Parliament and ensure that all those involved in misuse of public funds are held accountable.

n. CSOs should educate citizens to understand that taxpayers can make their voices heard and can actively participate in public policy decision-making processes about how taxes are collected and spent on public services, and thus hold governments accountable.

INTRODUCTION

Background and rationale

In collaboration with partners and Oxfam country offices, the Fair Tax Monitor (FTM) project was started in December 2014 by Oxfam Novib and Tax Justice Network Africa. The FTM is a unique evidence-based advocacy tool that makes it possible to identify the main bottlenecks in tax systems and provides strong evidence for advocacy. At the same time, the standardized methodology allows for comparison of tax and spending policies and practices across countries. The FTM's overall goal is to strengthen advocacy activities at local and global levels. It provides an overview of national tax systems and identifies the main challenges they face. The tool provides reliable evidence for partners' advocacy and lobbying work, which strengthens their position and increases their credibility and influencing power.

Two FTM studies have previously been conducted in Uganda, in 2016 and 2018. The studies were guided by the Common Research Framework (CRF) methodology. This study is based on the revised CRF (2019), which takes into consideration the gendered impact of Uganda's tax system. The study examined how Uganda's fiscal policies during last the five financial years (2017/18 – 2021/22) have contributed to women's and girls' full enjoyment of their rights through addressing gender norms and power relations.

The FTM Working Group defines a fair tax system as one which: (i) is progressive, and serves as a mechanism to redistribute income in a gender-responsive way; (ii) allows sufficient revenue to be raised to perform government functions and provide high-quality essential public services; (iii) refrains from and eliminates tax exemptions and incentives for the elite (individuals and corporate); and (iv) tackles causes of illicit capital flight and tax evasion and avoidance by multinational companies and wealthy individuals.

A fair and effective tax system is key to sustainable development, as it can facilitate mobilization of the domestic revenue needed to fund public services such as healthcare, education, social development, law enforcement agencies, infrastructure etc., while at the same time playing a redistributive and formative role, and helping to address gender inequalities.
The results of this study are intended to give citizens, civil society

organizations (CSOs), government and other key stakeholders information on how to advocate for more transparent and accountable revenue generation and spending policies through the transformation of fiscal systems to better respond to the needs of citizens, especially women and girls, in Uganda.

Research objectives

The main objective of this study is to generate credible evidence for influencing pro-poor gendered fiscal policy reform in Uganda. Specifically, the study:

- **examines Uganda's current tax systems and assesses their fairness from a gender perspective;**
- **identifies the main bottlenecks in Uganda's tax systems;**
- **contributes to regional- and global-level advocacy on fiscal justice.**

Research methodology

The research relied mainly on a literature review and secondary data analysis guided by the CRF methodology. This involved collecting and reviewing relevant documents, databases and publications from government agencies (such as URA, MoFPED, LGFC, MGLSD and LGFC), donor agencies (such as the World Bank, IMF and OECD), CSOs (such as Oxfam, TJNA, SEATINI, CSBAG, UDN and IBP), and academic and research institutions (locally and internationally).

In addition, the report has been peer-reviewed by a team of experts from SOMO, FEMNET, Oxfam in Uganda, Tax Justice Africa, SEATINI-Uganda and the Government of Uganda, who verified the accuracy of the information provided. A validation workshop on 2 December 2021 – with representatives of civil society, academia and the government (URA, MoFPED and LGFC), plus independent consultants – was held in Kampala to provide input and feedback on the findings.

Limitations of the study

There are some limitations worth noting. Due to Covid-19 restrictions, the study was not able to include interviews with all the intended stakeholders. In addition, the lack of gender-disaggregated data made it difficult to analyse the gendered impact of fiscal policies in Uganda.

SECTION 1: BRIEF DESCRIPTION OF UGANDA'S TAX SYSTEM

This section provides an overview of the structure of the tax system, the authorities responsible for collecting taxes and the overall approach to managing taxes. It also provides a review of the impact of the changes that have been made to the tax system in previous years and whether Uganda has been moving towards a gender-responsive, fair tax system.

1.1 LEGAL, POLICY AND INSTITUTIONAL FRAMEWORK

Uganda has a relatively good legal, policy and institutional framework on taxation (see Annex 1), which should enable the country to collect sufficient revenues. Uganda Revenue Authority (URA) is mandated to administer all taxes for the central government, whereas local governments (districts, municipalities, town councils and sub-counties) are mandated to collect taxes that are not under the jurisdiction of URA, and as prescribed in the Local Government Act.

Uganda is implementing the Domestic Revenue Mobilisation Strategy (DRMS) 2019/20 - 2023/24. The DRMS aims to increase Uganda's tax-to-GDP ratio to between 16-18% by 2023/24, by improving the tax system through closing gaps in tax policy, improving the productivity of tax instruments and increasing the efficiency of the tax administration. The DRMS acknowledges the need to build capacity in URA and the Tax Policy Department (in functions such as tax policy analysis, revenue forecasting, auditing etc.), develop a tax policy strategy, and repair or revamp the legal tax framework along with the new tax policy.

In addition, the government is developing a Local Revenue Mobilisation Strategy (LRMS), which will provide a framework for reforms that will be implemented in the medium term to enhance the potential of local government (LG) own-source revenue collections. The implementation of the strategy will result in a significant increase in LG own-revenue yields, resulting in greater LG autonomy in decision-making and consequent strengthening of the government's decentralization policy.

Uganda has a relatively good legal, policy and institutional framework on taxation

1

The DRMS aims to increase Uganda's tax-to-GDP ratio to between 16-18% by 2023/24

The government is developing a Local Revenue Mobilisation Strategy (LRMS)

LRMS

There are major challenges in the current institutional framework. These are related to minimal collaboration among institutions, inadequate staffing, limited funding, inadequate capacity, low motivation of staff (especially at LG level), lack of autonomy of URA, and corruption. URA and LGs operate under independent legal frameworks, resulting in duplication of work and unnecessary bureaucracy. URA is, and should be, the principal collaborator with the Tax Policy Department in MoFPED on tax policy-making; however, a review carried out by ODI[1] found that URA's overall contribution to policy-making is less than would usually be expected.

At the LG level, systems, processes and procedures that are well known for enhancing local revenue are not adhered to. These particularly relate to following the local revenue mobilization cycles, not having functional local revenue committees, inadequate human resources, underfunding of the revenue section, lack of guidance to tenderers collecting on the LG staff, and inadequate support from Internal Audit on the local revenue side, among others.[2]

1.2 TAX REFORMS AND POTENTIAL IMPACT

Tax laws are amended annually, mainly to increase tax revenue. The major tax amendments evolve around the Income Tax Act (Cap 340); Value Added Tax Act (Cap 349); Excise Duty Act 2014; Stamp Duty Act, 2014; the Tax Procedure Code Act, 2014; Mining Act, 2003; The Fish Act, Cap 197 and The Tax Appeals Tribunal Act (Cap 345). Annex 2 shows the tax reforms for the past three years. However, apart from tracking revenue growth, the government does not ascertain the impact of tax amendments on women and marginalized groups.

The government has generally ignored calls from international organizations such as the IMF[1] and UN[2] for countries to adopt progressive tax measures to fund social support programmes for low-income households to cushion the effect of the Covid-19 pandemic. Instead, during FY 2021/22 the government instituted numerous tax reforms and administrative measures to mobilize domestic revenues of more than UGX 22,425 trillion (approx. US$6.33bn).[3] However, these measures are geared at establishing an 'efficient' mode of

1 https://www.theguardian.com/business/2021/apr/07/imf-wealth-tax-cost-covid-pandemic-rich-poor

2 https://www.reuters.com/article/us-health-coronavirus-un-idUSKBN-2BZ281

collecting taxes, with less effort being directed at the principles of equity and progressivity. Most of the tax measures are imposed without evaluating their impact on people, especially low-income earners (the majority of whom are women). During FY 2021/22, several tax measures were instituted that will have a profound impact on low-income earners, for example:

- **The Income Tax Act will not exempt income of persons involved in agro processing at a small or medium scale, so these persons will pay income tax. This is likely to affect women more, since they are largely involved in small and medium-scale agro processing**.
- **The rental income amendment means that an individual will be allowed expenses of 75% of rental income earned, in addition to the interest incurred on the mortgage from a financial institution. However, this is likely to disproportionately benefit men, who are more likely than women to own rentable premises.**
- **The excise duty levy of an additional UGX 100 per litre of gasoline and diesel will increase the cost of transport for all people, irrespective of gender, as most Ugandans rely on public transport.**
- **The excise duty levy of 12% on internet data, except data for provision of medical services and education services, and 12% VAT on telecommunication services will increase the cost of communication, especially the internet, amidst the Covid-19 pandemic. This will negatively impact on the ability of women and girls in accessing telecommunication services. The social media tax3 that was introduced in July 2018 led to a drop in internet users from 18.5 million (47.4%) to 13.5 million (35%) in the first six months.4 Digital taxes in various forms are not only regressive; they also disenfranchise poor and marginalized groups such as women and youth. Digital inequalities can cause double inequalities, particularly limiting opportunities for women and girls to acquire new skills and access accurate and relevant information online.**

In 2020, the government introduced tax measures to provide liquidity support to businesses in the wake of the economic shock caused by the Covid-19 pandemic. These included: extension of return filing deadlines (for VAT, Pay as You Earn, local excise duty, withholding tax returns, and returns pertaining to taxes under the Lotteries and Gaming Act);[4] deferment of tax

3 Users of social media (such as Facebook, Twitter, WhatsApp, Instagram etc.) were required to pay a daily levy of UGX 200 (US$0.05) to access social media sites.

4 Taxpayers whose accounting date was in September and who cannot

payments under instalment arrangements to May 2020;[5] waiver of penalties and interest upon voluntary disclosure;[6] and submission of physical documents using electronic channels.[7] Other forms of support included: liquidity injections through soft loans such as Emyooga,[8] and capitalization of the Microfinance Support Centre and Uganda Development Bank. However, these measures disproportionately benefited formal businesses, because informal businesses (where most women work) were often unable to access credit from these schemes. Unfortunately the Ugandan government did not follow the path recommended by the IMF, UN and others to respond to the Covid-19 crisis by enacting progressive tax measures to fund social support programmes, to cushion the effects of the pandemic.

1.3 RECOMMENDATIONS

a. MoFPED (Tax Policy Department) should improve its working practices and encourage more timely and effective input from URA officials to tax policy processes.

b. MoFPED and URA should strengthen the consideration given to issues of fairness, inequality and gender in tax policy-making by accelerating more extensive use of micro-simulation models, so that the potential impacts of policy choices can be better understood.

c. URA needs to simplify the tax system to encourage formalization. Differentiation of tax rates and tax heads can lead to tax evasion, and can also push otherwise willing taxpayers out of the system entirely.

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file corporation income tax returns by 31 March 2020 were granted a two-month extension to file returns (deadline extended to May 2020).

5 Taxpayers who executed Memoranda of Understanding (MoU) and who had payments due in the months of March and April 2020 had the option to defer and reschedule those payments.

6 A taxpayer who made any voluntary disclosure during the months of March and April 2020 and paid the principal tax had their penalty and interest remitted in accordance with the law (Section 66 of the Tax Procedures Code Act).

7 URA encouraged taxpayers to utilise its online services and submit physical documents through electronic channels.

8 Emyooga, a presidential initiative on wealth and job creation, was rolled out in October 2020 to support, among others, market vendors, welders, taxi drivers, boda-boda riders, women and restaurant owners who come together in the form of savings and credit cooperative societies.

d. URA and LGs should work together not only to include more taxpayers in the tax base using the Taxpayer Register Expansion Project (TREP), but also to provide some incentives (such as tax breaks, exemptions, deferrals, training in filing tax returns) to assist small businesses to formalize.

e. MoFPED should limit excise and other consumer taxes that increase the cost of goods and services, especially those related to use of social media and mobile money.

f. The Ministry of Local Government (MoLG) and Local Government Finance Commission (LGFC) need to conduct more studies on all existing and intended LG revenue sources to ascertain their viability and the challenges that may affect the performance of each revenue source, and the best strategies on how they can be collected, before administering the appropriate levies.

g. In partnership with CSOs, URA and LGs should simplify all tax laws and policies, and translate them into local languages to increase citizens' understanding and engagement.

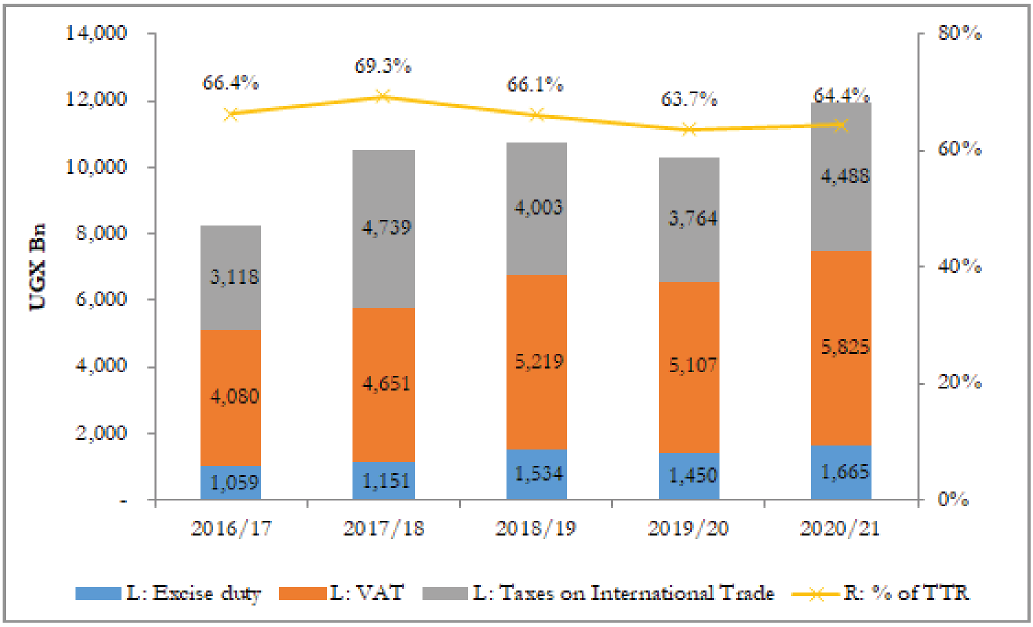
SECTION 2: DISTRIBUTION OF TAX BURDEN AND PROGRESSIVITY

In this section, the report provides an assessment of the progressivity of personal income tax, corporate income tax, wealth taxes, VAT, excise taxes, international trade taxes and presumptive/turnover taxes, to determine what impact they have on income/wealth distribution and inequality, and especially their impact on women and girls. It also analyses the impact of direct taxes from a gender perspective.

2.1 CROSS-CUTTING PROGRESSIVITY

Uganda collects most of its revenue from indirect taxes (in the form of excise duties, VAT and taxes on international trade). On a positive note, the share of indirect taxes in total tax revenue (TTR) – excluding non-tax revenues – reduced by two percentage points, from 66.4% in FY 2016/17 to 64.4% in FY 2020/21, as shown in Figure 1. This is a sign that Uganda's taxation is becoming less regressive.

Figure 1: Trends in indirect taxes

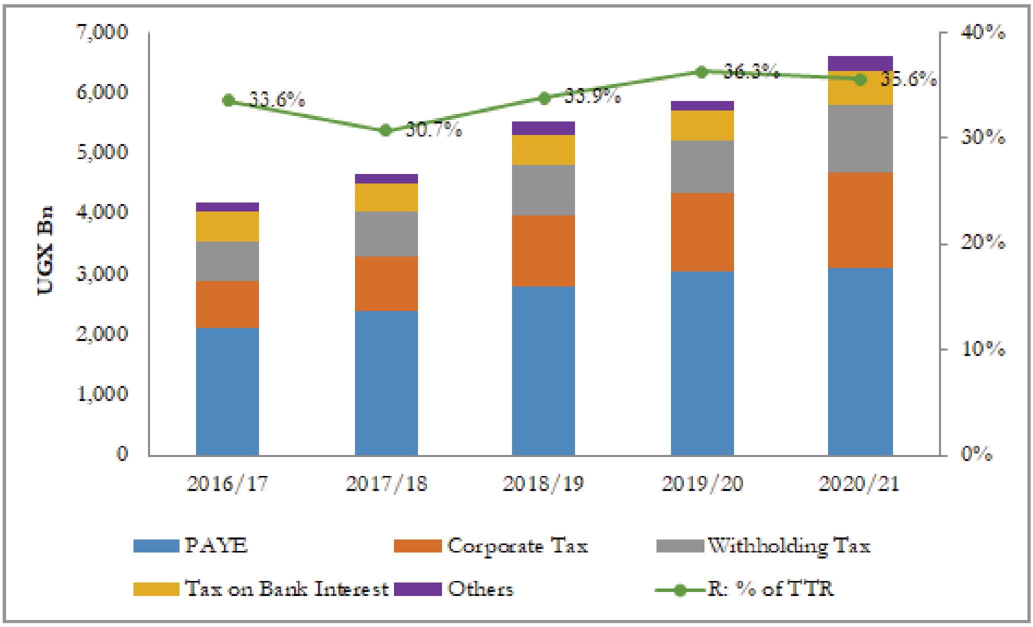


Source: Author's calculations based on URA statistics

Uganda's direct domestic taxes include personal income tax (especially through PAYE), corporate tax, presumptive tax, rental tax, withholding tax, tax on bank interest, and casino and lottery tax. Direct taxes are perceived to be more progressive, as they affect those with greater earnings more, as a proportion of income, than those with lower earnings.[5] The share of direct

domestic taxes in TTR – excluding non-tax revenues – marginally increased during the last five financial years, as shown in Figure 2.

Figure 2: Trends in direct taxes



Source: Author's calculations based on URA statistics

The high reliance on indirect taxes makes Uganda's tax system regressive, since these taxes are based on the value of goods, services and assets, rather than people's ability to pay. Indirect taxes tend to disproportionately affect low-income earners, especially women, because they spend a higher proportion of their income on consumer goods for their families.[6] Women tend to spend more of the income under their control on goods that contribute to the social reproduction of labour, including healthcare, education, food, childcare and elder care. Changes in the price of these goods (due to tax policies) can reduce consumption or lead people to substitute better-quality goods with inferior ones.[7] The impact has been mitigated by VAT exemptions on some goods and services.[8] However, taxes on utilities (such as water) seem to fall disproportionately on female-majority households, perhaps because women spend more on utilities to save time spent on household tasks (e.g. collecting water). [9]

2.2 PERSONAL INCOME TAX

Personal income tax (PIT) is levied on both residents' and non-residents' employment income (wages and salaries) and other personal income (from business and property ownership). In Uganda, PIT is mainly collected by URA using the Pay As You Earn (PAYE) method, where salaried employees are taxed based on their salary and allowances, as shown in Table 1. PAYE has a threshold of UGX 235,000 (US$62.9) for residents and UGX 335,000 (US$89.6) for non-residents, where anyone earning below that amount is exempt and charged 10%, respectively. Business owners and directors are charged at 30%.

Although perceived by many people as progressive, PAYE is more or less a flat tax. For instance, a person begins paying PAYE with an income of less than UGX 7,800 (approx. US$2) per day, and the top bracket starts with an income of less than UGX 13,600 (US$4) per day. The PAYE structure has not been revised/updated during the last five years to take the inflation level into consideration. This means that lower-income earners, especially women, could pay a higher share of their income in PAYE.

PAYE

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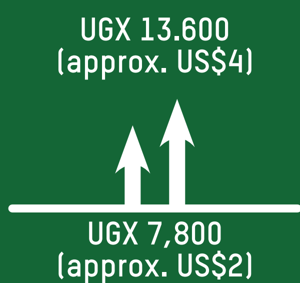


Table 1: Uganda's monthly PAYE structure

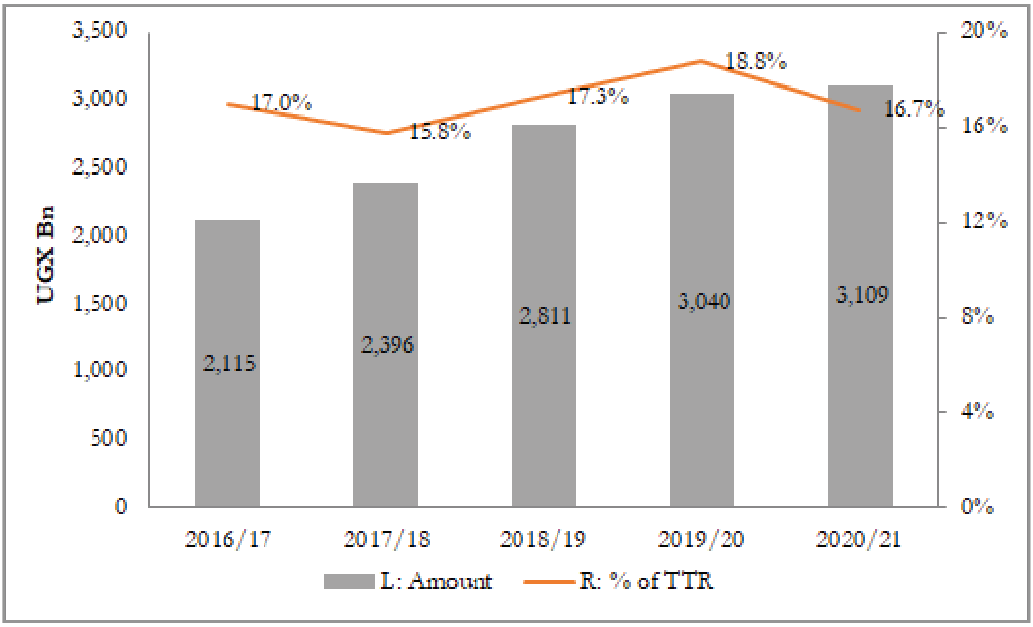
Tax type	Tax base	Tax rates
Residents	Not exceeding UGX 235,000 (US$62.9)	Nil
	Exceeding UGX 235,000 but not exceeding UGX 335,000 (US$89.6)	10% of the amount by which chargeable income exceeds UGX 235,000
	Exceeding UGX 335,000 but not exceeding UGX 410,000 (US$109.7)	UGX 10,000 (US$2.7) plus 20% of the amount by which chargeable income exceeds UGX 335,000.
	Exceeding UGX 410,000	(a) UGX 25,000 (US$6.7) plus 30% of the amount by which chargeable income exceeds UGX 410,000 and (b) where the chargeable income of an individual exceeds UGX 10,000,000 (US$2,676.1), an additional 10% is charged on the amount by which chargeable income exceeds UGX 10,000,000.
Non-residents	Not exceeding UGX 335,000	10%
	Exceeding UGX 335,000 but not exceeding UGX 410,000	UGX 33,500 (US$9.0) plus 20% of the amount by which chargeable income exceeds UGX 335,000.
	Exceeding UGX 410,000	a) UGX 48,500 (US$13.0) plus 30% of the amount by which chargeable income exceeds UGX 410,000 and (b) where an individual's chargeable income exceeds UGX 10,000,000, an additional 10% is charged on the amount by which chargeable income exceeds UGX 10,000,000.

Source: Grant Thornton[9]

9 https://www.gtuganda.co.ug/globalassets/_markets_/uga/media/doing_business_in_uganda_taxation.pdf

In terms of performance, in nominal amounts, PAYE collections increased by 47% between 2016/17 and 2020/21. However, the share of PAYE in total tax revenue (TTR) – excluding non-tax revenues – oscillated around 17% during the same period. Compared to the target, actual PAYE collections have not been good; between 2016/17 and 2020/21, PAYE collections were below target by an average of UGX 30bn (US$8.2m), as shown in Figure 3.

Figure 3: Trends in PAYE



Source: Author's calculations based on URA statistics

At local level, PIT is collected by LGs using the local service tax (LST) method (which replaced the Graduated Tax). LST is levied on the wealth and income of the following categories of people: persons in gainful employment, self-employed and practising professionals, self-employed artisans, businessmen and businesswomen.[10] There is no current credible data on the performance of the LST. However, previous studies by the Local Government Finance Commission indicated that LST has never reached its targets; the contribution of LST averaged UGX 8.6bn (US$3.3 m) between FY 2010/11 and FY 2012/13, far below the target of UGX 67bn (US$25.9 m). This was partly due to the fact that the Local Government Act does not provide for sufficient[10] taxes to be collected, and because there are considerable exemptions,

10 For instance, the fifth schedule, Part II, sections 3, 4 and 6 provided for ten tax bands, the lowest of which is too low, at UGX 5,000.

e.g. for those working in the judiciary, police or military. In addition, LGs are unable to collect LST from employees (especially private and non-government organizations) due to inadequate enforcement and compliance by employers.[11]

Table 2: Schedule for local service tax (LST)

	Amount of monthly income earned (UGX)	Rate per year (UGX)
1.	Exceeding 100,000 but not exceeding 200,000 (US$56.4)	5,000 (US$1.4)
2.	Exceeding 200,000 but not exceeding 300,000	10,000
3.	Exceeding 300,000 but not exceeding 400,000	20,000
4.	Exceeding 400,000 but not exceeding 500,000	30,000
5.	Exceeding 500,000 but not exceeding 600,000	40,000
6.	Exceeding 600,000 but not exceeding 700,000	60,000
7.	Exceeding 700,000 but not exceeding 800,000	70,000
8.	Exceeding 800,000 but not exceeding 900,000	80,000
9.	Exceeding 900,000 but not exceeding 1,000,000 (US$282.1)	90,000
10.	1,000,001 upwards	100,000 (US$28.2)

Source: LGFC (2008)[12]

Both PAYE and LST apply to employees and business owners regardless of sector or gender. There is no distinction of rates based on gender, marital status (single/married) or size of family (e.g. number of children). Married couples are not taxed differently. However, there are exemptions of particular categories of people, such as: members of the Uganda Police Force, Uganda Prisons Service, Uganda People's Defence Force (UPDF) and members of the Diplomatic Missions accredited to Uganda, members of internal and external security organizations, the President, Members of Parliament (MPs) (exemption on income except salary), judges, and in the case of LST unemployed persons and small-scale farmers. Such exemptions tend to benefit men, as these institutions employ mainly men; for instance, women comprise only 4% of the UPDF.

While there are significant gender inequalities related to personal income taxes in Uganda, these do not specifically have a negative impact on women, since very few women pay PAYE and LST. Results of the Uganda National Household Survey 2019/20 showed that only 31.8% of females were in paid employment, and most of their income is not liable for personal income tax, since the nominal median wage for females was UGX 100,000 (US$27.3) in 2019/20,[13] which was below the PAYE threshold of UGX 235,000 (US$62.9). Consequently, only 0.3% of women running small businesses were paying PAYE.[14] This implies that the majority of women in paid employment were not paying PAYE.

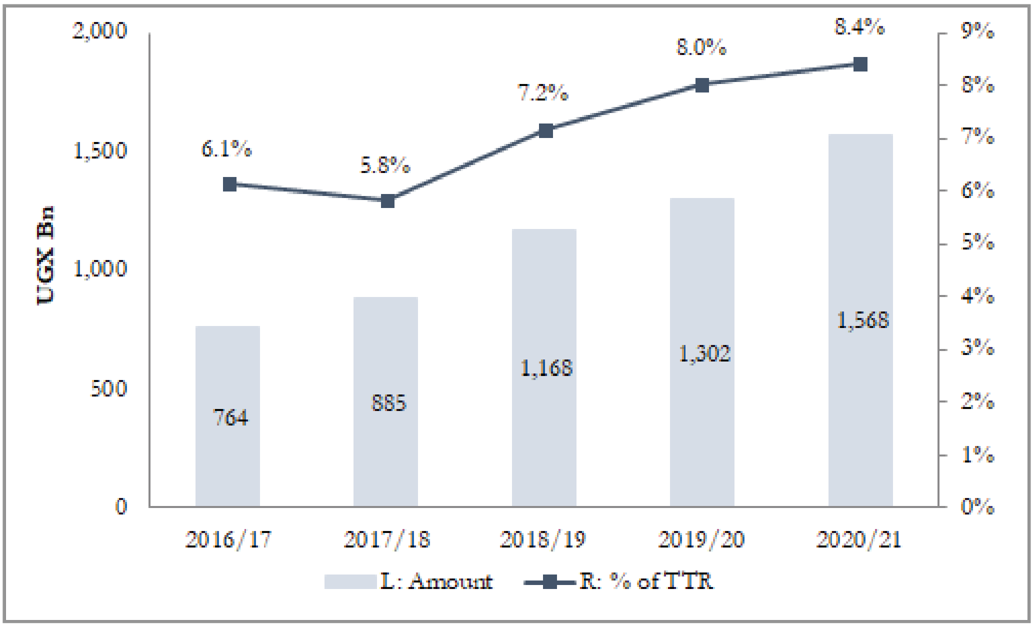
2.3 CORPORATE INCOME TAX

Corporate income tax (CIT) is collected from companies based on their net income. A resident company is taxed on its income from all geographical sources. A non-resident company is only subject to Uganda income tax on income derived from sources in Uganda. The income tax rate applicable to the chargeable income of companies is 30%, except for resident companies whose turnover does not exceed UGX 150m (US$40,971), subject to availability of accounting records. A mix of fixed amounts and rates of turnover is used to determine income tax payable by a resident taxpayer whose turnover is above UGX 10m (US$2,821) but not in excess of UGX 150m. However, on application to the Commissioner General of URA, a resident taxpayer with a turnover of less than UGX 150m may be taxed at a rate of 30% on chargeable income. Chargeable income is gross income for the year less the total deductions allowed under the Income Tax Act.[11]

In terms of performance, in nominal amounts, CIT collections increased by 105% between 2016/17 and 2020/21. Another positive note is that the share of CIT in total tax revenue (excluding non-tax revenues) increased, from 6.1% in 2016/17 to 8.4% in 2020/21. However, compared to the target, CIT collections have not been good; between 2016/17 and 2020/21, CIT collections were below target by an average of UGX 10.5bn (US$2.9m) [see Figure 4].

11 https://taxsummaries.pwc.com/uganda/corporate/taxes-on-corporate-income

Figure 4: Trends in CIT



Source: Author's calculations based on URA Statistics

For CIT, the effective rate of tax is lower than that stated in the law (30%). A study by the Economic Policy Research Centre (EPRC) in 2019[15] found that differences in effective average tax rates are driven by a combination of tax incentives, tax discrimination and preferential treatment. For instance, downstream oil and gas companies that cannot claim preferential corporate tax rates or tax holidays pay an average of 8% effective income taxes, whereas companies operating in free zones with preferential tax treatment have a negative effective tax burden (-20%). The same EPRC study found that differences in the effective tax burden between companies with and without tax incentives amount to 28%. The study also found that domestic investors pay more taxes than multinational corporations.[16]

The international trend towards reducing CIT rates[17] will likely not be halted by a new global tax agreement signed by 136 countries (accounting for over 90% of the global economy) on 8 October 2021. This will ensure that multinational corporations pay an effective minimum tax rate of 15%, which could be brought down further by exemptions allowed for in the agreement. This is well below the sub-Saharan African average statutory rate of 28%, and could see a continuation of the downward pressure on corporate tax rates that reduce the taxable base for most developing countries, including Uganda. This shifts taxes to regressive consumption taxes, which disproportionately affect women.

The same CIT rate applies to all companies; it does not differ by sectors or activities (e.g. extractive industry or export-oriented). There are no CIT incentives for micro, small and medium-sized enterprises and start-ups, or specific schemes for women and vulnerable groups. However, a resident company whose net income is less than UGX 10m does not pay CIT.

There are rules regulating the transfer pricing arrangements of multinational corporations in Uganda. The transfer pricing and anti-avoidance provisions of the Income Tax Act Cap 340 of the Laws of Uganda allow the Commissioner General of the URA to adjust, distribute, apportion and allocate taxpayers' incomes and expenses, and to determine tax liability. These statutory provisions are supported by: the Income Tax (Transfer Pricing) Regulations 2011, URA Practice Note, May 2012, and double taxation treaties. Transfer pricing rules generally follow the 'arm's-length' principle of the Organization for Economic Co-operation and Development (OECD). Taxpayers who engage in controlled transactions aggregating to or exceeding 25,000 currency points (UGX500m – US$141,000) and multinational enterprises must comply with the documentation requirements set out in the Practice Note of 5 May 2012.[18] A penal tax of UGX 50m (US$13,657) is due on the taxpayer for failure to provide records requested by the Commissioner in respect of transfer pricing.[19]

The Ugandan government recognizes the difficulties implementing the transfer pricing rules, associated mainly with lack of local comparables. For this reason, URA subscribes to Pan European databases, including Amadeus, for information regarding comparables. URA's investment in Amadeus, its participation in several transfer pricing seminars and consultation with the African Tax Administration Forum (ATAF) demonstrate the government's intent to strengthen its transfer pricing capacity.[20]

For CIT, information about company directors and major shareholders (i.e. tax identification number, name, job title and address) are registered in URA's database. However, these variables are not mandatory in the form and are not validated in e-tax. When a company is registering to receive a tax identification number (TIN), all directors are required to already have a valid TIN in order for the company TIN to be approved. However, the gender of directors is not specified, making it complex to ascertain gender statistics.

2.4 VALUE ADDED TAX

Value added tax (VAT) is collected by URA and is borne by final consumers of goods and services, including those that have been imported. The standard VAT rate is 18%, and does not differ for different goods/services; however, many goods and services are VAT-exempt (i.e. zero-rated[12] or exempted[13]) (see Annex 3).[14] This provides some progressivity in the VAT system, since most exempt goods and services (such as sanitary pads, education materials etc.) are consumed mainly by poor households and women. In addition, the annual turnover threshold for VAT registration is UGX 150m (US$40,971). This means that a broader range of small businesses is excluded from registering for VAT.

In terms of performance, in nominal amounts, VAT collections increased by 48% between 2016/17 and 2020/21. However, compared to the target, actual VAT collections have not been good; between 2016/17 and 2020/21, VAT collections were below target by an average of UGX 247.7bn (US$67.7m). The share of VAT in total tax revenue – excluding non-tax revenues – has oscillated around 32% over the last five financial years (see Figure 5).

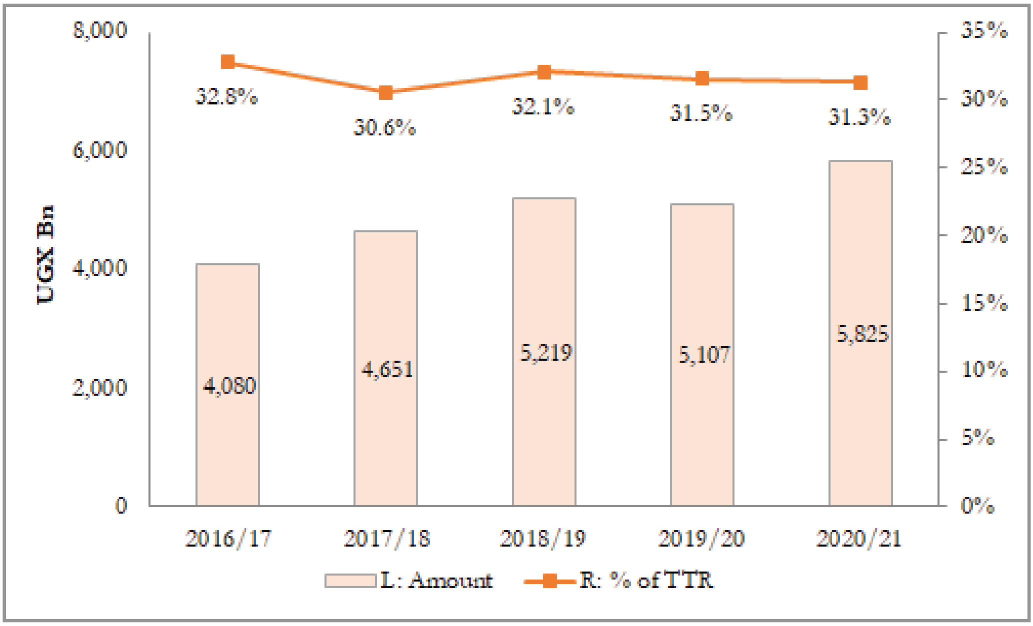
There are a number of challenges in the collection of VAT. For instance, the Auditor General Report to Parliament for FY 2019/20[21] revealed: incorrect filing of monthly VAT returns by some large and medium taxpayers; some taxpayers with VAT claims of UGX 2.619 trillion had not opted for a tax refund as required under the law; and false declaration of VAT returns. These challenges are largely due to the failure of URA officers to verify VAT returns, and possible evasion of the audit by such taxpayers, contrary to the domestic tax compliance handbook.

12 These are supplies charged VAT at a rate of 0%. Such supplies are listed in the third schedule to the VAT Act (see Annex 3).

13 Exempt supplies are supplies of goods and services which do not attract VAT. These are specified in the second schedule to the VAT Act (see Annex 3).

14 Such as: all exports; the supply of drugs and medicines; the supply of educational materials and the supply of printing services for educational materials; the supply of seeds, fertilizers, pesticides and hoes; the supply of machinery, tools and implements suitable for use only in agriculture; medical, dental and nursing services; educational services; the supply of liquified gas; and denatured fuel ethanol from cassava.

Figure 5: Trends in VAT



Source: Author's calculations based on URA statistics

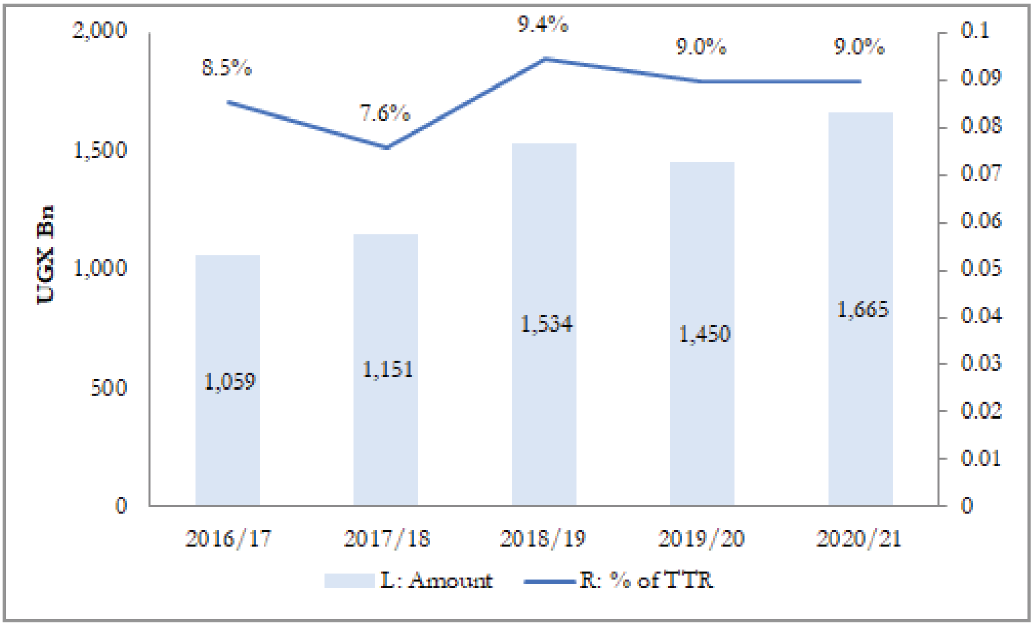
How VAT and its specific rates/exemptions affect income and gender inequality can be assessed in two ways: the effect through women's consumption and the effect through expenditure on business inputs (VAT on inputs can generally be reclaimed by registered businesses). Although VAT does not differentiate between men and women, both of whom could be consuming goods and services, there is enough evidence to suggest that without actively reduced VAT or zero-rating for certain goods, the burden of these taxes falls disproportionately on women. This is because women tend to spend a larger proportion of their (lower) incomes on collective household needs such as food, healthcare and education. While on the face of it VAT has no explicit bias, it has an implicit bias against women if it is applied at a uniform rate to all goods and services, while reductions and exemptions can have a positive impact on women. For instance, exemptions of VAT on salt and paraffin reduced the vulnerability of poor female-headed households without significantly affecting total revenue.[22]

2.5 EXCISE DUTIES

Excise tax in Uganda is imposed on specified imported or locally manufactured goods and services.[15] The applicable rates may be specific (ad quantum) or ad valorem. The tax is imposed on the value of the import; in the case of locally manufactured goods, the duty (local excise duty) is payable on the ex-factory price of the manufactured good. This tax is administered under the Excise Act of 2014, while changes in the rates of duty are listed in the Second Schedule of the Excise Duty Act (Amended) of 2014. For imported items, excise duty in Uganda is administered under the East African Excise Management Act of 2012.[23]

In terms of performance, in nominal amounts, excise duty collections increased by 57% between 2016/17 and 2020/21. However, compared to the target, actual excise duty collections have not been good; between 2016/17 and 2020/21, excise duty collections were below target by an average of UGX 244.6bn (US$66.8m). The share of excise duty in total tax revenue – excluding non-tax revenues – oscillated around 8.7% over the last five financial years (see Figure 6).

Figure 6: Trends in excise duties



Source: Author's calculations based on URA Statistics

15 Including fuel, cigarettes, beer, spirits/waragi, soft drinks, phone talk time, sugar, bottled water, cement, cosmetics, mobile money transfers, international calls, bank charges, sweets and chocolates, imported furniture, cooking oil, motorcycles, mobile money withdrawals, internet data and plastic shopping bags.

The government does not publish the impact assessment studies (taking into account the impact on women and the poorest people in society) that are carried out before excise taxes are levied. The level at which excise duty is charged is informed by decisions about the relative priorities of generating revenue and minimizing negative externalities, which can work in opposition to one another. Introducing a higher excise duty might increase revenue on the one hand, and yet on the other hand it might curb expenditure on the item, which in turn would reduce revenue.[24] For instance, when Uganda introduced a daily excise duty charge of UGX 200 (US$0.05) for using mobile applications and social media sites like WhatsApp and Facebook in 2018, with the hope of widening the country's tax base, instead internet subscriptions fell drastically and the government did not raise the anticipated revenue. The tax was expected to raise the equivalent of US$80m but raised only the equivalent of US$14m in its first year, largely due to evasion by many social media users by way of virtual private networks.[25]

Recent research indicates that Uganda's excise duty regime has a degree of progressivity, as households in the top deciles pay more excise duty as a percentage of their consumption than households in the bottom deciles.[26] However, in some cases excise duties are regressive because they are usually flat-rated (such as a 0.5% levy on mobile money withdrawals, 12% excise duty on internet data, UGX 1,450 per litre levy on gasoline, and UGX 1,130 per litre levy on petrol). These tend to affect low-income earners more and especially women, who spend a higher portion of their income on consumption of these items.

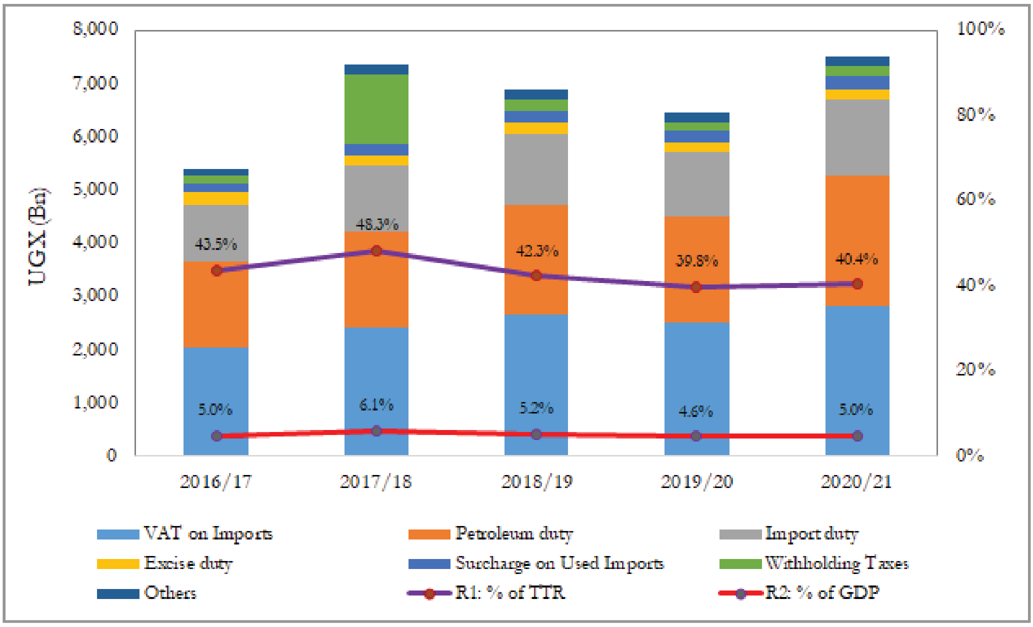
2.6 INTERNATIONAL TRADE TAXES

Uganda's international trade taxes include: import duty (ranging from 0% to 25%), environmental levy (0% to 50%), excise duty (10%), VAT on imports [16](18%), infrastructure levy (6%) and withholding tax (10%). Custom duties are collected through URA and are levied based on the classification of commodity and country of origin.

16 This is accounted for independently under international trade taxes. The international income structure allows the collection of VAT as such in the computation of international trade taxes; secondly, Uganda ratified the general agreement on tariffs and trade rules that allows inclusion of VAT. Taxpaying entities involved in manufacturing or value addition can actually claim back import VAT as input-VAT, or even offset it.

In terms of performance, in nominal amounts, international trade tax collections increased by 39% between 2016/17 and 2020/21. However, compared to the target, actual international trade tax collections have not been good; between 2016/17 and 2020/21, international trade tax collections were below target by an average of UGX 200bn (US$54.6m). For the last five years, international trade taxes contributed an average of 43% to total tax revenues – excluding non-tax revenues – and 5.2% of GDP (see Figure 7).

Figure 7: Trends in international trade taxes



Source: Author's calculations based on URA statistics

Uganda is a member of various trade blocks including the East African Community (EAC). The EAC adopted a Common External Tariff (CET), which led to reductions in import duty rates for commodities originating from partner states. These reductions can affect women through three key routes:
as workers in sectors whose goods are traded internationally (e.g. garment workers);
as traders of such goods (e.g. women cross-border traders); and
as consumers of these goods (e.g. baby formula milk).

Some evidence suggests that tariff reductions have led to job losses, affecting women's livelihoods, and loss of revenue, leading to reduced public expenditure on infrastructure and education, which in turn places added burdens on women.[27]

2.7 PRESUMPTIVE/TURNOVER TAXES

Presumptive tax, a final tax on business income, is intended to bring people in the informal sector into the tax net and nurture compliance among small businesses. It was introduced in Uganda in 1997 and has been reformed several times since its inception. The latest reform in July 2020 sought to make the presumptive regime more progressive, and simpler and fairer to small firms. Presumptive tax is collected by URA.

The threshold for presumptive taxpayers is UGX 10m (US$2,821), but for presumptive taxpayers with annual income above UGX 10m, specific amounts and rates are applicable, as shown in Table 3. Women tend to be over-represented in small firms with less than UGX 10m, and these are exempted from paying presumptive tax.

Table 3: Presumptive tax rates

Gross turnover	Business without records	Business with records
Gross turnover >UGX 10m	Nil	Nil
Gross turnover UGX 10m to 30m	UGX 80,000	0.4% of annual turnover in excess of UGX 10m
Gross turnover UGX 30m to 50m	UGX 200,000	UGX 80,000 + 0.5% of annual turnover in excess of UGX 30m
Gross turnover UGX 50m to 80m	UGX 400,000	UGX 180,000 + 0.6% of annual turnover in excess of UGX 50m
Gross turnover UGX 80m to 150m	UGX 900,000	UGX 360,000 + 0.7% of annual turnover in excess of UGX 80m

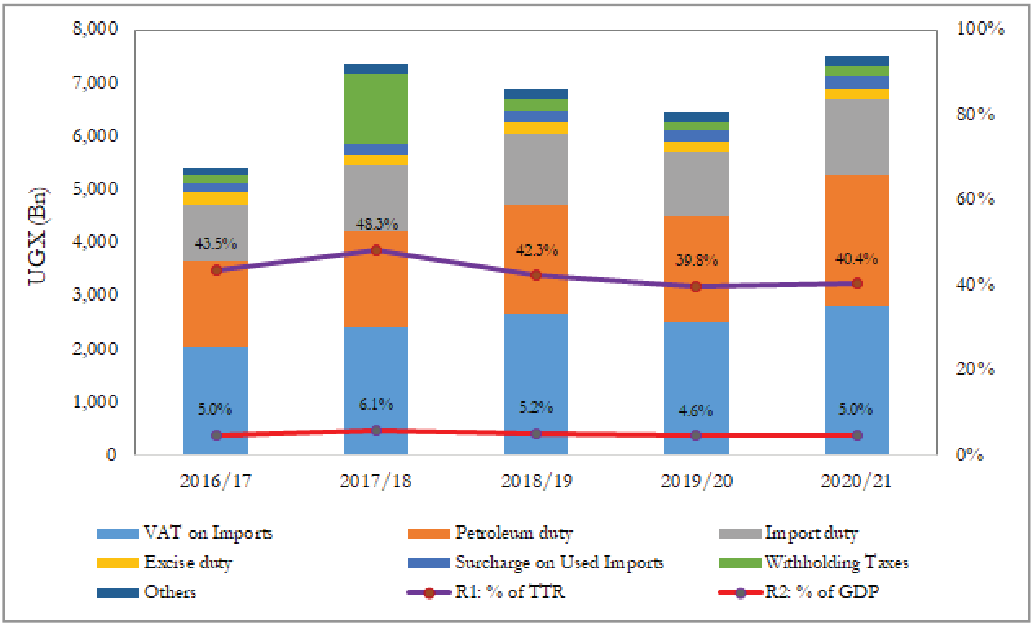
Source: Delliote (2020), Uganda Tax Alert Tax Amendment Bills, 2020 [17]

In terms of performance, in nominal amounts, presumptive tax collections increased by 24% between 2016/17 and 2020/21. However, compared to the target, actual presumptive tax collections have not been good; between 2016/17 and 2020/21, presumptive tax collections were below target by

17 https://www2.deloitte.com/content/dam/Deloitte/ug/Documents/tax/Deloitte%20Uganda%20-%20Tax%20Laws%20Amendment%20Bill%202020.pdf

an average of UGX 18.3bn (US$5m). For the last five years, presumptive tax contributed an average of 0.04% to total tax revenues – excluding non-tax revenues (see Figure 8).

Figure 8: Trends in presumptive tax



Source: Author's calculations based on URA statistics

Uganda's presumptive tax rates do not differ across economic sectors; they are the same even for sectors predominantly composed of women workers, such as the service sector. The recent reform of the presumptive tax regime generally reduced tax payable across the different thresholds. However, it also lowered the turnover threshold at which a person becomes taxable, in an attempt to widen the tax base.[18] Uganda's presumptive tax is regressive, because taxpayers with low annual turnover pay a higher proportion of their income in presumptive taxes than those with higher turnover.[28]

The distinction between keeping records or not is highly impractical, as there is a lack of clarity for taxpayers as to how 'record keeping' is defined. Many small businesses mainly owned by women do not keep proper records, or even where they do, there is a presumption by the URA that not all income has been fully disclosed. As such, the majority of these businesses end up

18 https://www2.deloitte.com/content/dam/Deloitte/ug/Documents/tax/Deloitte%20Uganda%20-%20Tax%20Laws%20Amendment%20Bill%202020.pdf

self-assessing on the basis of what the authorities expect they should be earning.

On the positive side, compared to those filing normal income tax returns, which rely on a complicated Excel template, presumptive taxpayers have access to a simple online form on the URA website. The taxpayer is only required to specify their TIN, business location (prepopulated) and estimated turnover. The e-tax system automatically calculates the tax payable.[29] On the negative side, Uganda's presumptive tax regime is not based on flexible assessment. In addition, URA is supposed to audit taxpayers but does not have sufficient resources to audit all taxpayers.

2.8 WEALTH TAXES

As wealth and property ownership in Uganda are dominated by men and high-income individuals, a strengthening of wealth and property taxation presents an underutilized opportunity to expand the revenue base without widening the gender gap. Wealth and property taxes under Uganda's tax system are divided into three categories:

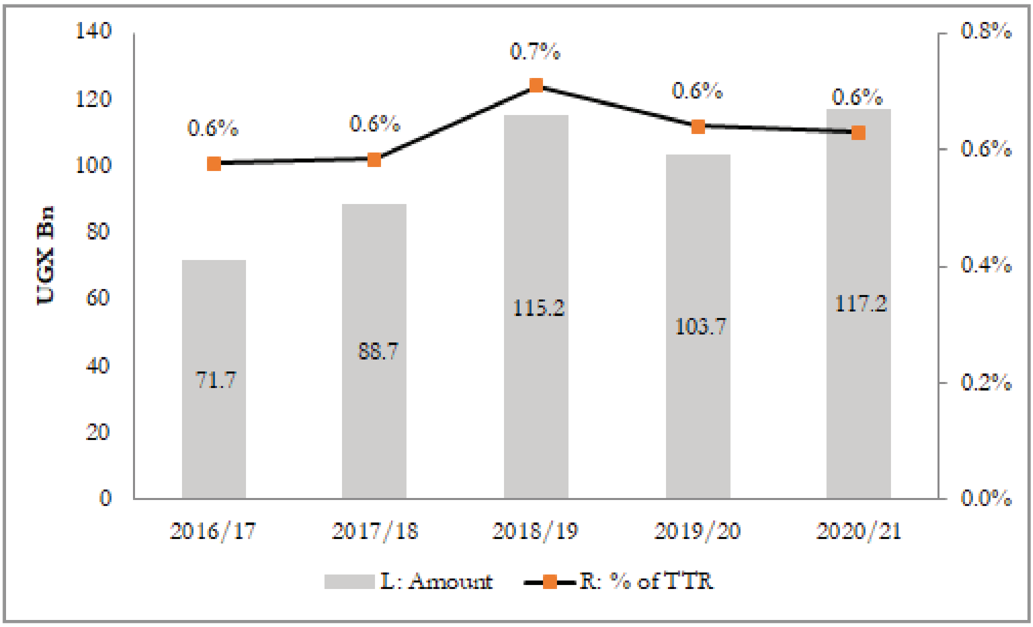
- ***Rental tax*** collected by URA is at 30% for individuals and entities, with up to 75% deduction of gross rental income; this means that the rental income effective tax rate is 7.5%.30 A non-resident who derives income from renting property in Uganda is charged withholding tax at a rate of 15% on gross rent received.
- ***Property tax*** is levied by the local governments (LGs), and the tax base is the property's rateable value (which takes into account the nature of the property concerned and the value of improvements). Tax rates are determined by the local authorities, but at a maximum of 2%. A stamp duty (1.5% on the value of land) is charged by URA at transfer or purchase of land.
- ***Capital gains tax*** is collected by URA and taxed at the standard rate of 30% (capital gains accrued prior to 1 April 1998 are not taxable). In the case of a venture capital fund, a capital gain is not recognized if the fund is registered with the Capital Markets Authority of Uganda and reinvests 50% of its investment proceeds within the year of income. Capital gains tax applies to all economic sectors, forms of corporation and individuals. Capital gains tax arises from the disposal of business assets, such as stock investments, land and buildings.[19] A capital gain is calculated as

19 Under the Income Tax Act, disposal of an asset occurs when an asset has

the total sale price minus the original cost of the asset. A non-resident who becomes a resident person will be deemed to have acquired all assets at the time of becoming a resident.[31]

In terms of performance, in nominal amounts, rental tax collections increased by 63% between 2016/17 and 2020/21. However, compared to the target, actual rental tax collections have not been good; between 2016/17 and 2020/21, rental tax collections were below target by an average of UGX 81.3bn (US$22.2m). For the last five years, rental tax contributed an average of 0.6% to total tax revenues – excluding non-tax revenues (see Figure 9).

Figure 9: Trends in rental income tax



Source: Author's calculations based on URA statistics

The majority of assets and properties, such as land and houses, are owned by men; for instance, of registered land in Uganda, only 16% is owned by women against 56% by men[32] (the remainder is owned by companies, traditional institutions and government). Consequently, property taxes tend to have a higher impact on men than women. Therefore, the amendments made to rental tax in 2021, which allows entities up to a 75% deduction on gross rental income, will benefit more men than women. Taxes on assets

been sold, exchanged, redeemed, distributed, transferred by the taxpayer by way of gift, destroyed or lost.

and property are powerful mechanisms to redistribute wealth and resources from rich to poor as well as from men to women, especially if the tax rates are increased. Therefore, reducing the current deduction and more generally strengthening property taxes is encouraged.

Moreover, it is recommended that the government strengthens both the progressivity of property taxes and the total revenue collected from them. Strengthening local administrative capacity to levy property taxes and using the revenue for local-level service delivery has additional benefits. Administering property taxes requires understanding of the local context and knowledge of properties and their owners – an understanding which local authorities tend to have. Therefore, administering property taxes locally helps to reduce costs. There is also a greater incentive for local tax authorities to make strong efforts in collecting tax if the revenue directly ends up in the local government's accounts, instead of it being sent to the central government's Consolidated Fund.

As properties are immobile assets they are not easily shifted between jurisdictions or localities to evade tax liabilities. This makes them suitable for local-level control and administration. If the revenue is also spent at local level, this has the added benefit of building accountability between the LGs providing services and the population using basic local services such as water, sanitation and local roads.

Uganda has neither inheritance nor gift taxes. The Income Tax Act exempts taxes on the value of any property acquired by gift, bequest, devise or inheritance that is not included in business, employment or property income.

URA established a unit that manages the tax affairs of high net-worth individuals (HNWIs) to coordinate the tax compliance of wealthy citizens and VIPs, including Parliamentarians, politicians and high-profile government officials. According to URA statistics, the authority collected UGX 23.73bn (US$6.4m) from HNWIs in FY 2019/20.[33]

2.9 PUBLIC PERCEPTIONS OF THE TAX SYSTEM

The relationship between tax knowledge and perceived tax fairness is weak in Uganda. A study by SEATINI and Oxfam (2017[34]) showed that most citizens were unaware of how most taxes are calculated or assessed. The study noted that the tax assessment process carried out by the tax authorities

(URA and LGs) did not provide sufficient information to taxpayers, and the assessors did not seek taxpayers' involvement. Therefore, most taxpayers considered the current taxation system to be unfair. The lack of requisite information makes taxpayers unaware of their rights and more exposed to the discretionary powers of corrupt officials.

The high incidence of corruption among tax officials is likely to reduce tax compliance. Citizens' perceptions of the role of the state, how tax law is administered, and the enforcement and trustworthiness of government institutions are also contributing factors to taxpayers' behaviour.[20]

It should be noted that URA actively seeks client feedback via social media, call centre satisfaction surveys and face-to-face engagement. The results of such engagement are used to design tax policy changes and refine administrative procedures (e.g. the design of a presumptive tax regime for small and micro enterprises). However, an independent client satisfaction survey has not been conducted since 2012.[35]

2.10 RECOMMENDATIONS

a. MoFPED and URA should strengthen progressive taxes on wealth, capital gains, property and financial transactions/income.
b. LGs should be given resources to strengthen their capacity to collect property taxes effectively. The revenues from property taxes should be spent at local level, thereby strengthening accountability between LGs providing services and the population using local services such as water, sanitation and local roads.
c. URA should put in place mechanisms for the collection and analysis of gender-disaggregated data. For instance, when filing income tax returns, the sex of the person filing or company owners should be included. This will enable tracking of the impact of tax policies on gender and related issues in Uganda.
d. MoFPED and URA should make PAYE more progressive by raising the entry threshold and tax rates of the higher brackets, introducing additional tax bracket(s) for the highest incomes, and focusing compliance efforts on high-income earners.
e. MoFPED and URA should ensure more revenue from corporate income taxes by removing and simplifying exemptions and enhancing URA's

20 https://www.u4.no/publications/designing-a-taxpayer-baseline-survey-in-uganda.pdf

resources and capacity to ensure better compliance. Moreover, URA should strengthen anti-tax avoidance policies.

f. MoFPED and URA should ensure that all value added and sales taxes exempt basic food products.
g. MoFPED should ensure that distributional impact analysis of tax policy, including impact on gender, is a legal requirement prior to implementing any major tax reforms.
h. URA should ensure that presumptive tax is simple, transparent and sufficiently aligned with other taxes and payments to the government, as this will encourage more small businesses to pay tax.
i. URA should institute severe penalties for high-net-worth individuals who are noncompliant, and use information-exchange mechanisms with foreign jurisdictions.
j. MoFPED in collaboration with academic and research organizations should undertake more empirical studies to establish the gendered impact of taxes.
k. URA and MoFPED should strengthen alliances with key stakeholders, including Parliament, the private sector and CSOs. Important initial steps are to enhance compliance through a comprehensive database of all taxpayers, to improve taxpayer services and education, and to make it easier for all Ugandans to become registered and active taxpayers.

SECTION 3: SUFFICIENT REVENUES AND ILLICIT FINANCIAL FLOWS

In this section, the report examines sufficiency of tax revenues, taxpayers, and illicit financial flows (IFFs) and their impact on women.

3.1 TAX REVENUES AND SUFFICIENCY

Uganda is implementing the National Development Plan III (NDP III), and tax revenue is the main source of public resources for financing the plan. The government has prioritized the implementation of strategies that increase resources available to finance public investment, as laid out in the Domestic Revenue Mobilisation Strategy (DRMS) 2019/20 - 2023/24. The DRMS aims to increase Uganda's tax-to-GDP ratio to between 16-18% by FY 2023/24 and achieve tax-to-GDP growth of 0.5% every financial year.

In nominal terms, Uganda has seen a significant increase in total tax revenue (TTR[21]) during the last five years, 2016/17 to 2020/21: the total revenue increased by 51% during that period (see Figure 10). In FY 2020/21, URA collected net revenue of UGX 19,263bn and posted growth in revenue of 15% compared to FY 2019/20. This is the highest growth registered in the last four years.[36] It is important to note that TTR in this paper only includes taxes and non-tax revenues (NTRs) collected by URA, including revenues from extractives, but excludes revenue collected by local governments (LGs) and some NTRs collected by ministries, departments and agencies (MDAs).

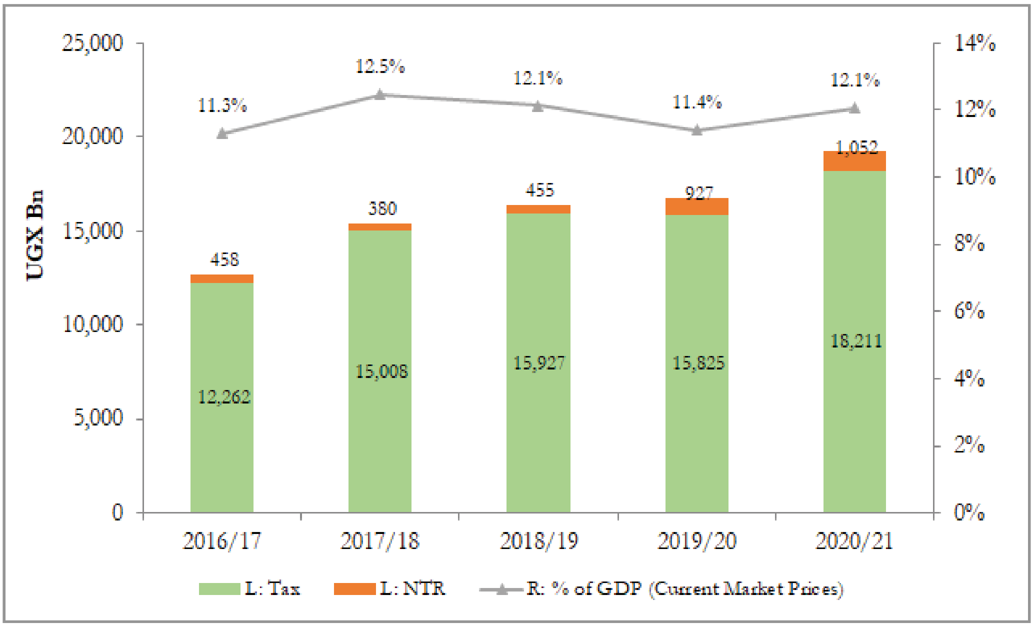
Although TTR increased during the last five financial years, as a percentage of gross domestic product (GDP) the increase has been minimal, from 11.3% in 2016/17 to 12.1% in 2020/21, with a falling or stagnant trend in the last three financial years. Consequently, Uganda's tax revenue to GDP ratio is still well below the sub-Saharan Africa average of approximately 16.5%, and that of its East Africa Community neighbours Kenya, at 15.9% and Rwanda, at 14.6%. Based on current performance, it is unlikely that Uganda will meet the DRMS target and 16% tax-to-GDP ratio set out in the NDP III and the Charter of Fiscal Responsibility.

Several factors are contributing to insufficient tax collections in Uganda, some of which are: the very large informal sector; generous tax incentives; inefficiency in tax collection; low collection of NTRs; limited number of taxpayers; tax avoidance and evasion, mainly through double taxation

21 TTR is comprised of direct domestic taxes; indirect domestic taxes; taxes on international trade; fees and licences; and non-tax revenues (NTRs) minus tax refunds.

treaties; and IFFs, among others.

Figure 10: Trends in total tax revenues



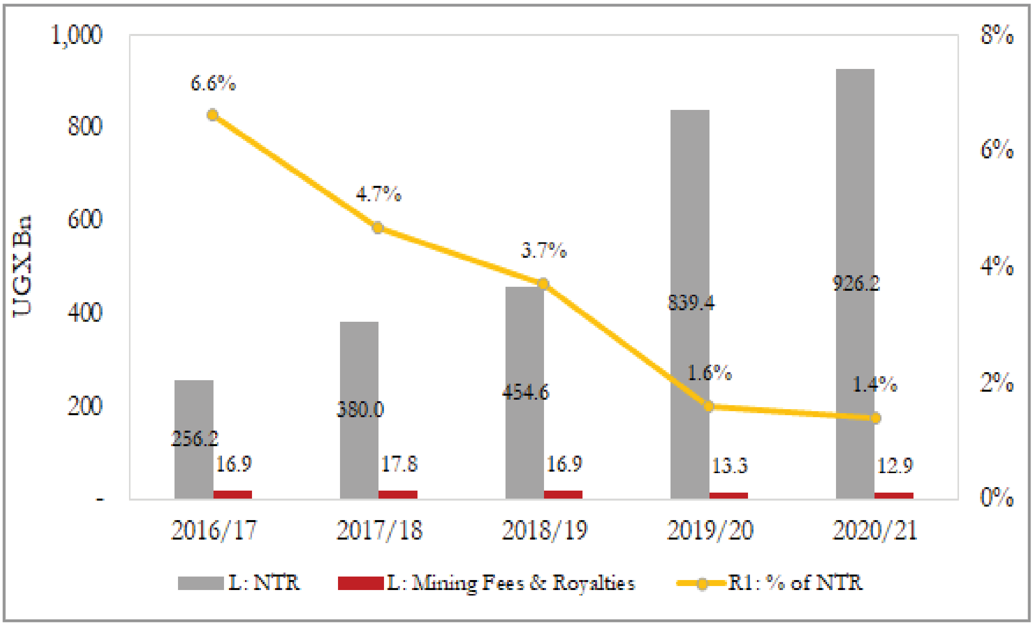
Source: Author's calculations based on URA statistics and MoFPED (BTTB – various years)

NTRs[22] have been improving over the years, mainly due to the involvement of URA in their collection since 1 July 2017, and direct remittance to the Consolidated Fund in the Bank of Uganda.[37] The share of NTRs to TTR increased from 2.0% in 2016/17 to 4.8% in 2020/21; however, the share remained less than 1% of GDP. NTRs are appropriated by Parliament through the budget and disbursed to all MDAs and LGs.

NTRs from extractives, especially mining fees and royalties, are very minimal, averaging UGX 15.6bn (US$4.4m) between FY 2016/17 and FY 2020/21, and their share of total NTRs declined during the same period (see Figure 11). NTRs from extractives, especially mining fees and royalties, accounted for here are those collected by URA; however, there are others collected by various MDAs and LGs.

22 NTRs are government revenues from sources other than taxes. These include: levies, fees, licences, fines, permits, and surcharges by MDAs.

Figure 11: Trends in non-tax revenues



Source: Author's calculations based on URA Statistics and MoFPED (BTTB – various years)

The low NTRs from extractives can mainly be attributed to three factors. First, limited information on Production Sharing Agreements[23] makes it difficult to know how much Uganda is collecting or will collect from the extractive industries, especially oil and gas. The government has not passed regulations or disclosed information relating to companies' beneficial owners and the contracts signed with extractive companies.[38] Second, there is inadequate implementation of the extractive legal framework, especially on collection of fees and royalties. For instance, gold is Uganda's leading commodity export, the export revenue of which amounted to UGX 4.2 trillion (US$1,118m) in 2020;[39] however, this is not reflected in revenue collections by URA, which only amounted to UGX 27.3bn (US$7.4m) in 2019/20. Third, there are challenges in collecting NTR from extractives, because operational licences are issued and paid for at national level (by the Ministry of Energy

23 This is a contract signed between the government and oil-producing companies detailing how the different aspects of exploration, participation of government, taxes, loyalties, production and earnings from oil shall be managed. So far, the Government of Uganda has signed four Production Sharing Agreements with different oil companies, namely: Tullow Uganda Ltd, Tower Resources Neptune, Heritage, and Dominion Petroleum Ltd.

and Mineral Development), even though activities are at local level. The LGs where these activities take place have limited information on the operational licences of extractive industries, and therefore can't collect taxes and loyalties from them. In some cases, some extractive industries give loyalties to LGs and communities; however, there are no effective 'follow the money' mechanisms to accountable leaders.

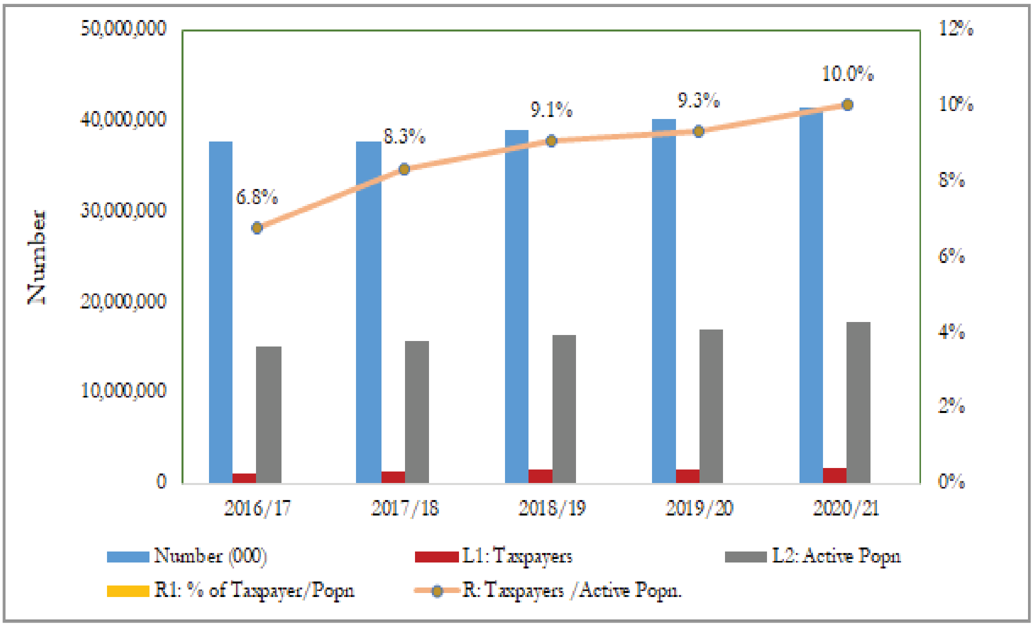
On governance of oil and gas revenues, rules are in place mandating frequent financial reporting, which have been matched by disclosures of the Petroleum Fund and its sub-fund, the Petroleum Revenue Investment Reserve. However, the fund does not have robust numerical rules governing withdrawals, and there are no publicly available legal requirements detailing what asset classes can be invested in and which are prohibited. There are also no rules prohibiting investments in domestic assets, and these investments do not have to be approved by the legislature. This opens the possibility for domestic investments to be made for political reasons, which could lead to conflicts of interest or corruption.[40]

3.2 TAXPAYERS

Uganda has a small number of registered taxpayers. The percentage of the active population (those engaged in productive work) registered for taxes is still very low, at only 10%, though the share has been increasing during the last five financial years (2016/17 -2020/21),[24] as seen in Figure 12. This means that the tax burden from direct taxes such as personal income tax is concentrated within relatively few people and businesses.

24 The taxpayer register has grown by over 74%, from 1,024,483 taxpayers in 2016/17 to 1,783,493 taxpayers in 2020/21.

Figure 12: Trends in Uganda taxpayers



Source: Author's calculations based on URA and UBOS statistics

Tax return filing is a periodic activity carried out by every eligible taxpayer (individuals, companies, trusts, government organizations and partnerships) through URA's e-filing system (e-tax website). Presumptive taxpayers only need to specify their taxpayer identification number (TIN), estimated annual turnover and business location, and then the system automatically calculates their tax payable. The system also automatically generates a tax payment registration slip which taxpayers use to pay the applicable income taxes to the bank at the same time. There are different types of tax returns for the different domestic tax heads administered by URA. There are no tax returns for non-tax revenues. The different types of tax returns are summarized in Box 1.[41]

BOX 1: DIFFERENT TYPES OF TAX RETURNS FILED AT URA

- **Income tax return for individuals and non-individuals.**
- **Presumptive tax return for small taxpayers with annual turnover between UGX 10m and UGX 150m.**
- **Rental income tax return for individuals and non-individuals.**

- **Withholding tax (WHT) return for withholding agents – individuals and non-individuals.**
- **Pay As You Earn (PAYE) return for employers.**
- **Value added tax (VAT) return.**
- **Local excise duty (LED) return.**
- **Gaming and pool betting tax (GPBT) return.**

Source: ICTD (2021)

In filing a personal income tax return (i.e. PAYE), although the employer is supposed to indicate the identification details of each employee (employee's name, basic salary and period of employment), there is no requirement to indicate the employee's gender. Although the TIN captures the person's gender, it is not a mandatory field when filing for PAYE. Consequently, the majority of employers leave the field for employee TIN empty. A study[42] found that in December 2020, 69% of employees had missing/invalid TINs in their PAYE returns. Although employee names are included, it is difficult to ascertain whether they are female or male, making gender-disaggregated analysis difficult.

At registration, all companies are required to declare their directors and partners. For the company TIN to be approved, these directors must be the same as those registered with the Uganda Registration Service Bureau (URSB) on company forms 7 and 8, and, for those which are partnerships, on the partnership deed. Similarly, when filing the company annual income tax return, companies are required to declare their directors and partners. However, a study[43] found that in 2018/19, a total of 174,123 directors were not declared in the submitted income tax returns despite being on the companies' registration profiles. This negatively affects the credibility of the tax returns.

There are weaknesses in the e-tax system and a low level of systems integration. Different system modules/databases within e-tax are not sufficiently integrated with other government agencies (e.g. URSB, National Identification & Registration Authority, Land Registry and LGs) and other URA internal systems such as ASYCUDA World. As a result, the system is not able to validate some of the submitted information using information that is already available within different databases. This prevents URA from effectively administering taxes, and especially hinders it in curbing tax avoidance and evasion by some taxpayers.

3.3 ILLICIT FINANCIAL FLOWS

3.3.1 Scale of illicit financial flows in Uganda

Illicit financial flows (IFFs) relate to the movement between countries of money that is illicitly earned, transferred and/or utilized. This report uses the United Nations Conference of Trade and Development (UNCTAD) definition of IFF, and defines tax-motivated IFFs as happening 'when the international structuring of transactions or asset portfolios has little or no economic substance, and their express purpose is to reduce tax liabilities'.[44]

It is difficult to estimate the exact scale of IFFs in Uganda because of the system of secrecy that enables the practice. During a regional dialogue on Curbing Illicit Financial Flows from Africa, held in March 2018 in Kigali, Rwanda, it was noted that Uganda is estimated to be losing in excess of UGX 2 trillion (US$547m) annually due to IFFs.[45] Multinational companies are mostly perpetuating IFFs through aggressive tax avoidance mechanisms such as base erosion and profit shifting (BEPS),[25] double taxation treaties and trade mis invoicing.[26] For example, the potential over- and under-invoicing of commercial imports and exports in Uganda from 2006-2015 is estimated at roughly US$6.6bn.[46]

Although Uganda has taken several critical steps to safeguard its oil revenues, the risk of IFFs will worsen once commercial production of oil and gas begins. According to a study by the Civil Society Coalition on Oil and Gas (CSCO) in 2021,[47] there are four major concerns. First, major international oil companies currently involved in Uganda's oil sector are registered in tax havens, and some have concealed ownership structures. Second, existing Production Sharing Agreements give international oil companies undue advantage over the state to the extent that they contain stabilization clauses to restrict the state's capacity to tax the companies. Third, although Uganda has Transfer pricing rules aimed at reducing incidences of tax avoidance as a result of price manipulation in transactions between related companies,

25 BEPS refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity, or to erode tax bases through deductible payments such as interest or royalties.

26 This is the deliberate falsification of the value, volume and/or quality of an international transaction of goods or services by at least one party to the trade.

these are difficult to enforce due to secrecy, unavailability of information and limited institutional capacity. Fourth, Uganda is not devoid of corruption practices. For example, in 2018, the Southern District Court of New York implicated a Ugandan minister for receiving a bribe of US$500,000 from a Chinese company (CEFC NGO) to promote its interests in the country's oil sector.[27]

3.3.2 Gendered impacts of illicit financial flows

The gendered dimensions of IFFs manifest in the following ways:

- ***Impact on delivery of social services.*** IFFs drain critical resources that could be invested in vital areas of development. Women are in greater need of quality public services for their survival, but IIFs rob the government of resources to invest in such services. With a shortfall in revenue collection to finance the budget, there is a reduction in spending in key areas such as education, healthcare and care facilities, directly impacting women and women-headed households, which are more vulnerable to national budget constraints. For instance, the estimated UGX 2 trillion (US$547m) annual loss due to IFFs could be utilized to raise the FY 2021/22 health and education budgets by over 28%.
- ***IFFs perpetuate regressive tax policies.*** In order to cover the financing gap caused by IFFs, the Government of Uganda has to depend on the indirect taxes which disproportionately affect women, since women spend a large part of their income on essential goods and services which are heavily taxed. For instance, the current 12% excise duty on internet data and telecommunication services marginalizes women, who have historically been excluded from financial services provided by the tax.
- ***Reliance on borrowing.*** Budget shortfalls mean that the government has to borrow to cover the financing gap caused by limited domestic revenues. By June 2021, Uganda's public debt stood at UGX 69.2 trillion (US$19.5bn), which is 46.7% of GDP. With increased borrowing, the government's obligations to servicing loans also increase, and this is at the expense of providing the public services that women benefit from. For instance, interest payments on debt take more than a quarter of the national budget, squeezing spending on health and education.

27 https://www.justice.gov/usao-sdny/pr/patrick-ho-former-head-organization-backed-chinese-energy-conglomerate-convicted

3.3.3 Curbing illicit financial flows

Uganda is among the countries that adopted the African Union/Economic Commission for Africa report on IFFs, Track it. Stop it. Get it, by a High-Level Panel on IFFs from Africa, chaired by Thabo Mbeki at the 24th AU Summit in Addis Ababa in January 2015. One of the recommendations of Mbeki's report was to establish or strengthen the independent institutions and agencies of government responsible for preventing IFFs.[48]

Uganda is implementing the National Strategy for Combating Money Laundering and the Financing of Terrorism and Proliferation FY 2020/21 - FY 2024/25. The strategy addresses the deficiencies existing in anti-money laundering/countering the financing of terrorism (AML/CFT) regime, and seeks to mitigate the money laundering, terrorist financing and proliferation financing risks that it is exposed to. It also seeks to provide a blueprint for strengthening Uganda's AML/CFT framework over the next five years, based on the recommendations arising from the Eastern and Southern Africa Anti-Money Laundering Group mutual evaluation assessment report on Uganda's AML/CFT measures.

Over the last decade, Uganda has developed reforms geared at eliminating tax evasion and avoidance. In 2011, the government introduced transfer pricing rules to ensure that transactions between related entities are priced fairly and reflect an arm's-length fee. As a measure of limiting thin capitalization, under Section 89 of the Income Tax Act, the government placed the debt-to-equity ratio that a foreign-controlled company other than a financial institution must hold in excess of 1.5:1. This was meant to reduce revenue leakages due to tax planning by foreign companies' capitalization. In addition, sections 90 and 91 of the Income Tax Act address tax avoidance issues.

URA is also implementing initiatives to curb tax avoidance and enhance customs performance, such as: transfer pricing rules; non-reclaimable 18% VAT on the importation of IT and business process outsourcing services into Uganda;[49] cooperative compliance approach (CCA);[28] sharing information with other revenue authorities in the region using the Regional Authorities Digital Data Exchange System (RADEX); using the Multilateral Mutual Administrative Assistance Convention (MAC) to obtain taxpayer information from 113

28 The approach is founded on inter-company audits before final declarations are made to URA of tax liabilities, minimizing tax planning schemes.

jurisdictions;[50] operationalizing the African Tax Administration Forum (ATAF) Agreement on Mutual Assistance in Tax Matters (AMATM); and implementing the Integrated Tax Administration System (e-tax), which provides online services to the taxpayer on a 24-hour basis.

Uganda has demonstrated a strong commitment to tax transparency work in Africa. Examples include the country's endorsement of the Yaoundé Declaration and its active participation in the Africa Initiative, both advocating for more political support to tax transparency. The Africa Initiative was launched in 2014 as a partnership between the Global Forum, its African members, ATAF and a number of other regional and international organizations and development partners.

Uganda joined the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) in 2012. In doing so, Uganda included exchange of information as a key component of its Domestic Resource Mobilisation Strategy to improve compliance of both multinational enterprises and individuals, including those with high-net-worth. In 2016, Uganda also became a party to the Convention on Mutual Administrative Assistance in Tax Matters, the most powerful multilateral instrument for tax cooperation, with over 140 participating jurisdictions.[51]

Uganda has embarked on implementing automatic exchange of financial account information by 2023 with the support of the Global Forum. The country's revenue authorities will then automatically receive information on financial accounts held by Ugandan residents in offshore financial institutions on a yearly basis. This should increase tax compliance and help better tackle tax evasion and other IFFs.[52] Uganda's key achievements in tax transparency and exchange of information are shown in Box 2.

BOX 2: UGANDA'S KEY ACHIEVEMENTS IN TAX TRANSPARENCY AND EXCHANGE OF INFORMATION

- **The 2016 peer review of Uganda's implementation of the standard on Exchange of Information on Request (EOIR) delivered a 'largely compliant' rating. It recognized the amendments Uganda had made to its tax laws, company laws and regulations, and the establishment of the Anti-Money Laundering Act.**
- **Uganda made 69 exchange of information (EOI) requests between 2014 and 2019 – up from only two in 2012 – identifying nearly**

US$26m in additional revenues.

- **URA received effective responses to most of these EOI requests and is engaging with its treaty partners on the few outstanding requests to achieve 100% resolution. This excellent response rate can be attributed to an efficient follow-up process, the use of the peer input mechanism and the good relationships built with competent authorities from key partner countries.**

Source: *https://www.oecd.org/tax/tax-global/strengthening-tax-transparency-to-combat-tax-evasion-illicit-financial-flows-and-profit-shifting-in-uganda.pdf*

However, there are still gaps in the framework which the Government of Uganda uses to address the sources, transfer methods and motivations of IFFs in the country. In particular, laws governing corporations are generally weak. The 2013 Anti-Money Laundering Act established the Financial Intelligence Authority (FIA) to fight money laundering, financial fraud and other financial crimes.[53] However, the authority was allocated only UGX 17.13bn (US$4.8m), of which only UGX 7.71bn (US$2.18m)[54] was allocated for the prevention of money laundering, prosecution and confiscation of proceeds of crime in FY 2021/22. This funding is inadequate to enable the authority to fulfil its mandate of curbing IFFs. The money laundering and terrorist financing national risk assessment report by FIA in 2017 showed that Uganda suffers from a low ability to combat money laundering, and the country continues to be a high-risk zone for money laundering.

3.4 RECOMMENDATIONS

a. MoFPED should adopt and enforce legislation barring trade misinvoicing. URA should be equipped with up-to-date trade pricing databases to facilitate risk management of the potential for trade misinvoicing.
b. Parliament should enact a dedicated Extractive Industries Transparency Initiative (EITI) law to support the operationalization of the EITI Standard following Uganda's admission as a member country. The EITI law, among other things, should put in place a framework for transparency and accountability in the disclosure of extractives revenues, including those from the petroleum sector.
c. Government agencies such as the URA, Inspectorate of Government, Bank of Uganda, Office of the Auditor General (OAG) and FIA, should boost

their capacity to detect and limit the extent of IFFs. This can be achieved through skilling existing staff and hiring staff specialized in the early detection of the different forms of IFFs.

d. The OAG should reform legislation to incentivize auditors to report fraud by creating a legal requirement for them to report fraud such as trade misinvoicing to regulatory bodies such as URA, FIA and URSB, and by creating penalties for non-reporting.
e. URA should dedicate sufficient resources to ensuring that new tax return records are of sufficient quality. Specifically, it should upgrade the e-tax system so that different modules within e-tax are integrated such that they can automatically verify some of the submitted information with that which is already available in the e-tax system.
f. URA should deliberately penalize taxpayers for submitting wrong information during the filing of a tax return. It should also educate taxpayers and tax agents about the implications of submitting wrong tax return information.
g. The Ministry of Energy and Mineral Development should implement the distribution and sharing of the benefits of oil and gas as stipulated in the Oil and Gas Revenue Management Policy 2012, which prescribes that 7% of royalty revenues arising from gross oil and gas production should be shared with LGs and communities.
h. The Ministry of Energy and Mineral Development should publish past, present and future Production Sharing Agreements that the Government of Uganda has entered into with various oil companies.
i. MoFPED, URA and FIA should curb IFFs through country-by-country reporting and exchanging data on profits and wealth.

SECTION 4: TAX COMPETITION AND CORPORATE INCENTIVES

In this section, the report describes the rules for granting (corporate) tax exemptions. It examines governance and transparency aspects of tax exemptions and discusses how these exemptions affect women and girls.

4.1 GOVERNANCE OF CORPORATE INCENTIVES

Tax exemptions in Uganda can be broadly put into two categories: those that are within the tax laws and those that are granted by the executive arm of government. All tax laws including the Income Tax Act, VAT, excise duty, local service tax and customs external tariff have provisions for tax exemptions. For the incentives within the laws, the beneficiary has to fulfil certain conditions such as having a minimum level of investment, employment, core activities or assets in the country, and operating in special zones (such as industrial parks). Annex 4 has a list of tax incentives/exemptions within the law.[55]

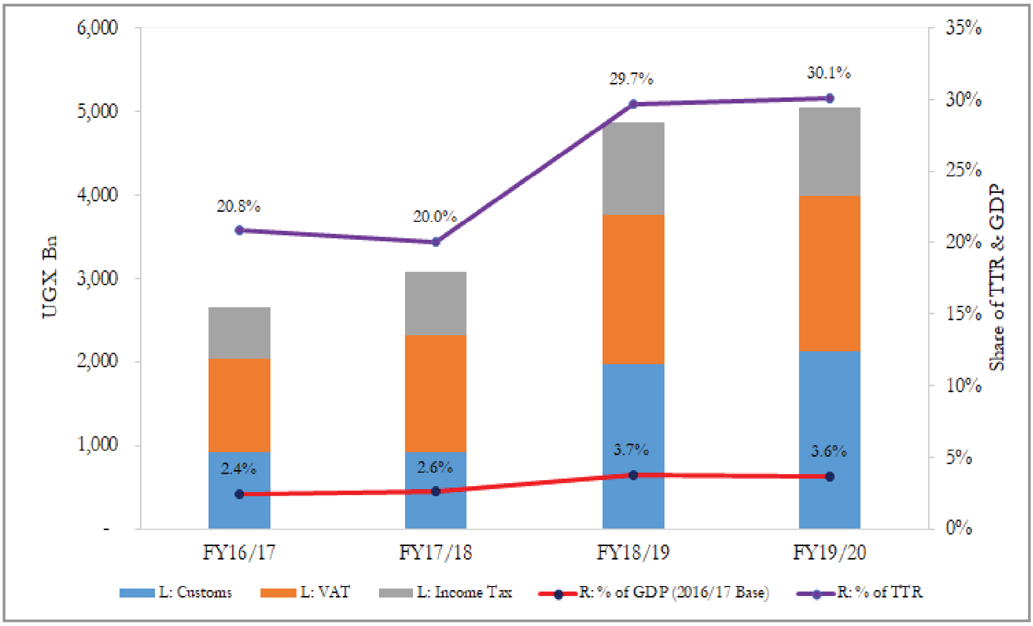
Over the years, Uganda has witnessed a distinct move away from ministerial discretion in the area of exemptions. Section 22 of the 1991 Investment Code was amended to abolish the granting of discretionary exemptions on import duties (and all other taxes) payable on imported plant and machinery for investors licensed by Uganda Investment Authority. The Income Tax Act (1997) abolished discretionary ministerial exemptions and tax holidays. The ministerial discretion under the Customs Tariff Act of 1970 was abolished by reforms in 2000/01.[56] However, despite the abolition of statutory ministerial discretion in tax matters, the government has still issued tax waivers in recent years similar to the abolished ministerial discretion. These exemptions, which are not provided for by statute, primarily take the form of the government paying taxes on behalf of taxpayers or simply waiving the tax.[57]

These tax waivers result in sizeable revenue losses; they also present several challenges including complexity in tax administration, incentives for the creation of tax avoidance strategies and increases in compliance costs for both companies and the tax authorities.

Generous tax incentives and incentives with little or no investment benefits undermine the domestic revenue mobilization efforts. The latest report by MoFPED on Tax Expenditures FY2019/20 estimated that during FY 2019/20, Uganda's lost revenue from tax expenditures[29] amounted to UGX 5,030.45bn (US$1,354m), which is 30% of total revenue and 3.6% of GDP (see Figure 13).

29 Including exempt income, various income tax holidays, additional allowances and deductions, and lower-than-benchmark withholding tax rates for special sectors.

Figure 13: Trends in value of tax expenditures



Source: Author's calculations based on MoFPED[58]

The biggest contributors to tax expenditures during FY 2019/20 were customs exemptions (38%), VAT exemptions (25%) and income tax allowances and deductions (15%). Customs exemptions were mainly on account of government support to local manufacturers through rate relief on inputs; these were mainly exemptions under goods categorized as 'exemptions' under the East African Community Customs Management Act (EACCMA). Allowances and deductions includes: deductions for interest incurred on mortgages; employing people with disabilities; charitable donations and employee training expenditure; and 'accelerated deducibility' on certain assets.[59]

Apart from the report on tax expenditure published by MoFPED, no cost-benefit analyses (or other similar economic studies around tax incentives) have been carried out, and thus are not publicly available.

4.2 INTERNATIONAL TAXATION

The growth of the digital economy poses challenges for international taxation. The digital economy is characterized by an unparalleled reliance on intangible assets, the massive use of data (notably personal data), and the difficulty of determining the jurisdiction in which value creation occurs. This raises fundamental questions as to how enterprises in the digital economy add value and make their profits, and how the digital economy relates to the concepts of source and residence or the characterization of income for tax purposes.[60] Although the government provides for taxation of the digital economy, administrative capacity is still lacking.

Despite efforts to harmonize tax policies, East African countries have failed to agree on specific tax rates. This has mainly been attributed to the need to attract foreign direct investment (FDI). As a result, East African countries have been seen to lower tax rates or provide lengthy tax holidays and incentives to potential investors. This has led to what may be termed 'a race to the bottom' and has contributed to low revenue collections across East African countries.[61]

Uganda has double taxation treaties (DTTs)[30] with nine countries: Denmark, India, Italy, Mauritius, the Netherlands, Norway, South Africa, United Kingdom and Zambia. A taxpayer may benefit from the provisions of a DTT that Uganda has with another country. In FY 2016/17, Uganda developed a model treaty and a treaty policy largely based on the OECD model treaty, which disproportionately grants taxing rights to capital exporting countries like the OECD countries. Even according to the IMF, none of Uganda's current nine DTTs comply with international best standards, and the country's revenue loss from DTTs is likely to be substantial. Among other issues, the IMF notes that Ugandan DTTs don't have adequate provisions on taxation – as the source country – of immovable property indirect transfers.[62]

Uganda's DTT with the Netherlands is of even greater concern. The Netherlands is among the top investor countries in Uganda, accounting for 39% of all FDI into Uganda in 2018.[63]

However, 95% of Dutch investments in Uganda actually originated from a third country.[64] Uganda's DTT with the Netherlands is therefore very harmful, one of its 'perks' being that dividends paid from Uganda to an investor owning more than 50% of shares will purely and simply not be taxed – against a 15% statutory rate. A 2020 study[65] on Lake Albert oil operations of French company TOTAL and China National Offshore Oil Company (CNOOC) revealed

30 A double taxation treaty (DTT) is an agreement of an international nature entered into between two states, with a view to protecting the residents of the two states from having their income taxed twice (double taxation).

the magnitude of Dutch investments in Uganda and how the tax agreement between Uganda and the Netherlands benefits oil companies but deprives Uganda of essential resources.

Uganda has enacted several amendments to its tax laws to close the loopholes used by multinational corporations and individuals to evade or dodge taxes. There are limitations on benefits rules under Section 88 (5) of the Income Tax Act, which can be applied to DTTs as well (for example, White Sapphire versus URA case of December 2017[66]). However, exploitation of DTTs by multinational corporations is still a serious concern. DTTs are frequently used in tax planning by multinational corporations to achieve 'double non-taxation'. This is done by routing investments into source countries through intermediate companies in treaty countries that permit no, or very low, taxation.[31]

There is no requirement for parliamentary approval to ratify a tax treaty. DTTs are ratified by the cabinet only, leaving out input from the crucial representatives of citizens. The process of treaty negotiations has often been kept the sole preserve of top technical political officials in URA, MoFPED and the cabinet. This is because DTTs have been thought of as a rather complex issue best left to the experts. There has been less information-sharing on the processes and limited sharing of opinions of other key stakeholders such as Parliament and CSOs.

Uganda uses both the residence and source principles for purposes of income taxation. The rules have been articulated under the Income Tax Act to determine the particular liability for income tax purposes. These rules affect both individuals and corporations. However, there are two challenges: first, residence for income tax purposes is determined based on physical presence (permanent home, number of days visited the country and structure of operations for corporations). It is therefore possible to avoid taxation by registering permanent homes in other people's names and visiting the country for periods of less than six months or 183 days, or other periods indicated in the law. Secondly, the rules defining and determining the source of income for taxation allow or require an individual or corporation to calculate income or losses from any employment, business or investment that has a source of income from Uganda. These provisions can be bypassed through manipulating residence and not disclosing the sources of income

31 https://www.elibrary.imf.org/view/journals/002/2017/207/article-A005-en.xml

from Uganda. The income from Uganda could be transferred to another country as 'remittances' from relatives for personal use or consumption.

4.3 TRANSPARENCY OF CORPORATE INCENTIVES

Uganda's Constitution (Article 152(2)) obliges the Minister of Finance to provide information on how much tax the government directly paid on behalf of some taxpayers. This is emphasized under section 77 of the Public Finance Management Act 2015. Although the Minister of Finance, Planning and Economic Development presents this report to Parliament, reporting has not been fully practised as per the provisions of the Public Finance Management Act. The Minister only reports to Parliament when reading the national budget in June. Despite being informed by the Minister of Finance on tax exemptions, Parliament cannot legally reverse the Minister's decisions. Therefore, the use of these broad discretionary powers is open to abuse.[67] To make matters worse, the names of the companies that benefit from tax incentives are not publicly disclosed, which creates an open door for misuse and corruption.

As a result, some companies have been granted special capital allowances for specific assets and tax holidays. These policy actions present several challenges, including complexity in tax administration, obscurity in the real effects of the tax burden, and sizable tax revenue loss. Furthermore, tax incentives like tax holidays produce tax avoidance strategies and substantially lower compliance across taxpayers.[68]

To improve fiscal oversight and transparency of tax incentives, the government is implementing the Domestic Revenue Mobilisation Strategy (DRMS), in which it will develop and publish a comprehensive tax expenditure framework to properly evaluate all tax reliefs and allowances.[69] In addition, the framework will require an impact assessment to guide the awarding of any future tax concessions. These steps are expected to be complemented by a sequenced reduction in tax exemptions in the medium term.

4.4 GENDERED IMPACTS OF TAX INCENTIVES AND EXEMPTIONS

Women are in greater need of quality public services for their survival; however, revenue loss due to tax exemptions and incentives deprives the government of resources to invest in such services. With a shortfall in revenue collections to finance the budget, there is a reduction in spending in key areas such as education, healthcare and agriculture, directly impacting women and women-headed households, which are more vulnerable to national budget constraints. For instance, the foregone revenue (UGX 5,030.45bn) is more than the combined total allocated to the health sector (UGX 2,595bn), agricultural sector (UGX 1,054bn), water and environment sector (UGX 1,106bn), and social development sector (UGX 221bn), and 67% of the amount allocated to the education sector (UGX 3,399bn), during FY 2019/20.

Tax incentives are distributional 'upside down', because they invariably give the biggest tax benefits to those with the highest incomes and few or no tax benefits to those with low incomes, such as women.[70] This is because such incentives mainly benefit corporations, which are predominantly owned and managed by men and employ fewer women than men, while women's businesses are more likely to be unincorporated.

4.5 RECOMMENDATIONS

a. MoFPED should expedite the implementation of the Tax Expenditure Governance Framework to help manage tax exemptions. The framework would include rules related to tax expenditures to assess the efficiency, impact and equity of tax exemptions and remove them if warranted. The framework should: (i) include a clause that prevents any authority from granting discretionary exemptions in whatever form; (ii) subject each new exemption or VAT zero-rating to an extensive cost-benefit analysis; (iii) evaluate existing VAT exemptions to determine whether they remain relevant, and publish the associated analysis to ensure greater transparency; and (iv) if feasible, establish a ceiling on VAT exemptions, with the publication of reports on the degree to which compliance with this ceiling is achieved.
b. The Government of Uganda should work to oppose this race to the bottom and the aspirations to turn Nairobi and Kigali into so-called international financial centres where, for example, corporations that establish their headquarters in Rwanda can get corporate income tax rates of 0%. Instead, the EAC should work to secure the tax systems among member countries by agreeing on minimum tax rates and other safeguards.
c. MoFPED should not sign new DTTs, should cancel or renegotiate existing DTTs, and should not make use of the Multilateral Instrument with reservations about the Mutual Agreement Procedure. In reviewing existing DTTs, it is imperative to strengthen Africa-based model treaties

such as the ATAF, Common Market for East and Southern Africa (COMESA) and South Africa Development Cooperation (SADC) in order to match the OECD model, rather than adopting a hybrid of the UN and OECD models.

d. MoFPED should improve transparency in DTT negotiations to include Parliament. This will ensure adequate scrutiny of tax treaties, which can have serious revenue implications for the country. MoFPED should also ensure that there is disclosure of information on the negotiation and renegotiation of DTTs.
e. URA should put a strict mechanism in place to ensure that digital companies comply with provisions as set out in the VAT Act, Section 16(2) (d), which provides that any non-resident person who supplies electronic services to a non-taxable person in Uganda, makes a tax payment in Uganda. As this may conflict with pillar I of OECD BEPS 2,71 the government should carefully consider the costs and benefits of joining pillar I, and could explore other tools to tax digital companies, such as a digital service tax similar to that successfully introduced by Kenya.
f. MoFPED and Parliament should revisit the residence and source rules for income tax purposes by enhancing the existing criteria in the law. Technology and globalization have overtaken the present set criteria, and the rules as currently prescribed can easily be broken.

SECTION 5: EFFECTIVENESS OF THE TAX ADMINISTRATION

In this section, the report assesses URA's capacity, particularly to implement progressive tax policies effectively – and examines the strength of URA and LGs to implement the best practice policies recommended and which they are free to operate in their capacity. It also reviews the structure and governance of tax administration, including from a gender perspective.

5.1 ORGANIZATION

Uganda's tax administration system is split between the central and local governments. URA is mandated to administer all taxes for the central government, while LGs (districts, municipalities, town councils and sub-counties) are mandated to collect taxes that are not under the jurisdiction of URA and as prescribed in the Local Government Act.[32] All revenue collected by URA is transferred to the Consolidated Fund at the Bank of Uganda and appropriated by Parliament during the budget process.

Collaboration between URA and LGs is minimal, and is mainly through the Taxpayer Register Expansion Project (TREP).[72] However, the Auditor General Report to Parliament for FY 2019/20[73] revealed that the performance of the TREP was poor. During FY 2019/20, the collaborating institutions countrywide registered only 142,620 taxpayers against a target of 283,615 taxpayers, representing a 50.2% registration success. In addition, although TREP had a revenue target of UGX 124.58bn in FY 2019/20, to be collected by the four collaborating agencies, only UGX 26.8bn was collected by the end of June 2020, representing a 19.8% performance rate.

Despite the fact that the URA Act states that the Minister of Finance is supposed to appoint the Commissioner General of the authority on the recommendation of the URA Board of Directors, the appointment is in fact made by the President of Uganda.[74] As such, URA is not fully autonomous since it is not able to operate independently of the executive, especially in terms of funding and budget, and financial, human resources and administrative practices. MoFPED is responsible for funding the URA budget. Issues related to capacity building/training, recruitment of new staff and tax policy implementation are mainly determined by funds made available by MoFPED. Since its inception, URA has been riddled with political interventions in managerial appointments and dismissals. The frequent use of tax administrations for political purposes contributes to erosion of taxpayers' confidence in the fairness and impartiality of revenue administrations, which contributes to undermining tax compliance.

The URA does not have a taxpayer education/civic engagement unit or

32 Such taxes include: local service tax (LST); local government hotel tax; property rates and land-based charges; ground rent; business licences; user fees; permits; royalties; and other revenues such as forest licences; veterinary fees; birth, marriage and death registration; fines etc.

strategy; the authority endeavours to educate the public about tax policies, rates and collections through the media, such as radio[75] and TV talk shows, distributing brochures and establishing tax hubs and 'clinics' in various parts of the country. The authority also provides information on tax policies, rates and collections through its website (https://www.ura.go.ug/). However, most of the information is in English, despite the fact that most taxpayers cannot easily read and write English.

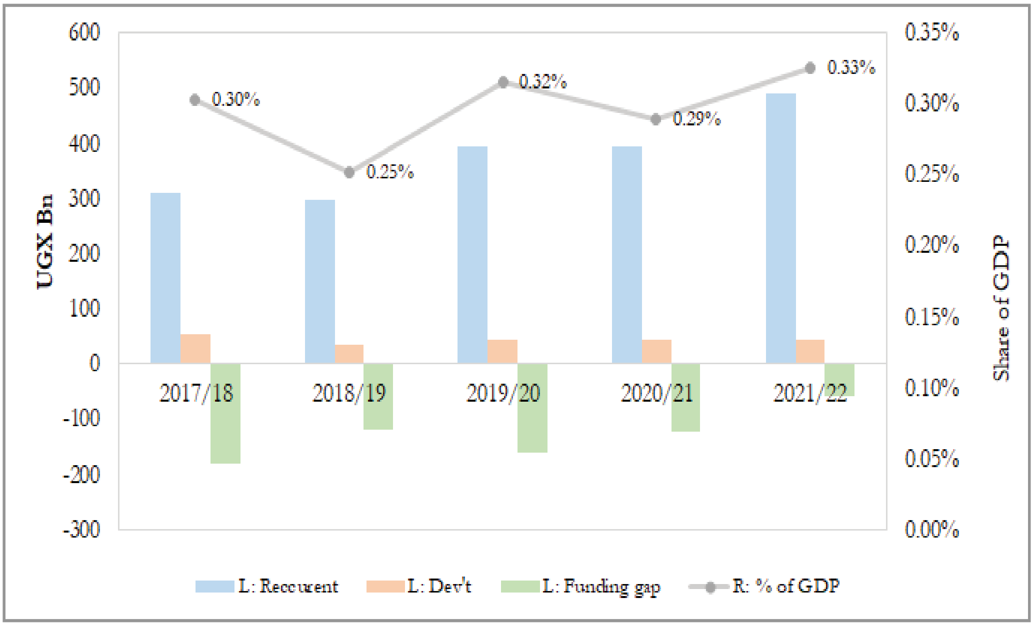
5.2 RESOURCES FOR TAX ADMINISTRATION

The URA budget was UGX 534bn (US$150.7m) in FY 2021/22. A big chunk of the URA budget is recurrent, with recurrent expenditures constituting over 89% of the total authority budget. As a share of GDP, the URA budget averaged 0.3% between 2017/18 and 2021/22 (see Figure 14). URA is inadequately funded to perform its mandate effectively; for instance, the authority funding gap was significant, at UGX 641bn (US$181m) over five years (2017/18 – 2021/22),[76] with only relatively small contributions from external funding. The authority is implementing initiatives funded by development partners, as shown in Box 3.

Although URA is given targets by MoFPED for the revenue to be collected, its funding is not based on achieving these targets, but rather on the available funds determined by MoFPED and approved by Parliament. This means that even if URA does not meet the set targets (as is usually the case), its budget will be maintained or increased. Performance-based budgeting (which is not intended to punish or reward agencies, but instead to focus on progress toward measurable goals during the budget process) would greatly improve revenue collections by URA.

Unlike at LG level, where some functions of revenue collection are privatized, at URA none of the departments or functions of revenue collection are privatized. All revenues are collected by the URA through financial institutions.

Figure 14: Trends in URA funding



Source: Author's calculations based on MoFPED (approved budgets) and UBOS statistics

BOX 3: DEVELOPMENT PARTNER SUPPORT TO URA

- Trade Mark East Africa (TMEA) has supported the electronic single window, cargo extension and trade facilitation through the construction of one-stop border posts across the country.
- The IMF has provided technical advice on tax policy, revenue enhancement and oil management; analytical studies (e.g. VAT gap analysis); assessments (e.g. TADAT, risk assessment); and capacity building (staff peer-to-peer learning).
- The World Bank provided a grant of US$330,000 for analytical studies, capacity building/training of staff and reforms of tax legislation.
- USAID, through the DRUM project, provided financing for analytical studies, tax education (e.g. tax curriculum targeting schools), risk assessment, debt management manuals, updating of taxpayer database, international taxation, and development of a stakeholder engagement strategy for URA.
- The EU provides support through government systems (budget)

for capacity building, tax education and an Integrated Service Enhancement Programme (i.e. a modernized contact centre management tool).
- **DFID, through the DRUM project, supported analytical studies and is currently supporting the implementation of the Domestic Resource Mobilisation Strategy.**
- **The Netherlands is mainly supporting URA staff capacity building and training materials.**
- **KfW Development Bank supported the establishment of the data warehouse.**
- **Japan International Cooperation Agency (JICA) provided vehicles for enforcement of anti-smuggling on the borders.**

Source: Key informant interviews, URA

Due to inadequate funding, neither URA or LGs are adequately equipped (in terms of financial resources, human resources and expertise) to effectively collect taxes. A 2017 study by SEATINI and Oxfam[77] found that the Department of Finance – which is responsible for local revenue – in most district LGs does not have professional revenue officers. Those in post are professional accountants and have been assigned the duties of this function, but lack technical knowledge on how to advise the LG to generate local revenues. Additional challenges include: poor facilitation of officials involved in local revenue mobilization; lack of basic transport means to effectively reach taxpayers; and lack of the requisite capacity and skills in taxation, especially for assessment of taxpayers.

URA's capacity in terms of staff numbers and its ability to extend services to taxpayers (both registered and potential) and to the overall population can be measured using the taxpayer-to-staff ratio. The taxpayer-to-URA staff ratio (excluding staff who handle support activities) has increased over the last five years, from 533:1 in 2016/17 to 766:1 in 2019/20 (see Table 4). This is mainly due to the expansion of the taxpayer register (there has been a 74% increase in taxpayers between 2016/17 and 2020/21) and minimal recruitment of staff. A high taxpayer-to-staff ratio has implications for service delivery and constrains revenue administration. In FY 2019/20, URA employed 2,359 staff, of whom 957 (41%) were females.

Table 4: URA staff numbers and taxpayer-to-staff ratios

Fiscal year	Taxpayer register	URA staff (total)	Operation depts staff	Taxpayers-to-operations staff
2016/17	1,024,483	2,365	1,922	533
2017/18	1,320,748	2,408	2,132	619
2018/19	1,486,106	2,432	2,147	692
2019/20	1,590,241	2,359	2,077	766
2020/21	1,783,493			

Source: URA annual revenue reports

URA upholds equal opportunities principles in its recruitment policy, remuneration and deployment of employees, as the proportion of female staff has been at an average of 40% over the last four years (2016/17 – 2019/20). In 2020, URA's senior management team comprised 24 commissioners and assistant commissioners, of whom 46% (11) were females.

Taxpayers can file a tax return online through the URA website (www.ura.go.ug), and potential taxpayers can register and acquire tax identification numbers (TINs). Tax payments are made through banks via cheque, electronic funds transfer or cash deposit. The major challenge is that most taxpayers, especially women, are either computer illiterate or lack access to the internet, making online tax registration and filing a problematic exercise. Consequently, most taxpayers have to hire tax experts or agents, who charge them high fees to file tax returns.

URA does not allocate resources to collect and update gender-disaggregated data. Tax returns do not enquire as to the gender of the person filing the return. Taxes such as income taxes are imposed on the basis of income only, irrespective of gender. For corporate income taxes, the name of the business, rather than the identity of the owner, is registered in URA's database. While directors and trustees are also registered, their gender is not specified, making it more complex to ascertain gender statistics.

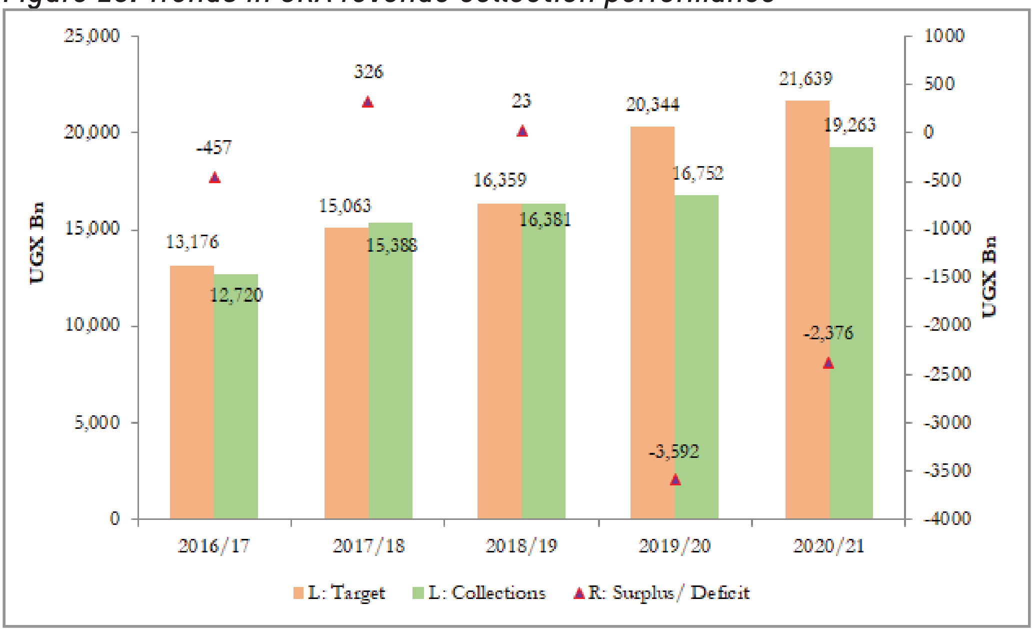
Although URA strives to improve its staff knowledge and skills through on- and off-the-job training, there is no explicit training on gender equality and inclusion, and engaging with marginalized groups. However, 'engendered citizen engagement' is included as one of the themes of the URA corporate plan 2020/21 – 2024/25.

There are no reports of URA officials treating women and women-owned business more strictly than they treat men and male-owned businesses. Also, there are no reports of verbal, physical and sexual harassment of women by URA officials. However, within URA there have been reports of different forms of sexual harassment, such as employees requesting sexual favours and other acts of a sexual nature at the workplace, making negative comments and jokes about female colleagues, and some managers offering promotions in exchange for sex.[78]

5.3 REVENUE SHORTFALL

MoFPED gives URA annual targets, which form part of the wider midterm strategies of three to five years. While the URA year-on-year total tax revenue collections growth rate averaged 11.5% during the last five years (2016/17 – 2020/21), collections were below target for all the financial years apart from FY 2017/18 (see Figure 15). The major taxes that recorded gross surpluses during FY 2018/19 were direct taxes (corporation tax and PAYE). The strong revenue performance recorded was attributed to the more-than-projected economic growth, with growth in mining and quarrying, electricity and water, manufacturing, trade and business services, which boosted economic activity and domestic tax collections.

Figure 15: Trends in URA revenue collection performance



Source: Author's calculations based on URA statistics

Poor performance during FY 2019/20 and FY 2020/21 was mainly attributed to the impacts of the Covid-19 pandemic (i.e. lockdowns, increase in import substitution and policy reversals), which affected economic activity. In FY 2019/20, performance was affected by delayed implementation of some administrative measures. For example, plans to widen the scope of withholding tax agents did not get underway, there was non-implementation of the rental solution and late implementation of digital tax stamps, among others, as explained in the annual revenue performance report.[79]

Uganda's tax effort or productivity is relatively low. The tax gap analysis carried out by Economic Policy Research Centre (EPRC) in 2017 showed that tax collection efficiency (C-efficiency[33]) is below its potential for all tax categories. In 2015/16, the domestic direct tax C-efficiency ratio was 20.7% and the VAT C-efficiency was estimated at 29,[34] which are low compared with other sub-Saharan African countries.[80] This suggests that tax collections in Uganda remained way below the potential. This means that Uganda could raise considerably more revenue from tax even without increasing the standard rates.[81] The same study found that much of the revenue loss was explained by gaps due to noncompliance (such as default in submitting PAYE, corporation tax, withholding tax and tax on bank interest) rather than policy decisions. Uganda's relatively low tax effort can be attributed to a high level of tax avoidance, as well as weaknesses in tax administration.

URA piloted the Tax Administration Diagnostic Assessment Tool (TADAT) assessment in 2015 and another assessment in March 2019. The TADAT assesses the country's tax administration system performance, and as such can be used to determine reform priorities and improvements in administration structures, systems and procedures. The weakest performance outcome areas included: low integrity of the taxpayers' registration database; poor management of filing and payment compliance; untimely processing and payment of VAT refund claims; limited focus on enforcing filing of tax returns; and the large number of estimated assessments that are generated, contributing to the increase in disputes and uncollectible tax arrears.[82]

The URA e-tax system facilitates the filing of returns for domestic tax. It allows taxpayers to register payments and file tax returns online. For international

33 A measure of actual revenue compared to the theoretical possible revenue – to gauge the overall efficiency and effectiveness of the tax system.

34 The ratio of VAT revenue to the product of the standard rate and final consumption.

trade taxes, the authority uses a customs data system called ASYCUDA World. The computerized tax processes have both improved administration and reduced contact between taxpayers and tax officials in order to counter corruption.

In March 2016, URA set up a specialized unit, the International Taxation Unit (ITU), based in the Large Taxpayers' Office, which, among others, handles transfer pricing issues. The ITU has built capacity in investigating transfer pricing with facilitation from the African Tax Forum, World Bank and the IMF.

The Tax Procedure Code Act 2014 provides for various penalties for default in filing tax returns, failing to maintain proper records, making false or misleading statements and understating provisional tax estimates. These penalties should help to deter tax evasion; however, the challenge is effective implementation.

5.4 OVERSIGHT OF URA

Although the URA is a quasi-autonomous institution, it is supervised by MoFPED. The Commissioner General of URA is supposed to be appointed by the Minister of Finance, Planning and Economic Development on the recommendations of the Board of Directors. The URA Board is responsible for monitoring performance of the URA and determining policies relating to the authority's staffing and procurement. The URA Act requires the Commissioner General to submit an annual report to the Minister and the Board containing: revenue performance; human resource matters; URA court decisions; financial statements; and any other information the Board deems appropriate. URA's structure has not been reviewed for some time, especially the roles played by different actors including the URA Board, the Commissioner General and the Minister of Finance, particularly with regard to the framework for supervision of URA. In addition, the current level of interaction between the URA Board and the Minister is too narrow to allow full oversight.[83]

URA has an ethical code of conduct which all staff are required to adhere to for integrity and transparency in their operations. URA staff are also governed by the code of conduct and ethics for Uganda public service. The section on sexual harassment states that 'a Public Officer shall avoid unethical and unbecoming behaviour such as use of rude, abusive and obscene language, indecent dressing, hard supervision and sexual suggestive gestures which constitute sexual harassment and hence a violation of human rights'.

URA has an Informer Management Unit, which enables taxpayers or whistleblowers to flag any staff or fellow taxpayers that could be abusing the tax regime. The tax investigation arm of URA along with other independent government bodies, including the Inspectorate of Government, police and other security agencies, investigate matters of tax evasion and avoidance. In cases where taxpayers or staff are found guilty of an offence, appropriate disciplinary action is taken. In addition, the Whistleblowers Protection Act (2010) protects individuals who release information on wrongdoing for public interest from any legal, administrative or employment-related sanctions. Whistleblowers are protected as long as they acted in good faith and in the reasonable belief that the information was substantially true when they disclosed evidence of wrongdoing.

5.5 RECOMMENDATIONS

a. URA should improve the collection of taxes that are both progressive and reduce gender biases, such as taxes on high-income earners and corporations. This can be done, for instance, by strengthening compliance efforts and ensuring strict implementation of anti-tax avoidance policies.
b. MoFPED (Tax Policy Department) and URA should include analysis on gender equality and inclusion, and provide on- and off-the-job training for staff on how to engage with marginalized groups.
c. MoFPED should realign the structure of URA to the changing demands, and focus on the roles played by different actors including the URA Board, the Commissioner General and the Minister of Finance, particularly with regard to the framework for supervision of URA.
d. MoFPED should ensure full autonomy of URA and hold the authority accountable to an agreed set of performance measures. Autonomy should enable the authority to operate independently of the executive, especially in relation to funding and budget, and financial, human resources and administrative practices.
e. MoFPED and the Ministry of Local Government should enhance the revenue-raising capacity of LGs by broadening the range of progressive revenue instruments such as property taxes, and improving their revenue administration capacity.

f. URA needs to reduce the taxpayer-to-staff ratio towards the recommended levels, while monitoring the costs of collections. This will enable the authority to reach more taxpayers to enhance compliance levels.

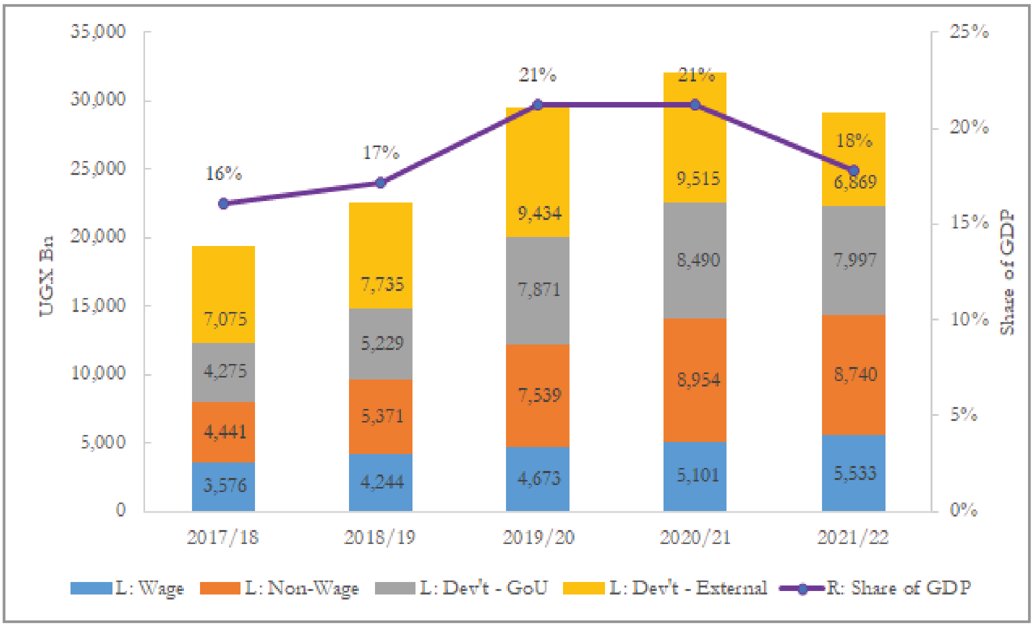
SECTION 6: GOVERNMENT SPENDING

In this section, the report reviews how the government spends the revenues collected and whether the effects of fair tax collection are enhanced or diminished by government spending. The report provides a pro-poor and gender analysis of government spending on education, healthcare, agriculture, water and sanitation, and social protection.

6.1 OVERVIEW

Uganda's total budget[35] increased from 16% of GDP in FY 2017/18 to 18% of GDP in FY 2021/22. The budget is largely development oriented, with about 51% allocated towards development spending (see Figure 16). It should be noted that most of the external funding is categorized as development, which increases the proportion on development budget allocation. However, development spending is not just for capital spending (e.g. building new facilities, repairs to existing physical assets). The development budget is usually heavily oriented towards non-wage recurrent expenditures (such as buying vehicles, paying allowances) rather than capital expenditures.

Figure 16: Trends in government budget



Source: Author's calculations based on MoFPED data[84]

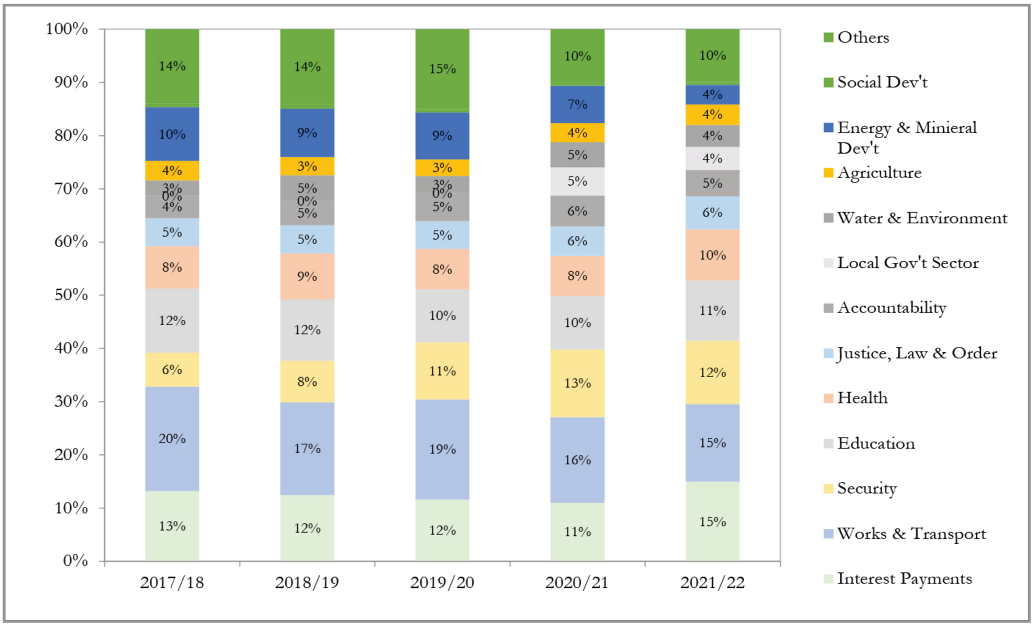
Government spending has continued to outstrip revenues, increasing the annual budget deficit from 4.1% of GDP in FY 2017/18 to 6.3% of GDP in FY 2021/22. To finance the deficit, the government has continued to borrow both domestically and externally, resulting in increased public debt. According to the Minister of Finance, Planning and Economic Development, as of June 2021 Uganda's public debt stood at UGX 69.2 trillion (US$19.5bn),

35 Excluding arrears, appropriation in aid, domestic borrowing and re-financing, and external debt payments.

of which UGX 43.8 trillion (US$12.3bn) was external and UGX 25.45 trillion (US$7.2bn) was domestic. In nominal terms, this is equivalent to 46.7% of GDP.[85] The rising debt-to-GDP ratio comes with higher risks. For the first time since the country received debt relief in 2006, it raised its risk of debt distress from low to moderate, according to the latest Government of Uganda debt sustainability analysis.[86]

In terms of budget allocations, the biggest portions of the budget were allocated towards external debt and interest payments, works and transport, security, and education, at 15.0%, 14.6%, 11.9% and 11.3% respectively, in 2020/21. It should be noted that the 11.3% allocation to education is far below Uganda's international commitment of at least 20%. Figure 17 shows trends in government sectoral budget allocations.

Figure 17: Trends in government sectoral budget allocations (share of total budget)



Source: Author's calculations based on MoFPED data[87]

The high spending on interest payments and security negatively impact government spending on social sectors (such as health, education and social development) and productive sectors (such as agriculture and water). For instance, the share allocated to social sectors, agriculture and water, has remained stagnant, at less than 30% of the total national budget. Consequently, Uganda is unable to meet international and regional commitments, including allocating at least 15%,[88] 10%[36] and 20%[89] of the annual budget to health, agriculture and education sectors, respectively.

Despite being a relatively stable country, the share of Uganda's military spending (defence, external security organization and internal security organization) of total national budget is high: defence spending was 13% in FY 2020/21. This is much higher than combined spending on agriculture, social development, and water and sanitation. The recent increase comes on the back of a pandemic, when revenues have fallen dramatically and Uganda's vulnerability to debt distress is rising.

6.2 GENDER AND PUBLIC SPENDING

Uganda is a signatory to regional or international conventions related to gender fiscal policies, and the country has numerous policies and laws that support/promote the participation of women in public spending decisions. These include: the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) 1979, Beijing Platform for Action 1995, African Union Gender Policy (2009), the Constitution of the Republic of Uganda (1995), the Equal Opportunities Act (2007), National Gender Policy (2007), Gender in Education Sector Policy (2016), Gender and Equity Compacts, among others.

All ministries, departments and agencies (MDAs) and LGs are supposed to integrate gender and equity in their development/investment plans and Budget Framework Papers (BPFs). The Public Finance and Management Act 2015 provides for compliance of BFPs, the national budget and Ministerial Policy Statements (MPS) to gender and equity (G&E) requirements. The Equal Opportunities Commission (EOC) is mandated to assess BFPs and MPS for compliance with G&E requirements to ascertain whether sectors, MDAs and LGs have incorporated initiatives and measures to equalize opportunities for men, women, persons with disabilities and other marginalized groups, and establish the extent to which they are compliant with the law. The EOC advises the Minister of Finance, Planning and Economic Development on the issuance of G&E compliance certificates to the respective qualifying MDAs and LGs.

36 http://www.nepad.org/resource/au-2003-maputo-declaration-agriculture-and-food-security

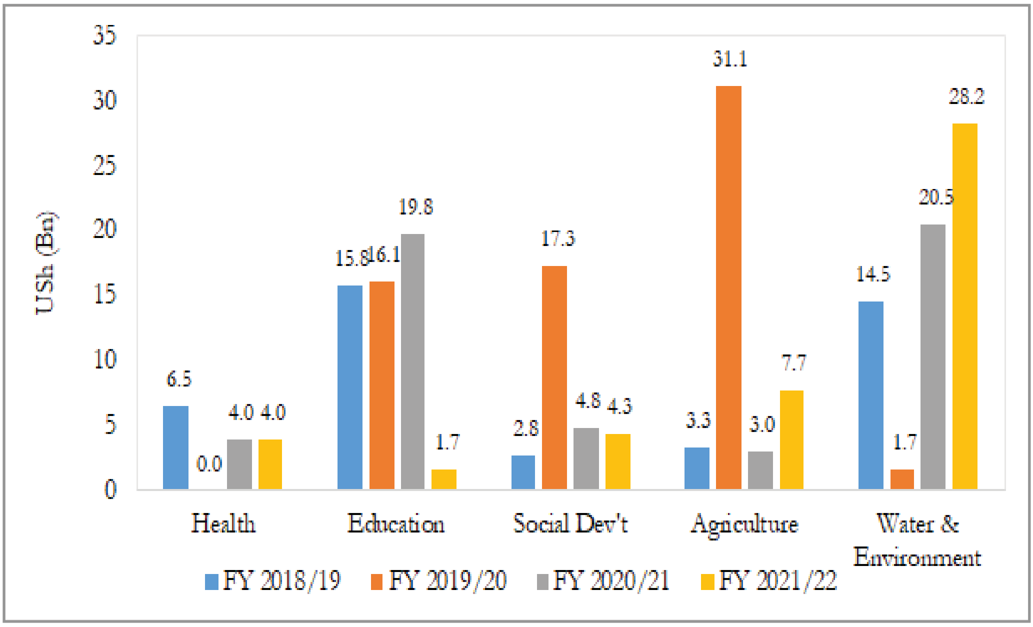
According to the EOC, G&E compliance of the budget has greatly improved over the years, with the majority of sectors scoring over 50%. The 2021/22 G&E assessment of 19 sector BFPs, 148 MPS and 175 LG BFPs resulted in an overall score of 70%, compared to 60% in 2017/18. Selected programmes scored as follows: Human Capital Development Programme (82%), Community Mobilization and Mindset Change (79%) and Agro-Industrialization (68%).[37]

All MDAs and LGs are supposed to track and report on resource allocation for gender equality. The main guiding document for gender-responsive budgeting is the Budget Call Circular, which guides sectors to prepare the BFPs and MDAs to develop MPS. However, the structure of the MPS does not allow integration of gender issues into all MDA processes. Analysis of the MPS for FY 2018/19 – 2021/22 for health, agriculture, education, water and environment, and social development showed that, on average, water and environment allocated the highest amount towards gender, followed by education, agriculture, social development, and health. However, social development had the highest share of its budget allocated to gender, at 3.5%, followed by water and environment at 1.1%, agriculture at 1.0%, education at 0.1% and health at 0.1%. Figure 18 shows trends in sector-specific budget allocations towards gender.

Government budgets affect women and men directly – via the taxes they pay and the public expenditures on services of which they are beneficiaries – and indirectly. The indirect effects come about because the budget impacts the level of market demand and supply in an economy, influences the overall availability of paid employment, the extent of the unpaid work that has to be done to care for families and communities, the growth of output (GDP) and the price level (inflation).[90]

37 https://www.monitor.co.ug/uganda/news/national/ten-agencies-fail-gender-equity-compliance-test-3277806

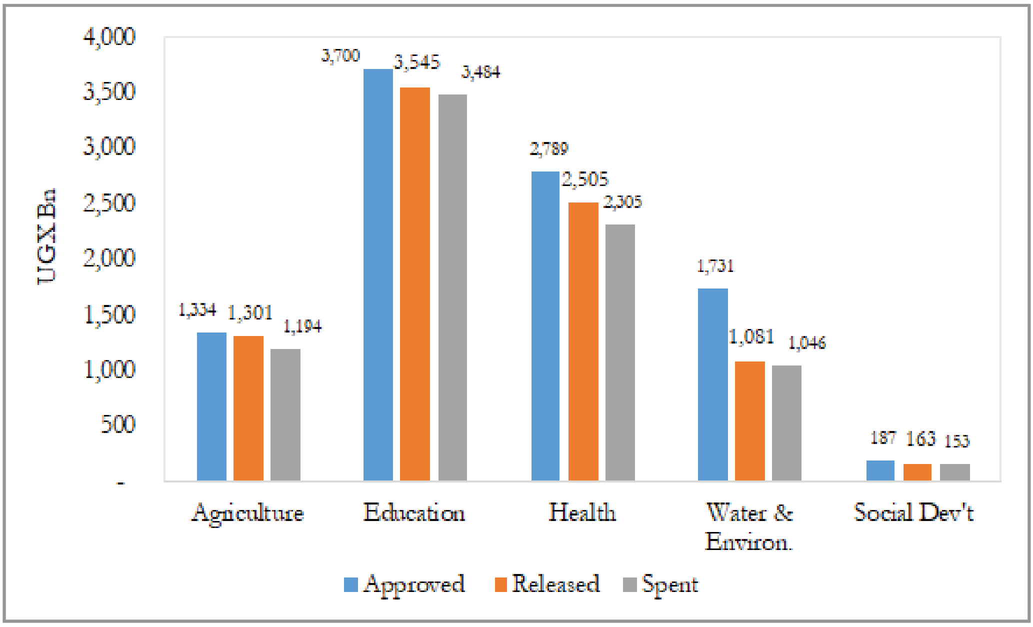
Figure 18: Trends in sector-specific budget allocations towards gender



Source: Author's calculations based on MoFPED data[91]

The impact of the Covid-19 pandemic led to a reduction in government revenues and grants of about UGX 2,291bn (US$626m) during FY 2020/21. Revenues and grants were projected to be UGX 23,529.6bn (US$6.4bn); however, only UGX 21,238.8bn (US$5.8bn) was realized by the end of the financial year.[92] The government instituted austerity measures which included cuts in spending on social sectors (education, health and social development), agriculture, and water and environment. Consequently, those sectors' spending was lower than expected, at 90%, 94%, 83%, 60% and 81% for agriculture, education, health, water and environment, and social development, respectively (see Figure 19).

Figure 19: Budget performance FY 2020/21

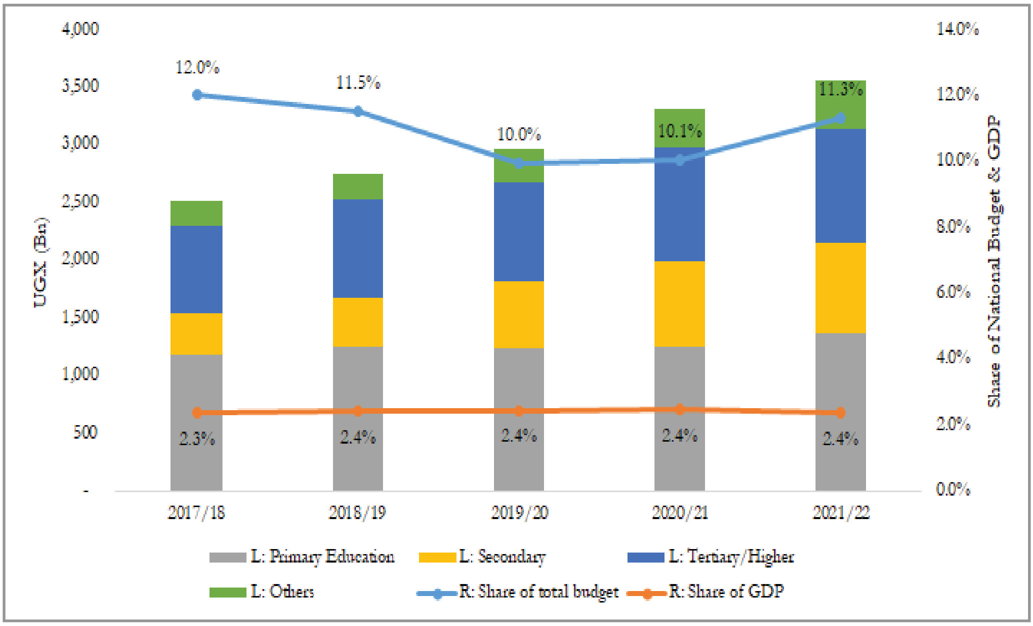


Source: Author's calculations based on MoFPED data[93]

6.3 EDUCATION

The total budgetary allocation in nominal terms to the education sector has increased over the last five years, from UGX 2,829.0bn (US$773m) in 2017/18 to UGX 3,861.4bn (US$1,089m) in 2021/22. As a share of the total national budget and GDP, allocations to the education sector were 11.3% and 2.4% respectively during FY 2021/22. Figure 20 shows the trends in education sector budget allocations, and share of total budget and GDP.

Figure 20: Trends in education intra-sectoral budget allocations



Source: Author's calculations based on MoFPED data94

The Government of Uganda is promoting and practising the principles of universal free access to education at primary and secondary level through the Universal Primary Education (UPE) policy and Universal Secondary Education (USE) policy.[38] Thus primary and secondary education accounted for more than half of the total education sector budget between 2017/18 and 2021/22. Spending on primary and secondary education is pro-poor, as studies[95] have shown that primary school expansion is associated with improved access for poorer socio-economic groups to a greater extent than for wealthier groups.

The Government of Uganda provides scholarships for some students at vocational and tertiary level through its public institutions. In addition, the government offers loans through the higher education students financing scheme, whereby students can access loans to pursue an accredited undergraduate diploma or degree programme in a listed higher education institution, private chartered university or public university in Uganda.

38 Since USE was launched in 2007, it has been under a public–private partnership (PPP). Under the PPP, the government transfers a subsidy of UGX 47,000 (US$12.8) per student per term to private USE schools.

Accreditation is by the National Council for Higher Education (NCHE),[39] and students pay back the loan after completing their studies.

Since the liberalization of the Ugandan government's education sector in 1993, both the government and the private sector provide education, with the former providing the majority of primary education. Of the 18,887 primary schools, 64% (12,035 schools) are government schools, and the remaining 36% (6,852 schools) are private schools.[96] However, most post-primary and tertiary education is provided by the private sector.

Although spending per capita (spending per child[40]) increased from UGX 148,763 (US$41) in 2017/18 to UGX 181,436 (US$51) in 2021/22, in terms of international standards Uganda has close to the lowest level of total government funding per primary pupil in the world. The UNESCO Institute for Statistics places Uganda 130th out of 134 reporting countries for primary education spending per enrollee from 2013 to 2019. This low level of per-pupil funding is largely driven by low non-wage recurrent funding (for the operation of learning institutions).[97]

Despite the nominal increase in capitation grants, from UGX 10,000 in FY 2016/17 to UGX 14,000 in FY 2019/20 for primary school pupils, and from UGX 45,000 in FY 2016/17 to UGX 55,000 in FY 2020/21 for secondary school students, this is still insufficient. This amount is too meagre to provide the minimum requirements to enable equitable access to quality education and observance of standard operating procedures (SoPs) to mitigate the spread of Covid-19.

Government expenditure on education seems to be somewhat gender responsive. The Ministry of Education and Sports (MoES) has a dedicated Gender Unit; there is technical and political support from the MoES Planning Department to advance gender responsiveness, and strong political support from the Permanent Secretary.[98] Consequently, Uganda has made remarkable inroads into promoting gender parity in its education system; the gender parity index at pre-primary stood at 1.03 in 2016,[99] showing a disparity in favour of girls. However, there are still challenges. Gender offices at the district level are underfunded and rely on scarce financial resources, while Education Management Information System data provides little insight

39 https://hesfb.go.ug/hesfb-faqs/
40 Per capita figures calculated based on the UBOS projected mid-year population of children (5-19 years of age).

into gender-disaggregated indicators, and expenditure data is difficult to monitor along the budget execution stage.[100]

MoES promotes and practises gender-responsive budgeting. This is evidenced by the fact that MoES has consistently obtained some of the higher scores from the Equal Opportunities Commission in its budget assessment, which covers assessment, planning, budgeting and expenditure at the national level. However, it should be noted that over 60% of the public budget dedicated to primary and secondary education is not included in this assessment, as funds are spent at the LG level.[101] Unfortunately, the dedicated funds are conditional grants which offer minimal flexibility to LGs to implement gender-responsive budgeting. A study[102] found that stringent financing of LGs makes undertaking participatory processes untenable, further constraining gender-responsive budgeting at local level. Furthermore, the limited information available, such as gender-disaggregated data, is hardly used in planning and budgeting at that level.

Government expenditure on education does not explicitly take into account the needs of vulnerable groups of society, especially those with special needs and disabilities. The education sector budget allocation towards special needs education has stagnated at 0.11% of the total sector budget, despite the increasing number of children with special needs, especially children with disabilities. This has hindered the ability of the sector to provide education to many vulnerable children, especially those with disabilities.

6.4 HEALTHCARE

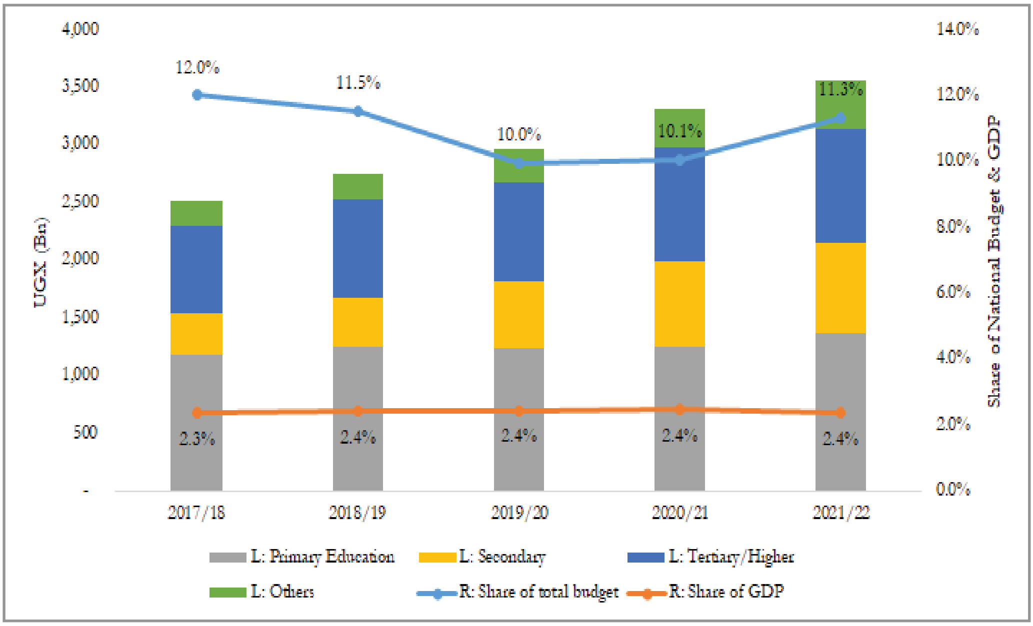
The total budgetary allocation in nominal terms to the health sector increased over the last five years, from UGX 1,879.0bn (US$514m) in 2017/18 to UGX 3,275.4bn (US$924m) in 2021/22. As a share of the total national budget and GDP, allocations to the health sector were 9.6% and 2.0% respectively during FY 2021/22.

The Ministry of Health (MoH) took the lion's share of the health sector budget, averaging 48% during the last five financial years (2017/18 – 2020/21). The high allocation for the MoH is partly attributable to the fact that the ministry implements most donor projects; a study by ACODE in 2020 showed that over 78% of funds for projects were retained by the MoH.[103] Despite the increase in per capita spending on health,[41] from UGX 48,206

41 Per capita figures are calculated based on the UBOS projected mid-year

(US$13.0) in 2017/18 to UGX 76,591 (US$22) in 2021/22, it is far below the US$34 recommended by the Commission on Macroeconomics and Health of the World Health Organization.[104] Figure 21 shows the trends in health sector budget allocations, and share of total budget and GDP.

Figure 21: Trends in health intra-sectoral budget allocations



Source: Author's calculations based on MoFPED data[105]

The Government of Uganda promotes and practises the principles of universal free access to quality healthcare, through the universal primary healthcare which healthcare is provided free of charge in all public health facilities. Healthcare services for poor and marginalized people are largely provided by LGs and regional referral hospitals. However, the share of the health sector budget allocated to LGs and regional referral hospitals has remained relatively stagnant during the last five years, at less than 14%. Consequently, the performance of healthcare services is generally poor; the quality of facilities (such as beds, wards and delivery beds) at health service delivery units are very poor or, in most cases, not functioning.[106]

Because of the poor health services in government health facilities, most people revert to private healthcare providers, increasing their out-of-pocket spending. The recent Uganda Health Accounts report showed that actual

population.

household out-of-pocket expenditure to current total health expenditure increased from 37% in 2011/12 to 41% in 2013/14, owing to the increase in population spending on healthcare outside the public facilities.[107]

By and large, government expenditure on health takes into account the needs of women. There is provision for maternal and child health, reproductive health, and sexual and reproductive health and rights (SRHR) in the health sector budget, both at national level (MoH) and LGs (Primary Health Care). For instance, during FY 2020/21 there was an allocation of UGX 334bn (US$91m) towards above-mentioned interventions. The government provides free or subsidized drugs and medicines through the National Medical Stores. For instance, the government provided UGX 14.7bn (US$4m) for purchases of reproductive health and family planning commodities during FY 2020/21. However, the funding is insufficient and is largely done by donors, which poses sustainability challenges. Due to limited funding, healthcare is provided through fixed health facilities (hospitals and health centres), therefore there are no provisions for people who are not able to afford transportation and/or are not mobile (mobile clinics, transport reimbursement, delivery of medicine, home visits).

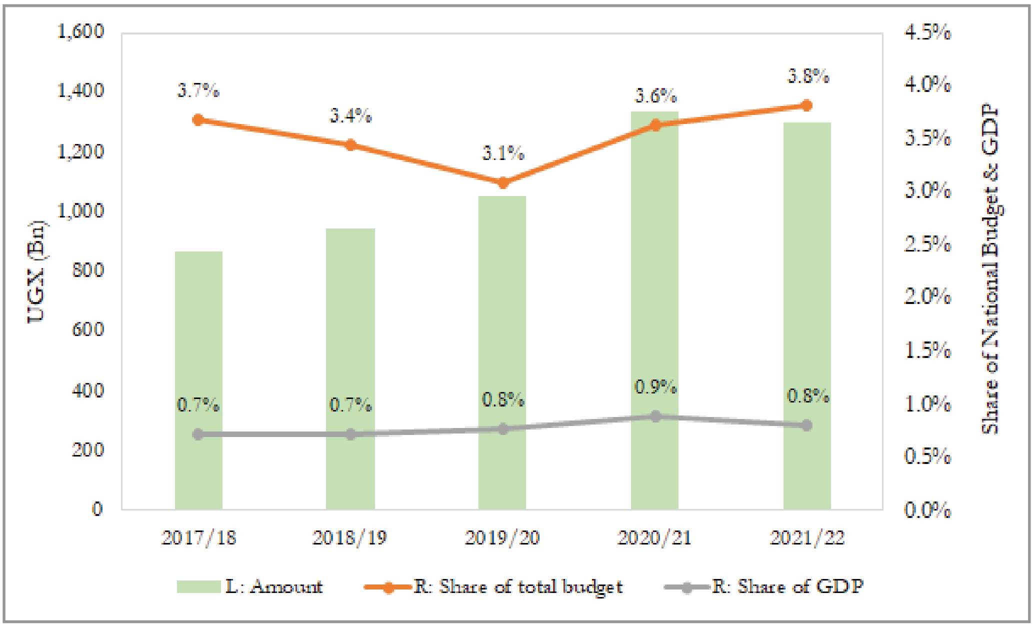
The MoH, through its various departments and programmes, ensures gender and equity (G&E) sensitive strategies, guidelines and programming for health service delivery. This includes G&E-sensitive budgeting, G&E-sensitive disaggregation of data, and prioritization of the most affected and vulnerable populations in planning. The MoH has developed Guidelines for Mainstreaming Gender and Human Rights in the Health Sector, 2018; Policy Guidelines on Prevention and Response to Sexual Harassment, 2018; The Health Sector Gender-Based Violence (GBV)/Violence Against Children Action Plan; The Training Manual for Health Workers on Clinical Management of Sexual Violence and Violence against Children and the Client Charter; and the Male Involvement in SRHR/HIV/GBV Strategy and Training Manual, which was launched to support male engagement in the health sector. Consequently, the MoH has scored well in the compliance with G&E and budgeting assessment by the OEC.

6.5 AGRICULTURE

The total budgetary allocation in nominal terms to the agriculture sector increased over the last five years, from UGX 866.8bn (US$237m) in 2017/18 to UGX 1,300.4bn (US$367m) in 2021/22. As a share of the total national budget and GDP, allocations to the agriculture sector were 3.8% and 0.8% respectively during FY 2021/22.

The Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) took the lion's share of the agriculture sector budget, averaging 45% for the last five financial years. The share of LGs – which are mandated with frontline agricultural delivery – increased from 6.3% in 2017/18 to 27.4% in 2021/22, due to increased funding for implementing the 'single spine' agricultural extension service. Figure 22 shows the trends in the agriculture sector budget, and share of total budget and GDP.

Figure 22: Trends in agriculture intra-sectoral budget allocations



Source: Author's calculations based on MoFPED data[108]

Agriculture spending per capita (people engaged in agriculture)[42] increased from UGX 72,714 (US$20) in 2017/18 to UGX 98,594 (US$28) in 2021/22, averaging UGX 87,363 (US$24) during the last five years (2017/18 - 2021/22). Despite the increase in per capita spending, Uganda has not been able to meet the Maputo/Comprehensive Africa Agriculture Development Programme (CAADP)[43] declaration (target) of allocating 10% of national budget towards

42 Per capita figures are calculated based on the UBOS projected mid-year population (72% of population engaged in agriculture).

43 CAADP was endorsed and adopted by the African Heads of State and Gov-

agriculture. The low investment in this sector worsens inequality and leaves the poorest and most vulnerable people behind. The Uganda Bureau of Statistics indicates that the national poverty level has increased, up from 19.7% in 2012/13 to 22% in 2019/20.

The government budget for the agriculture sector includes access to extension services, pest and disease control, water production, and provision of agricultural inputs. There was a budget allocation of UGX 239bn (US$65.3m) during FY 2021/22. However, there is no budget for access to finance, which is handled through other schemes such as the Agricultural Credit Facility[44] (targeting agricultural value addition), Emyooga[45] and the Youth Livelihood programme, among others.

MAAIF developed the first Gender and Equity Compact for the Agriculture Sector (GECAS) (2016/2017 – 2019/2020), emphasizing equitable and inclusive access to land, extension services, finance, technologies and agricultural infrastructure, and addressing discrimination and exclusion that women, girls, older persons, youth, persons with disabilities, people living in hard-to-reach areas and other marginalized groups face in agricultural production. Promoting equal access and opportunities for all population segments to these resources and services, and connecting them to local, national, regional and international markets is critical for sustainable development and inclusive economic growth.[109]

To some extent, government expenditure on agriculture is gender responsive. A report by MoFPED (2019) showed that the agricultural sector allocated 34.6% of its approved budget to G&E-responsive programmes in 2018/19. The performance of the G&E-responsive agro-industrialization programme during FY 2021/22 was relatively good, at 68%.[46] Good progress has been

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ernment at the Summit of the African Union in July 2003 in Maputo, Mozambique, as a framework for the restoration of agricultural growth, food security and rural development in Africa.

44 https://www.bou.or.ug/bou/bouwebsite/RelatedPages/Publications/article-v2/The-Agricultural-Credit-Facility-Report-June-2021-Released/

45 Emyooga, a presidential initiative on wealth and job creation, was rolled out in October 2020 to support, among others, market vendors, welders, taxi drivers, boda-boda riders, women and restaurant owners who come together in the form of savings and credit cooperative societies.

46 https://www.monitor.co.ug/uganda/news/national/ten-agencies-fail-gender-equity-compliance-test-3277806

registered in increasing women and youth's access to key agricultural inputs and services, and reaching out to Northern and Eastern Uganda and hard-to-reach areas. However, women and persons with disabilities still face barriers in access to and participation in employment opportunities in sector programmes.

Security of women's rights over resources such as land and water is still a challenge. For instance, only 28% of agricultural land is owned by women, whereas women constitute 49.5% of persons living in agricultural households and 43.4% of members of agricultural households that manage their farm plots. The average size of plots managed by men (0.85 acres) is almost double the average size of plots managed by women (0.45 acres).[110]

The government has tried to ensure women's access to agricultural services (such as credit and technologies) through programmes like Emyooga and the Uganda Women Entrepreneurship Programme (UWEP).[47] However, there are still challenges in access to agricultural credit among women. More women (31%) than men (27%) are excluded from financial institutions due to low access to financial information, lack of collateral and low literacy, among other reasons.[111]

6.6 SOCIAL PROTECTION

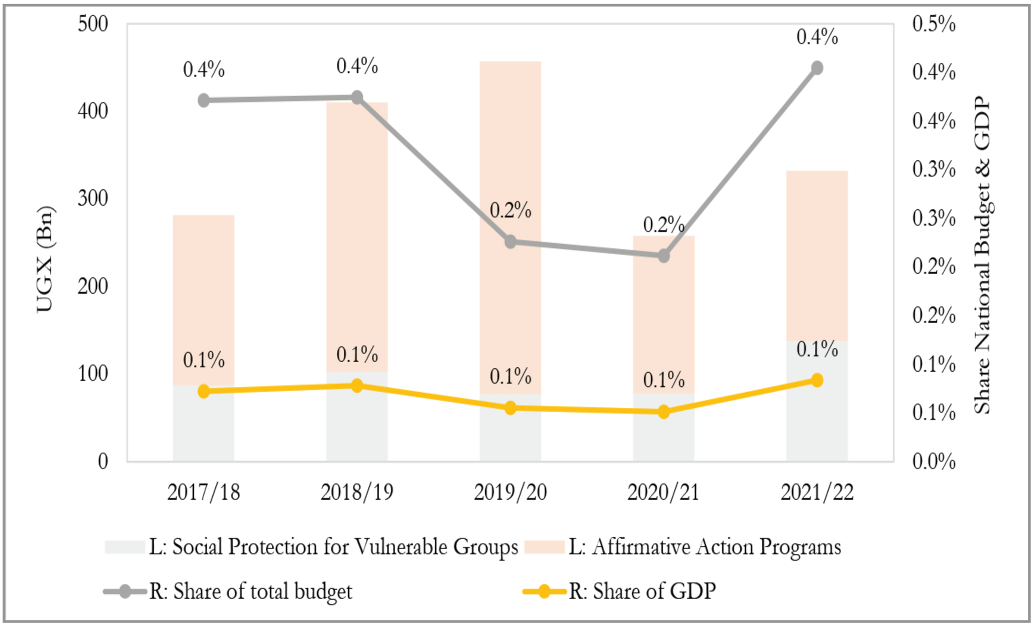
In Uganda, social protection is under the social development sector and Office of the Prime Minister (OPM), with most interventions implemented by the Ministry of Gender, Labour and Social Development (MoGLSD) and OPM.[48] The total budgetary allocation, in nominal terms, to social protection increased over the last five years, from UGX 281.9bn (US$77m) in 2017/18 to UGX 332.2bn (US$94m) in 2021/22. As a share of the total national budget and GDP, allocations to social protection were 1.0% and 0.2% respectively during FY 2021/22. Uganda's social protection as a share of national budget is lower than that of Kenya and Rwanda – at 0.4% and 0.3%, respectively.[112] Budget allocation for vulnerable groups such as children increased from UGX 87.4bn (US$23.9m) in 2017/18 to UGX 137.8bn (US$38.9m) in 2021/22. As a

47 UWEP is a government initiative aimed at improving access to financial services for women and equipping them with skills for enterprise growth, value addition and marketing of their products and services. https://mglsd.go.ug/uwep/

48 Affirmative programmes such as the Northern Uganda Social Action Fund (NUSAF) have a big social protection component.

share of the social protection budget, allocation to vulnerable groups was 41% during FY 2021/22. Figure 23 shows trends in social protection budget allocations.

Figure 23: Trends in social protection budget allocations



Source: Author's calculations based on MoFPED data[113]

The Government of Uganda is implementing various social protection interventions, which include: Public Service Pensions Scheme (PSPS), the National Social Security Fund (NSSF), Workers Compensation, the Social Assistance Grants for Empowerment (SAGE) programme, public works programmes, social care and support services. Other social protection initiatives are embedded in various government programmes such as the Orphans and other Vulnerable Children Programme, Community-Based Rehabilitation Programme for persons with disabilities, and the School Feeding Programme, among others. However, much as these social protection initiatives exist, they are limited in scope and coverage.[114]

The government social protection policy aims at reducing risk exposure and enhancing public capacity to manage economic and social risks (unemployment, sickness, disability and old age). For instance:

- **The SAGE programme provides regular, predictable income support**

to older persons and vulnerable households. The programme has two components, namely the Senior Citizens Grant, which provides cash to elderly people (above 80 years), and the Vulnerable Family Grant.

- **The NSSF is the largest social security scheme, which provides age benefits, survivor's benefits, withdrawal benefits, invalidity benefits and emigration benefits. The contribution rate of NSSF is 15%, shared at 5% and 10% by the employee and employer, respectively. The scheme, however, is limited to the formal sector and only covers employees who work in firms employing a minimum of five workers.**
- **The PSPS is a non-contributory, defined pay-as-you-go retirement benefit scheme financed directly by tax revenues from the Consolidated Fund. Benefits include a lump sum given upon retirement and a monthly pension based on the final pensionable salary of the civil servant. Civil servants who opt out of the service before reaching retirement age forfeit the benefits.**[115]

The government does not promote and practise the principles of universal free access to social protection. Consequently, only 3% of the Ugandan population have access to formal social security. Only 2.8% and 2.3% of the working population are covered by the PSPS and NSSF, respectively. Several small, private social security schemes managed by groups also exist but have minimal impact. Despite the existence of these schemes, the majority of Ugandans have no access to social protection. This results in a high level of vulnerability to shocks and persistent poverty.[116]

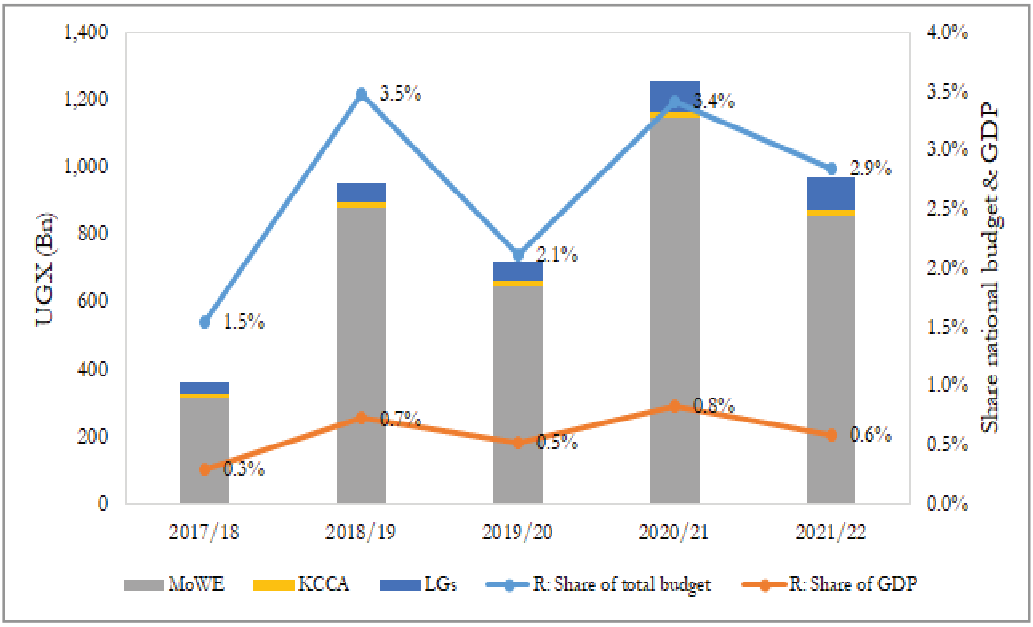
The government does not provide food transfers and universal school feeding. However, to address the impact of Covid-19, during lockdowns the government provided both food and cash transfers to vulnerable households in urban centres, especially Kampala city. During the first lockdown in March to July 2020, the government distributed food primarily to the urban poor. During the second lockdown (July to September 2021), the government reached out to over 500,000 households in Kampala metropolitan areas, all other cities and municipalities, with each household receiving UGX 100,000 (US$28.2). However, this was a one-off intervention targeting a small portion of vulnerable households. The majority of vulnerable households, including many urban poor and rural dwellers scattered across different regions of Uganda, did not benefit from the food donation exercise and cash transfers.

The MoGLSD promotes and practises gender-responsive budgeting. MoGLSD coordinates efforts to mainstream gender in government MDAs. It specifically plays an advocacy role to foster positive attitudinal and behavioural changes; builds capacity across the civil service for identification, analysis and implementation of gender-responsive policies and interventions; provides technical guidance and mentoring support aimed at mainstreaming gender into development planning, budgeting and accountability for public expenditure; and coordinates the collection, analysis and dissemination of gender-disaggregated data to influence policy and budgetary decisions.[117]

6.7 WATER AND SANITATION

The total budgetary allocation in nominal terms to the water and sanitation (WASH) sub-sector increased over the last five years, from UGX 362.8bn (US$99m) in 2017/18 to UGX 970.9bn (US$274m) in 2021/22. As a share of the total national budget and GDP, allocations to the WASH sub-sector were 2.9% and 0.6%, respectively. The majority (over 90%) of the WASH budget is under the Ministry of Water and Environment (MoWE). Other WASH activities are implemented by Kampala Capital City Authority and LGs. Figure 24 shows trends in WASH sub-sector budget allocations.

Figure 24: Trends in WASH intra-sectoral budget allocations



Source: Author's calculations based on MoFPED data[118]

The National Water Policy (1999) promotes, among others, regulated use of all water, whether public, private or groundwater, other than for domestic use; sustainable provision of clean, safe water within easy reach; and good hygienic sanitation practices and facilities.[119] The Pro-Poor Strategy for the Water and Sanitation Sector (2006) aims to improve the effectiveness of WASH pro-poor services.[120]

The government has effective and adequate institutional frameworks for pro-poor water and sanitation. Key institutions include: the Ministry of Water and Environment (MoWE):[49] the Directorate of Water Development;[50] the Water and Sanitation Development Facilities;[51] Umbrella Authorities;[52] the National Water and Sewerage Corporation;[53] Ministry of Local Government (MoLG);[54] and District Water Office.[55]

The Water and Sanitation Sub-Sector Gender Strategy (2018) acknowledges that water and sanitation policies affect men and women differently, and aims at developing a gender perspective in the sector. Specifically, the strategy provides guidelines to operationalize gender-sensitive programme planning, implementation, monitoring and evaluation. Additionally, it aims to increase the number of women in leadership positions in WASH committees.[121]

The MoWE promotes and practises gender-responsive budgeting. More than three-quarters of WASH funding goes to provision of safe water and sanitation in rural and urban areas, largely benefiting women. A study by

49 Responsible for setting national policies, standards and priorities for the development of water provision services.

50 Responsible for: managing, coordinating and regulating water supplies and sanitation activities (rural and urban areas); providing support to LGs to develop capacity and guide the utilization of grants; and constructing and rehabilitating piped water schemes in small towns and rural growth centres.

51 Funds new water supply, sanitation schemes and major rehabilitation projects in small towns and rural growth centres.

52 Regional structures responsible for the management of piped systems not covered by National Water and Sewerage Corporation.

53 A parastatal corporation responsible for the delivery of water supply and sewerage services in urban centres.

54 Responsible for providing administrative support and technical advice to LGs in developing district water plans.

55 The central institution coordinating district water and sanitation services. The District Water Office develops district water plans through the District Water and Sanitation Conditional Grants.

MoFPED[122] found that the overall performance of the water and environment sector in planning, budgeting and implementing gender and equity interventions in FY 2018/19 was good, at 71.5%. However, the same study found that completed water systems had low women's representation on management committees.

6.8 UNPAID CARE WORK

In Uganda women spend 30 hours a week on unpaid domestic and care work (such as collecting firewood, fetching water and taking care of children, sick and elderly people), more than twice the amount of time spent by men (12 hours a week).[123] However, government policies on women's empowerment have failed to recognize unpaid care work.[124] The government has been consistently underinvesting in the key sectors (i.e. health, education and agriculture) which have direct consequences in terms of reducing women's unpaid care workload.

The government does not recognize unpaid care and domestic work in the provision of public services, infrastructure and social protection policies. For instance, it does not support or provide services for childcare or care of elderly or disabled dependants. There are a number of factors that affect recognition of unpaid care work in Uganda; these include cultural and traditional influences – women are socialized from childhood to bear most of this workload, and both women and men are punished if they deviate from the status quo. Secondly, decision-makers – who are often men – have been influenced to undermine the contribution of unpaid care work, and therefore unlikely to allocate any resources for its recognition and reduction.[125]

6.9 RECOMMENDATIONS

a. MoFPED should enhance the gender sensitivity of public expenditures by providing additional funding to those public services where the relevant ministries can demonstrate a clear and strong benefit for women and girls.
b. Given the resource constraints, the government needs to reprioritize the budget by increasing spending on social sectors (education, health, social protection). Through progressive taxation and increased compliance efforts, the government can drastically increase spending on social sectors and WASH services.

c. The Equal Opportunities Commission (EOC) needs to build the capacity of MDA and LG officials on the gender and equity concepts, knowledge and analytical skills needed to prioritize inequality issues, design appropriate interventions, and monitor and evaluate gender outcomes.
d. The EOC should facilitate MDAs and LGs to develop gender compacts and guidelines which will help them to develop more gender-responsive budgets.
e. The government needs to increase spending on quality public education to improve enrolment and the quality of learning in Ugandan schools, from the current 11.3% in FY 2021/22 to meet the international commitment (Incheon Declaration) of least 20%.
f. The government should allocate at least 10% of the national budget towards agriculture. Given the Covid-19 pandemic, which has greatly affected sectors such as tourism that may take some time to recover, this is the time to put more money into the agriculture sector to boost the economy.
g. The government should increase funding to the water and environment sector, particularly the water and sanitation sub-sector, to the levels that were projected in the National Development Plan.
h. To ensure quicker and deeper socioeconomic recovery and shift the current stop-start recovery to the stronger and more sustained growth path seen before the pandemic, the Ministry of Health needs to ensure quicker and stronger Covid-19 vaccine rollout.
i. The government should invest in technology that would reduce women's care workload, in particular investing in clean, accessible and potable water. Investments should also be made in agricultural technology and scientific information, which should be given to women to use and control in order to reduce their unpaid agricultural production workload.
j. MoGLSD should scale up sensitization in gender mainstreaming and gender-responsive budgeting targeting decision-makers (especially cabinet ministers and MPs).
k. CSOs should work on empowering citizens to participate in and influence the different stages of the budget process, from formulation, legislation and implementation to evaluation. The government should support and collaborate with CSOs in this work. This engagement will enable citizens to be involved in discussions on how their taxes should be spent according to their needs and preferences.

l. CSOs could undertake gender audits of taxes and demand that the government implements gender-sensitive tax policies.
m. Women representatives should utilize existing formal structures such as Women Councils and Uganda Women Parliamentary Association (UWOPA) to scale up women's participation in the planning and budgeting processes.

SECTION 7: TRANSPARENCY AND ACCOUNTABILITY

This section assesses the availability and accessibility of information about Uganda's tax system and spending. The report examines the production of impact assessment studies of fiscal policies, which demonstrate strategic planning by public officials around taxation and public expenditure. It further assesses engagement by citizens and CSOs, especially women's organizations, in decision-making procedures around fiscal policies.

7.1 INFORMATION AVAILABILITY

Access to information is guaranteed by various legal frameworks in Uganda; these include: the Constitution of Republic of Uganda, 1995 (as amended) [Article 41];[56] Access to Information Act, 2005 (Section 5 (1[57]), (2[58]), Section 37;[59] Access to Information Regulations, 2011; and the Whistleblowers Protection Act, 2010.[60] Public bodies (government ministries, departments, statutory corporations, authorities or commissions) and relevant private bodies have a duty to create, keep, organize and maintain information.

Relevant government institutions publish information to inform the public on public spending (budgets) and the tax system (rates and collection). MoFPED publishes information on public spending (budgets) of all MDAs and LGs on the budget information website (www.budget.go.ug). The website provides information such as the background to the budgets; budget speeches; approved estimates of revenue and expenditure; annual budget performance reports; charter for fiscal responsibility; Budget Framework Papers; Ministerial Policy Statements; and reports on public debt, guarantees, other financial liabilities and grants.

The URA website (https://www.ura.go.ug/) provides information on the tax system (rates and collection) and key performance

56 This provides that: 'Every citizen has a right of access to information in the possession of the State or any other organ or agency of the State except where the release of the information is likely to prejudice the security or sovereignty of the State or interfere with the right to the privacy of any other person.'

57 This states that: 'Every citizen has a right of access to information and records in the possession of the State or anybody, except where the release of the information is likely to prejudice the security or sovereignty of the State or interfere with right to the privacy of any other person.'

58 This states that: 'For the avoidance of doubt, information and records to which a person is entitled to have access under this Act shall be accurate and up-to-date so far as is practicable.'

59 This provides that a person may lodge a complaint with the Chief Magistrate against the decision of an Information Officer to refuse a request for access to information.

60 The Act provides for the procedures by which individuals in both the private and public sector may in the public interest disclose information that relates to irregular, illegal or corrupt practices.

statistics (such as annual revenue performance reports, which include information on projected and actual tax revenue collections, although with a one-year time lag). In addition, URA endeavours to inform the public about tax rates and tax collection through the media, such as radio and TV talk shows, distributing brochures and establishing tax hubs and 'clinics' in various parts of the country. However, most of the information is in English, despite the fact that most taxpayers cannot easily read and write English.

The approved estimates of revenue and expenditure document provides information on the largest tax revenue sources individually. These include: domestic taxes, international taxes and non-tax revenues (NTRs). However, NTRs are presented as block figures, making it difficult to identify the contribution of each revenue source. For instance, the Auditor General's 2020 report noted that it was not possible to compare URA NTR collections totalling UGX 1,262bn (US$344.7m) with the respective budget entity figures.[126]

Despite having laws on access to information, there are barriers to accessing information in Uganda. This is mainly due to the culture of secrecy among public officials, high costs of accessing information, lack of knowledge among citizens of the provisions of the Access to Information Act, and the tedious procedures involved in requesting information.[61] Public officials use section 4.8.1(i) of the Code of Conduct and Ethics for Uganda Public Service (2006) and the Official Secrets Act (1964)[62] to avoid providing information to citizens when a request is made. In addition, due to low literacy levels, most citizens do not know that they have a right to information regarding taxes they pay and public expenditure. Furthermore, there is high level of apathy among citizens regarding the use of publicly available information.

The Companies Act (2012) requires a company to audit their books of accounts and file the form of annual returns with the Uganda Registration Services Bureau every year. A fine is incurred for noncompliance.

61 https://cipesa.org/2017/10/access-to-public-information-in-uganda-rhetoric-or-reality/

62 Most citizens cannot afford the cost of downloading information from websites, and this has been worsened by the 12% exercise duty on internet bundles.

Some companies, especially financial institutions, publish their financial statements in the media. However, information about companies' direct shareholders and beneficial owners is not publicly available.

The Income Tax Act (Cap 340) was amended in 2021 to broaden the definition of a beneficial owner. This was done for purposes of limiting tax exemptions/reduced tax rates and other concessions flowing from double taxation agreements,[127] but not to limit illicit financial flows. Uganda's Companies Act does not require official identification of the beneficial owners of companies or the complete identity of all shareholders in a company.[128] Lack of transparency regarding company beneficial ownership can aid crimes such as human trafficking. The illicit trafficking of people, particularly women and young girls, is on the rise in Uganda. It is estimated that 50 girls are trafficked from Uganda every day.[129] It has been well documented that some licensed Kampala-based employment agencies have recruited Ugandans to work in the Gulf region, where they have been led into situations of forced labour and human trafficking.[63]

7.2 AUDIT OF URA

Like other public entities, URA is audited by the Office of the Auditor General (OAG). The Auditor General's reports are debated in Parliament by the Public Accounts Committee in the presence of the media, and the reports are uploaded on the OAG's website (www.org.go.ug). The latest audit report available on the OAG's website is the Auditor General Report to Parliament for FY 2019/20.[130] At the time of writing this paper, Parliament had not debated the Auditor General Report for FY 2019/20.

The Auditor General Report to Parliament for FY 2019/20 revealed the following on URA: inaccuracies in the e-tax system, affecting taxpayer confidence in using the system and exposing taxpayers to the risk of inaccurate payments; overstatement of customs and excise taxes collected, and understatement of liabilities; some taxpayers being paid refunds despite having other outstanding tax obligations; URA has six operations bank accounts with a combined turnover of approximately UGX 1 trillion in commercial banks, which is contrary to the Public Finance Management Act 2015; the process of IT systems acquisition

63 https://www.state.gov/reports/2020-trafficking-in-persons-report/uganda/

is not well streamlined, as several systems appear to be duplicating the functions and roles of other systems owned by the authority; and weaknesses in customs management.

7.3 IMPACT ASSESSMENT

The government does not conduct impact assessments by gender, income and other groups, to identify the direct and indirect effects of taxes/budget choices with particular attention to the impacts of both taxes and public spending on the poor, women and vulnerable groups.

The government makes efforts to promote and implement gender-responsive budgeting. All MDAs and LGs are supposed to integrate gender and equity in their development/investment plans and Budget Framework Papers. The legal requirement for all spending agencies to obtain a certificate of gender and equity (G&E) compliance before their budgets are appropriated by Parliament provides an incentive for MDAs to promote gender-responsive budgeting. However, the limited time allocated to the G&E assessment exercise (November to January), late submission of budget documents and gaps in the competencies of assessment team members have resulted in weak efficacy of the assessment process.[131]

7.4 CITIZEN ENGAGEMENT

The government has established processes to facilitate civil society participation in shaping fiscal/budget policies at national and local levels. It engages a broad range of stakeholders, including CSOs, during the budget process (tax formulation and budget allocations). At national level, two networks – Tax Justice Alliance Uganda and Civil Society Budget Advocacy Group (CSBAG)[64] – actively engage with the government in shaping fiscal and budget policies. Some women-focused organizations are members of these networks. Every financial year, these networks develop a civil society position paper and statements on tax and revenue proposals, which are presented to Parliament during the debate and approval of the national budget. These position papers and statements are also published in the media.[132] CSOs participated in and influenced the development of Uganda's Domestic Revenue Mobilisation Strategy (DRMS). However, in most instances, civil society proposals are not taken seriously by the government. A case in point is the passing by Parliament of the

64 https://www.csbag.org/

12% excise duty on internet data in the 2021/22 budget despite caution by CSOs.

Although there are supportive legal, policy and institutional frameworks for citizen participation in fiscal and budget policies, citizen participation in the tax policy formulation process has generally been very limited. This can be seen in the low score of 22% on public participation in different stages of the budget process in the 2019 Open Budget Survey[65] conducted by the International Budget Project. Very few citizens submit tax proposals to MoFPED, and very few participate when tax Bills are at the committee stage in Parliament.[133] This has allowed larger corporations and other special interests to hijack the process and use it to ensure that their interests are served.

The relationship between the government and citizens on taxation policy issues is weak. Taxpayers see a lack of horizontal and vertical equity in the system, and perceive a lack of effective channels through which to encourage government to address the key concerns of citizens and businesses. They believe that MoFPED has the ability to effect appropriate change.[134]

At local level, although it is improving, civil society participation in shaping fiscal/budget policies is still weak. There are a number of factors that hinder effective citizen engagement, some of which include: compressed LG budget cycle, which limits engagement of all stakeholders; lack of information and guidance on how to engage; lack of motivation to participate, since citizen priorities are not implemented; and ineffective LG structures to facilitate effective community participation.

Uganda has good policies that promote or support women and women's organizations to participate in decision-making, including in the development of revenue policies. The National Gender Policy 2007 ensures involvement of women in influencing government policies and programmes at all levels. Uganda Women's Network (UWONET) has been key in mobilizing women to influence fiscal/budget policies. For instance, UWONET supports Uganda Women Parliamentarians

65 The Open Budget Survey is the world's only independent, comparative and fact-based research instrument that uses internationally accepted criteria to assess public access to central government budget information.

Association (UWOPA) to influence budget and tax policies in Parliament. However, the participation of CSOs in policy processes is being hampered by the narrowing space for engagement due to government interference in their work.

There is low access to taxpayer education for low-income earners, women and individuals operating in the informal economy. This is mainly because most of the information on taxation is in English, which most taxpayers cannot easily understand. To address this challenge, SEATINI-Uganda, Oxfam and partners are working with LGs on local revenue mobilization and sensitization of citizens in taxation.[66] Several capacity-building activities on local revenue generation, management and utilization are being organized for LG officials and civil society.[67]

While more women than ever are being appointed in public offices, gender equality is still a long way off and most key public offices are still heavily male-dominated. For instance, the representation of women in the 11th Parliament of Uganda is only 33.8%. There are 9 women on the budget committee of 38 members, and 11 women on the national economy committee of 41 members. Given their small numbers, women's concerns may not be effectively included during deliberations by these committees.

7.5 CORRUPTION

Although the level of corruption was perceived to drop during URA's initial phase, corruption has been considered a problem since its inception. The media periodically report corruption scandals in Uganda, some of which implicate URA officials.[68] On several occasions the President of Uganda has publicly accused URA staff of being corrupt. For instance, in June 2000 the President sacked a number of top URA officials due to corruption.[69] These associations with

66 https://seatiniuganda.org/seatini-uganda-and-oxfam-in-uganda-join-gulu-city-council-to-launch-the-local-revenue-enhancement-plan/

67 https://seatiniuganda.org/stakeholders-capacity-enhanced-on-emerging-issues-in-domestic-revenue-mobilisation-in-the-eac-region/

68 https://www.mediacentre.go.ug/media/president-ura-purge-corruption-improve-tax-collection

69 https://www.pmldaily.com/news/2020/06/museveni-ura-top-team-were-forced-out-over-corruption.html

corruption have a major negative impact on taxpayers' perceptions of the revenue agency.

The Auditor General Report to Parliament for FY 2019/20[135] revealed the following corruption tendencies in URA:

- **Over 232 employees were hand-picked, given temporary employment contracts and paid a monthly basic salary plus transport and housing allowances. Despite spending UGX 4bn on short-term employees, URA does not have a policy for such employees, which exposes their recruitment and remuneration to abuse.**
- **Payment of UGX 1.9bn (US$0.51m) was made to an informer,70 contrary to the Informer Management and Reward Policy. There was a conflict of interest situation regarding: backdated approvals by the Commissioner General and Commissioner Customs after cash had been withdrawn from the bank; backdated completion of the tax evaders information form (which records particulars of the informer, the alleged tax evader and the allegations against them), which was filed after the Customs Audit, contrary to the policy; and lack of evidence on record as to how the informer obtained the information.**
- **The Commissioner General authorized cash withdrawals 392 times, amounting to UGX 11.036bn (US$2.97m), contrary to limits set by the Permanent Secretary and Secretary to the Treasury and the URA Cash Policy. It should be noted that the withdrawn cash was used to pay for air tickets, car hire and staff claims, all of which can be paid through bank transfers.**
- **URA awarded multi-year contracts to the tune of UGX 57.2bn (US$15.4m). However, it did not provide evidence of approval of these multi-year commitments by Parliament, contrary to section 23 of the Public Finance Management Act 2015. The multi-year contracts mainly comprised contracts signed for the support and maintenance of systems and motor vehicle financing.**

To curb corruption, URA digitalized tax processes, which reduces contact between taxpayers and tax officials, and implemented a whistleblower policy.[71] It is

70 An informer is a person who reports tax fraud and misconduct by URA and (a) taxpayer/s.

71 A whistleblower is given 5% of

also implementing integrity enhancement programmes that cut across all functions, and include lifestyle audits of all URA staff to establish their source of income and expenditure trends. Cases brought to the attention of management that require corrective action are further investigated, and disciplinary action is taken where appropriate.[136]

7.6 BUDGET TRANSPARENCY

Uganda scored 58% on budget transparency in the 2019 Open Budget Survey[72] conducted by the International Budget Partnership (IBP). Budget transparency measures public access to information on how central government raises and spends public resources. It assesses the online availability, timeliness and comprehensiveness of eight key budget documents using 109 equally weighted indicators, and scores each country on a scale of 0 to 100.[73] With a transparency score of 58%, Uganda is not publishing enough material to support informed public debate on the budget. In addition, Uganda's score on budget transparency has been declining over the last four surveys, from 65% in 2012.

Uganda publishes various documents such as the background to the budgets; budget speeches; approved estimates of revenue and expenditure; annual budget performance reports; charter for fiscal responsibility; Budget Framework Papers; Ministerial Policy Statements; reports on public debt, guarantees, other financial liabilities and grants; government annual performance reports; and annual revenue performance reports.

The approved estimates of revenue and expenditure document provides information on the largest tax revenue sources individually. These include: domestic taxes, international taxes and non-tax revenues (NTRs). However, NTRs are presented as block figures, making it difficult to identify the contribution of each revenue source. The Auditor General's report 2020 noted that it was not possible 'to compare respective budget entity figures with the

the revenue collected from a case.

72 The Open Budget Survey is the world's only independent, comparative and fact-based research instrument that uses internationally accepted criteria to assess public access to central government budget information.

73 https://www.internationalbudget.org/open-budget-survey/country-results/2019/uganda

URA NTR collections that totaled to UGX 1,262bn. The absence of revenue estimates for each entity is a manifestation that these entities do not actually plan for this revenue.'[137]

The report on loans, grants and guarantees produced annually by MoFPED provides information on extra-budgetary funds. However, some details are excluded, especially on pension and social security funds. The background to the budget and the budget speeches explain the differences between the enacted levels and the actual outcome for revenues. The background to the budget and URA annual revenue performance reports have sections on revenue performance of the previous financial years, with explanations of the under- or over-performance of direct domestic taxes, indirect domestic taxes, international trade taxes, fees and licences, and NTRs.

7.7 RECOMMENDATIONS

a. MoFPED and URA should reach out to citizens and businesses through all media channels to explain and demonstrate more effectively the relationship between tax and public spending, dispel myths and create a more widespread understanding of the objectives of the tax system.
b. MoFPED should establish a committee to act as a formal channel of communication between citizens and government on tax issues, and to play a positive role in the development of solutions. This can be constituted as a permanent, high-level committee chaired by the Minister or the Permanent Secretary/Secretary to the Treasury, with membership including senior officials from URA, business leaders, academia and civil society.
c. Parliament should amend the Companies Act to include requirements for identification and verification of both the legal and beneficial owners of businesses. The law should require all companies to disclose their actual, human, beneficial owner(s) at registration.
d. Uganda Registration Services Bureau should create a central registry providing data on the ultimate beneficial owners of companies. The information listed in the registry should be accessible to both law enforcement agencies and the public.
e. URA should involve taxpayers in anti-corruption reforms. Tackling corruption in tax administration needs strong local leadership. However, to ensure real reform, taxpayers must be included. Allowing a tax administration to reform itself without addressing the concerns of taxpayers and citizens would result in an incomplete change process.

f. Parliament should expedite the debate of the Auditor General Reports to Parliament and ensure that all those involved in misuse of public funds are held accountable. Parliament should also allow any member of the public or any CSO to testify during its hearings on the Audit Report.
g. The Office of the Auditor General should establish formal mechanisms for the public or CSOs to contribute to relevant audit investigations.
h. MoFPED should conduct impact assessments by gender, income and other groups, to identify the direct and indirect effects of taxes/budget choices, paying particular attention to the impacts of both taxes and public spending on poor people, women and vulnerable groups.
i. MoFPED should include in the National Budget Framework Paper information on financial and nonfinancial assets, and how different macroeconomic assumptions (i.e. sensitivity analysis) impact estimates of expenditure, revenue and debt.
j. MoFPED has established public consultations during budget formulation and e-consultations during budget implementation. To further strengthen public participation in the budget process, it should also prioritize: expanding mechanisms during budget formulation that engage any CSOs or members of the public who wish to participate; and actively engaging with vulnerable and underrepresented communities, either directly or through CSOs representing them.
k. CSOs should educate citizens to understand that taxpayers can make their voices heard and can actively participate in public policy decision-making processes about how taxes are collected and spent on public services, and thus hold governments accountable.

CONCLUSIONS

This study was conducted by Oxfam in Uganda in collaboration with Oxfam Novib, SOMO, FEMNET, SEATINI-Uganda, Tax Justice Network Africa and Tax Justice Alliance Uganda members to analyse the fairness of Uganda's tax systems from a gender perspective. A fair tax system is defined as one which: is progressive, and serves as a mechanism to redistribute income in a gender-responsive way; allows sufficient revenue to be raised to perform government functions and provide high-quality essential public services; refrains from and eliminates tax exemptions and incentives for the elite (individuals and corporate); and tackles causes of illicit capital flight and tax evasion and avoidance by multinational companies and wealthy individuals.

Key findings from this study are:

Revenue collections are still low. Uganda has not raised its tax-to-GDP ratio to the level of other East African Community countries. This is mainly due to the large informal sector, generous tax incentives, low collection of non-tax revenues, the limited number of taxpayers, and illicit financial flows and corruption. Unfortunately, tax laws, policies and institutions are currently mostly focused on establishing a more 'efficient' mode of tax collection, with too little effort being directed at the principles of equity and progressivity.

Lack of progressivity and high dependence on indirect taxes, which disproportionately affect women. Uganda depends largely on indirect taxes (e.g. excise duty, VAT and customs), which contribute two-thirds of total tax revenues. Indirect taxes disproportionately affect low-income earners, especially women, because they spend a higher proportion of their income on consumer goods for their families.

To improve the gender balance and progressivity of the overall tax burden, corporate income taxation can be strengthened through anti-tax avoidance policies and by scrapping unnecessary tax exemptions.

Moreover, the redistribution of wealth and resources from rich to poor as well as from men to women can be improved via property taxation. Strengthening property taxation at local government level and spending on critical public services will have the added benefit of building accountability between the local governments providing services and the population using these services.

Tax incentives and exemptions are leading to huge revenue loss, which hinders the government's ability to provide critical public services. Due to the absence of a clear policy and non-transparent provisions on tax incentives and exemptions, Uganda is losing a lot of revenue. The revenue foregone due to tax incentives and exemptions during FY 2019/20 was estimated at UGX 5,030.45bn (US$1,354m), which is 3.6% of GDP and 30% of total tax revenue. This is more than the combined total allocated to the health sector (UGX 2,595bn), agricultural sector (UGX 1,054bn), water and environment sector (UGX 1,106bn) and social development sector (UGX 221bn) during FY 2019/20.

Illicit financial flows (IFFs) drain critical resources that could be invested in areas of development. Uganda loses over UGX 2 trillion (US$547m) annually due to IFFs. This equals 10% of total tax revenues and constitutes resources which are urgently needed in key areas such as education, healthcare and care facilities, directly impacting women and women-headed households.

The high spending on interest payments and security negatively impact government spending on social sectors (such as health, education and social development) and productive sectors (such as agriculture and water). Interest payments and security took 15% and 12% respectively of the FY 2021/22 national budget. However, the share allocated to social sectors, agriculture and water has remained stagnant, at less than 30% of the total national budget. Consequently, Uganda is unable to meet international and regional commitments, which would include allocating at least 15%, 10% and 20% of the annual budget to the health, agriculture and education sectors, respectively.

The government does not recognize unpaid care and domestic work in the provision of public services, infrastructure and social protection policies. The Ugandan government has been consistently underinvesting in the key sectors (i.e. health, education and agriculture) which could directly reduce women's unpaid care workload. In addition, there has never been a deliberate effort to address women's unpaid care workload.

Gender-responsive budgeting has improved, but much still needs to be done. The legal requirement for all spending agencies to obtain a certificate of gender and equity (G&E) compliance before their budgets are appropriated by Parliament provides an incentive for ministries, departments and agencies (MDAs) to promote gender-responsive budgeting. Consequently, G&E compliance of the budget has improved over the years. However, gender issues are not integrated into all MDA processes, which limits the ability of MDAs to implement gender-responsive interventions.

Despite having laws on access to information, there are barriers to accessing information in Uganda. This is mainly due to a culture of secrecy among public officials, the high costs of accessing information, citizens' lack of knowledge of the provisions of the Access to Information Act, and the tedious procedures involved in requesting information.

ANNEXES

ANNEX 1: LEGAL, POLICY AND INSTITUTIONAL FRAMEWORK

Uganda's tax administration is governed by several laws, which include: The Constitution of the Republic of Uganda 1995 (as amended); The Public Finance Management Act Cap 149 as amended in 2015; The Contingencies Fund Act Cap 150; The local Government Act, cap 243; The Income Tax Act, cap 340 (as amended); The Value Added Tax Act, cap 349 (as amended); The East African Excise Management Act 1970, cap 28 (as amended); The Stamps Act, cap 342; The Traffic and Road Safety Act, 1998, cap 361; The Gaming and Pool Betting (Control and Taxation) Act, Cap 292; Ratification of Treaties Act, Cap 204; and The East African Community Customs Management Act, 2004.

Several institutions coordinate tax administration in Uganda at the national and local/district levels, including: Ministry of Finance, Planning and Economic Development (MoFPED); Uganda Revenue Authority (URA); Parliament of the Republic of Uganda; Local Government Finance Commission (LGFC); Bank of Uganda; Ministry of Local Government (MoLG); Ministry of Trade, Industry and Cooperatives; and Local Governments (LGs).

URA is mandated to administer all taxes for the central government. Taxes collected by URA include: Pay As You Earn (PAYE), corporate tax, presumptive tax, withholding tax, rental income tax, tax on bank interest, casino tax, excise duty,74 value added tax, taxes on international trade,75 stamp duty and embossing fees, and non-tax revenues.

74 On cigarettes, beer, spirits/waragi, wines, soft drinks, phone talk time, sugar, bottled water, cement, cosmetics, mobile money transfers, international calls, bank charges, cooking oil, levy on mobile money withdrawals, internet data and plastic.

75 Petroleum duty, import duty, excise duty, VAT on imports, withholding taxes, surcharge on imports, temporary road licences, infrastructure levy, export levy.

URA is a semi-autonomous agency, which was established in 1991 by the URA Act 1991 (Cap 196). The authority has seven departments (each headed by a Commissioner): Corporate Services; Domestic Taxes; Internal Audit and Compliance; Customs; Legal Services & Board Affairs; Tax Investigations; and the Commissioner General's Office. Although URA is a quasi-autonomous institution, it is supervised by MoFPED. The Commissioner General of URA is 'supposed' to be appointed by the Minister of Finance, on the recommendation of the Board of Directors of URA.

LGs (districts, municipalities, town councils and sub-counties) are mandated to collect taxes that are not under the jurisdiction of URA and as prescribed in the Local Government Act. These include: local service tax (LST); LG hotel tax; property rates and land-based charges, building plan approval fees, land fees, etc; ground rent; business licences; user fees (including market dues, parking fees), user charges and permits; royalties from electricity generation, mineral mining and exploration of resources in protected areas; and other revenues (forest fees, veterinary fees, registration of births, marriages and deaths, fines, etc.).

Uganda is implementing the Domestic Revenue Mobilisation Strategy (DRMS). The DRMS aims to increase Uganda's tax-to-GDP to between 16-18% within the next five financial years, by improving the tax system through closing gaps in tax policy, improving the productivity of tax instruments and increasing the efficiency of the tax administration. The DRMS acknowledges the need to build capacity in URA and the Tax Policy Department (in functions such as tax policy analysis, revenue forecasting, auditing etc.), develop a tax policy strategy, and repair or revamp the legal tax framework along with the new tax policy.

In addition, the government is developing a Local Revenue Mobilization Strategy (LRMS), which will provide a framework for reforms that will be implemented in the medium term to enhance the potential of LG own-source revenue collections. The implementation of the strategy will result in a significant increase in LG own-revenue yields, resulting in greater LG autonomy in decision-making and consequent strengthening of the government's decentralization policy.

ANNEX 2: UGANDA'S MAJOR TAX REFORMS IN THE PAST THREE YEARS

Tax-type affected	2021/22	2020/21	2019/20
Income Tax, CAP 340	**Introduce new definitions** **Beneficial owner:** a) means a natural person who has final ownership or control of another person or a natural person on whose behalf a transaction is conducted, and includes a natural person who exercises absolute control over a legal person. b) in relation to trusts includes – i) the settlor; ii) the trustee; iii) the protector; iv) the beneficiaries; and v) any other natural person exercising absolute control of the trust; c) in relation to other legal person similar to trusts, means a natural person holding a position equivalent any of the positions referred to in subparagraph (b) above. **Clarif the definition of an exempt organization** to include a religious, charitable or educational institution whose object is not for profit. **Agro processing** Repealed paragraph (z) of Section 21 (1) which provided for income tax exemption for agro processors. This paragraph was giving a blanket exemption to all persons earning income from agro processing. This has been narrowed down to specific sections within the sector and will only be applicable if certain conditions as to investment threshold and utilization of locally sourced raw materials, employment of citizens and their earnings are met. **Ten-year income tax exemption** a) made an addition to the strategic sectors qualifying for the ten-year	• Ten year income tax exemption for investments whose capital is US$300,000 for a citizen investing elsewhere and US$150,000 for a citizen investing up-country. The threshold for East African Community country citizens reduced from US$1,000,000. **Conditions/requirements for the above exemption:** • An increase in the requirement for the use of local sourcing of raw materials from 50% to 70%. • An increase in the local requirement for labour from 60% to 70%. • A requirement that citizens will be earning at least 70% of the wage bill. **The manufacture of tyres, footwear, mattresses and toothpaste added to sectors benefiting.** • A purchaser of goods or services from a taxpayer designated to use the E-invoicing system must indicate E-receipts from the E-invoicing system in order to qualify for an allowable expense. • A provider of transport or freight	• The Act defines 'a beneficial owner' as a natural person who owns or has a controlling interest over a legal person other than an individual and who exercises control over the management and policies of a legal person or legal arrangement directly or indirectly, whether through ownership or voting securities, by contract or otherwise. The amendment limited the benefits of tax exemption and tax reduction under the double taxation agreements to instances where the beneficial owners of the income are natural persons resident in either of the contracting states. • The Amendment Act exempts, for 10 years, income from letting or leasing facilities derived by a developer of an industrial park or a free zone whose investment capital is US$50m in the case of a foreigner or US$10m in the case of a citizen. • The Act replaces Section 21 (af) and exempts, for a period of 10 years, the income of an operator in an industrial park or free zone or any other person carrying on

	income tax exemption – an operator in an industrial park or free zone or any other person who manufactures chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and diapers. **Rental tax** a) Capped up to 75% of allowable deductions for expenditure and losses incurred in generating rental income. This applies to both individuals and non-individuals. b) Increased the rate for rental income tax for individuals from 20% to 30%. **Depreciation of assets** a) Reduced the classes of assets for depreciation purposes from four to three, and reduced the depreciation rate as well. –Computers and data handling: 40% –Plant and machinery used in farming, manufacturing and mining: 30% –Automobiles; buses, minibuses, goods vehicles, construction and earth-moving equipment, specialized trucks, tractors, trailers and trailer-mounted containers, rail cars, locomotives and equipment; vessels, barges, tugs and similar water transportation equipment; aircraft; specialized public utility plant, equipment and machinery; office furniture, fixtures and equipment; any depreciable asset not included in another class: 20% b) Postponed the deduction for the depreciation of an asset that qualifies for initial allowance to the next year of income. i. Wear and tear deduction ii. Industrial building allowance **Capital gains** a) Provided for indexation in the calculation of capital gains tax in	• service MUST obtain a Tax Clearance Certificate (TCC) before renewal of operational licence. • Income tax rates for small business (presumptive) taxpayers lowered. Rates will still be based on turnover; however taxpayers with no record shall pay a fixed cost while those with records shall pay tax as a percentage of annual turnover. • 10% withholding tax will be deducted from commission paid to insurance and advertising agents. • It is mandatory for withholding agents to file a return not later than the 15th day of the following month. • The Islamic Development Bank included on the list of agencies whose income does not pay tax (Listed Institution). • The income of the Deposit Protection Fund exempted from income tax.	• business in Uganda specified under the Act,[76] whose investment income is at least US$10m in the case of a foreigner and US$1m in the case of a citizen. • Exclusion of financial institutions and insurance companies from interest capping provisions. Financial institutions and persons carrying on insurance business were excluded from capping their interest deductions when arriving at the taxable income for the year of income. • Withholding tax (WHT) on purchase of a business or business asset by a resident person. A resident person who purchases a business or a business asset is under an obligation to withhold tax at the rate of 6% of the gross payment. • Repealed the provision that provided for a rate of 1% WHT on agricultural supplies. • The Act reduced the tax rate on government securities whose maturity period is at least 10 years, from 20% to 10%.

	order to account for inflation. This means that before determining capital gains tax on a business asset, one will factor in inflation among others that influence the asset value. However, indexation shall not apply to an asset that is sold within 12 months from the date of purchase. b) Prescribed a formula for calculating the expense to be included in the cost base of a business asset when computing the gain or loss on disposal of that asset (Capital Gains Tax – Indexation). This only applies where the asset is sold after 12 months from the date of purchase of that asset. c) Provided for preferential treatment of capital gains tax for a venture capital fund registered under the Capital Markets Authority Act. Venture capital is a form of private equity and a type of financing that investors provide to start-up companies and small businesses that are believed to have long-term growth potential. In this amendment, capital gains arising from the sale of investment interest of a registered venture capital fund will not be recognized if at least 50% of the proceeds on sale is reinvested within the year of income. **Exchange of information** Where an international agreement provides for automatic exchange of information for tax purposes, the Commissioner shall, in accordance with the regulations made by the Minister, facilitate the automatic exchange of information. **Listed institutions** Added to the First Schedule of the Income Tax Act two institutions – the African Export–Import Bank (AFREXIMBANK) and the International and Union for Conservation of Nature. **Payment due date** Re-introduced the payment due date for income tax purposes. Provision for the due date of payment of income tax as a result of a		

	self-assessment or an assessment issued by the Commissioner shall be: i. in the case of self-assessment, on the due date for furnishing of the return of income to which the assessment relates; and ii. in any other case, within 45 days from the date of service of the notice of assessment. **Tax refunds** Amended the law to provide that a taxpayer shall be deemed to have submitted an application for refund on the date the application is received by the Commissioner. However, where the Commissioner requests for additional information, the application for refund shall be deemed to have been submitted on the date when the additional information is received by the Commissioner.		

Value Added Tax (VAT), CAP 349	**VAT exempt supplies**
	a) The following items were removed from the list of exempt supplies: the supply of production inputs into limestone mining and processing into clinker in Uganda and the supply of clinker for further value addition in Uganda has been made standard rated.
	b) The following supplies have been exempted from VAT:
	• The supply of liquefied gas and denatured fuel ethanol from cassava.
	• The supply of services to a manufacturer other than [a manufacturer who engages in supply of locally produced materials for construction of a factory or warehouse and the supply of locally produced raw materials and inputs or machinery and equipment to an operator within an industrial park, free zone or an operator within a single factory or other business outside the industrial park or free zone].
	
	Zero rated supplies
	The following supplies are now zero rated: the supply of leased aircraft, aircraft engines, spare parts for aircraft, aircraft maintenance equipment and repair services.
	
	Listed institutions
		• The period within which manufacturers can claim input VAT prior to VAT registration has been increased from the current six months to 12 months.
		• A taxable person will be allowed a tax credit on expenses only if they are supported by e-invoices or e-receipts.
		• Increased the tax rate of gas oil (automotive, light, amber for high-speed engine) from UGX 880 per litre to UGX 1030 per litre.
		• The following supplies were exempted from VAT:
		  • Trailers for agricultural purposes
		  • Combine harvesters
		  • The supply of digital stamps for purposes of implementing tax verification, quality and safety
		  • Tractor mounted hay mowers, slashers, rakes and tedders
		  • Crop sprayers
		  • Hay and straw balers
		  • Tractor mounted hole diggers/borers
			• A designated withholding agent for VAT purposes is required to withhold and remit 6% of the taxable value on making payment for taxable supplies.
			• Supplies exempt from VAT:
			  • aircraft insurance services
			  • rice mills
			  • agricultural sprayers
			  • the supply of certain services and other locally produced materials to technical or vocational institute operators; operators in a free zone or industrial park or who own a single factory or other business outside the industrial park or free zone whose investment capital is at least US$10m in the case of a foreigner

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<td>Added to the First Schedule of the VAT Act 2 institutions – the African Export–Import Bank (AFREXIMBANK) and the International and Union for Conservation of Nature.

Input tax claim
The amendment seeks to allow a period of six months from the date of issue of the invoice within which a person can apply for an input tax credit.

Refunds
The law has introduced a tax refund of 5% of the VAT amount, to be paid back to consumers who purchase goods or services from a taxable person, and iswho are issued with an electronic receipt or invoice worth five million shillings within a consecutive period of 30 days.

Returns
The law has created a separate quarterly return for non-resident suppliers of services deemed to be supplied in Uganda when made to non-taxable persons.

A taxable person who is providing services to a non-taxable person in Uganda and is engaged in providing services in connection to:
• Immovable property in Uganda;
• Radio or television broadcasting services received at an address in Uganda;
• Electronic services delivered to a person in Uganda;
• Transfer, assignment or grant of a right to use a copyright, patent, trademark or similar right in Uganda;
• Telecommunication services other than those by a supplier of telecommunication services or services to a person who is roaming while temporarily in Uganda.
• These shall be required to file returns within 15 days after the end of the three consecutive calendar months.

Penalties
Penalties on any taxable person who furnishes URA with information</td>
<td>• Scrapers, levelling blades and dam scoops
• Root or tuber harvesting machinery
• Tractor mounted loaders
• Irrigation equipment
• Drinkers and feeders for all farm animals
• Tuber harvesting machinery
• Cotton seed cake
• Supply of the following imported services:
• Software and equipment installation services to manufacturers
• Services incidental to tele-medical services
• Royalties paid in respect of agricultural technologies
• Accommodation in tourist hotels and lodges located up-country
• Liquefied gas
• Processed milk
• Locally developed computer software, its maintenance and software licences.
• Supply of services to conduct a feasibility study, design and construction.
• Supply of locally produced materials for construction of premises, infrastructure, machinery and equipment or furnishings and fittings which are not available on the local market to a hotel or tourism facility developer whose investment capital is US$8m with a room capacity exceeding 30 rooms; or to a meetings, incentives, conferences and exhibitions facility developer whose investment capital is not less than US$150m.
• VAT exemption for investments whose capital is US$300,000 for a citizen and US$150,000 for a citizen investing up-country. The threshold has been reduced from US$1,000,000.</td>
<td>• or US$1m in the case of a citizen, who fulfils the specified conditions
• the supply of imported drugs, medicines and medical sundries
• the supply of imported mathematical sets and geometrical sets used in educational services
• the supply of woodworking machines
• the supply of welding machines and sewing machines
• the supply of imported crayons, coloured pencils, lead pencils, rulers, erasers, stencils, technical drawing sets, educational computer tablets, educational computer applications or laboratory chemicals for teaching science, used in educational services.
• Zero-rated supplies: the supply of drugs, medicines and medical</td>
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	that is false or misleading, regardless of whether it was done knowingly or recklessly or not.	• Conditions/requirements for the above exemption: • Increase the requirement of local labour from 60% to 70%. • Requirement that the citizens earn an aggregate wage of at least 70% of the total wage bill.	
Excise Duty, 2014	**OTT, internet data and value-added telecom services** a) Scrapped over-the-top tax (OTT). b) Introduced a harmonized excise duty rate of 12.0% on internet data, except data for provision of medical services and education services. c) Reduced excise duty from 20% to 12% on provision of value-added services in telecoms. **Duty remission** a) Where the Commissioner is satisfied that a plastic product: • is for use in packaging of products for export • is for use in packaging medicaments • is manufactured from recycled plastics, the Commissioner will grant a refund of excise duty paid. b) The Commissioner shall not remit excise duty paid on plastic product manufactured from recycled plastics and plastic packaging for medicaments, unless the recycled plastic used in the manufacture of the plastic packaging is equivalent to at least 50 % of the raw material used. **Scope of excise duty** a) Broadened the scope of taxation of plastics to cover all plastics. b) Introduced excise duty of 2.5% or US$70/ton, whichever is higher, on plastic product and plastic granules. **Reduce excise duty** Reduced the excise duty rate for opaque beer to 20% or UGX 230 per litre, whichever is higher.	• The tax rate for indentured spirits made from locally produced raw materials reduced from 60% or UGX 2,000 per litre, whichever is higher, to 60% or UGX 1,500 per litre, whichever is higher. **NB:** No excise duty on sanitizers that meet 75% alcohol content. • Reduced the tax rate for fruit and vegetable juices, except juice made from at least 30% of pulp from fruit and vegetables grown in Uganda, from 13% or UGX 300 per litre, whichever is higher, to 12% or UGX 250 per litre, whichever is higher. • Increased the tax rate of gas oil (automotive, light, amber for high-speed engine) from UGX 880 per litre to UGX 1,030 per litre. • Introduced a fixed rate of UGX 10,000 per kilogram of plastic bags. These include sacks and bags of polymers of ethylene and other plastics except vacuum packaging bags for food, juices, tea and coffee, sacks and bags for direct use in the manufacture of sanitary pads. • A minimum capital investment requirement for duty exemption for developers of industrial parks and free	• Registration of importers and providers of excisable supplies. Any importer, manufacturer or provider of excisable goods and services other than a retailer shall apply for registration and the registration of the premises in which the manufacture, provision or dealing on the excisable goods and services, other than retailing, takes place. Failure of registration will attract a fine of UGX 400,000 (US$110) for each day of default. • Interest penalty on non-payment of tax. A person who fails to pay the excise duty imposed by the due date is liable to pay interest on the unpaid duty at a rate of 2% per month, compounded, for the excise duty which is outstanding. • Revised excise duty rates of certain items: • Non-alcoholic beverages, not including fruit or vegetable juice, is decreased from 12% or UGX 200 per litre, whichever is higher, to 11% or UGX 185 per

	Increase excise duty Increased excise duty on: a) Motor spirit (gasoline) from UGX 1,350 to UGX 1,450 per litre. b) Gas oil (automotive, light, amber for high-speed engine) from UGX 1,030 to UGX 1,130 per litre. **Introduce excise duty** a) Introduced excise duty of 20% or UGX 230 per litre, whichever is higher, on any other alcoholic beverages locally produced. b) Introduced excise duty of 12% or UGX 250 per litre, whichever is higher, on any other non-alcoholic beverage locally produced (excluding non-alcoholic beverages not including vegetable or fruit juices) locally produced, made out of fermented sugary tea solution with a combination of yeast and bacteria. c) Introduced excise duty on: i. Any other fermented beverages made from imported cider, perry, mead, spears or near beer of '60% or UGX 950 per litre, whichever is higher'. ii. Any other fermented beverages made from locally grown cider, perry, mead, spears or near beer of '30% or UGX 550 per litre, whichever is higher'. **Nil excise duty** Put nil excise duty on construction materials of a manufacturer, (excluding a manufacturer dealing in agro processing, food processing, medical appliances, building materials, light industry, automobile manufacturing and assembly, household appliances, furniture, logistics and warehousing, information technology or commercial farming), whose investment capital is at least US$50m or, in the case of any other manufacturer, who makes an additional investment equivalent to US$50m.	zones, operators and other investors in specified business of US$10m in the case of a foreigner, US$300,000 in the case of a citizen investing elsewhere; or US$150,000 for a citizen whose investment is placed up-country. • Excise duty exemption on inputs and raw materials extended to the manufacture of tyres, footwear, mattresses or toothpaste for a person who meets the capital threshold of investing US$10m in the case of a foreigner, US$300,000 for a citizen's investment elsewhere or US$150,000 for a citizen whose investment is placed up-country.	• NIL excise duty on materials for technical or vocational institute operators whose investment capital is at least US$10m for a foreigner or US$1m for a citizen. • The Act aligned the capital investment requirements for the existing duty exemptions on construction materials for developers of industrial parks and free zones (to US$50m in the case of a foreigner and US$10m in the case of a citizen), operators and other investors in specified business to US$10m in the case of a foreigner and
Stamp Duty Act, 2014	In addition to earlier conditions necessary for stamp duty exemption for operators in strategic investment projects (specified in Item 60 A (iii) of the Second Schedule of the Stamp Duty Act) included: a. Capacity to use at least 50% of the locally produced raw materials, subject to availability. b. Capacity to employ a minimum of 100 citizens. This means that such investors must have capacity to use 50% of raw	• ***New instrument.*** A new instrument was introduced by inserting immediately after item 63 the following: '63A Professional licence or certificate.' The stamp duty will now be charged UGX 100,000/=. • ***Reduction in threshold to benefit from stamp***	• Schedule 2 to the Principal Act, was amended to: • impose stamp duty of UGX 100,000 on bank guarantees, insurance performance bonds

	materials sourced locally and must be able to employ a minimum of 100 citizens. Exempted a manufacturer whose investment capital is US$50m from stamp duty on execution of the following documents: i) debenture; whether a mortgage debenture or not, being of a marketable security – of total value; ii) further charge; any instrument imposing a further charge on a mortgaged property – of total value; iii) lease of land – of total value; iv) increase of share capital; v) transfer of land; vi) an agreement to provide services on conducting a feasibility study or developing a design for construction. Conditions for the above exemption: a) In case of a new manufacturer, who is subject to availability, has capacity to use at least 70% of the locally produced raw materials, and employs at least 70% citizens with an aggregate wage bill of the new manufacturer and whose investment capital is at least US$50m. b) In case of an existing manufacturer who subject to availability has capacity to use at least 70% of the locally produced raw materials, and employs at least 70% citizens with an aggregate wage bill of the existing manufacturer from the date on which the manufacturer makes an additional investment equivalent of US$50m.	• duty exemption. Item 60A (iv) was substituted for 'capacity to employ a minimum of one hundred citizens'. This implies that an operator within an industrial park or free zone or an operator of a single factory or other business outside the industrial park that has the capacity to employ a minimum of 100 citizens will be exempted from stamp duty.	• indemnity bonds and similar debt instruments • repeal stamp duty on insurance performance bonds • exempt from stamp duty various instruments by a technical or vocational institute operator whose investment capital is at least US$10m in the case of a foreigner or US$1m in the case of a citizen.
Tax Procedure Code Act, CAP 345	**Issuance of licences** A local authority, government institution or regulatory body shall not issue a licence or any form of authorization necessary for purposes of conducting any business in Uganda to any person who does not have a Tax Identification Number including one issued by foreign tax authorities with whom Uganda has a tax treaty or agreement for the exchange of information. **Offences relating to tax stamps** Government has included more offences relating to tax stamps which would attract fines and/or imprisonment, upon conviction: a) an offender who attempts to acquire or acquires or sells a tax stamp without goods shall be liable to a fine not exceeding UGX 10,000,000		• A local authority, government institution or regulatory body shall not issue a licence or any form of authorization necessary for purposes of conducting any business in Uganda to any person without a taxpayer identification number (TIN). • The Ministry of Finance shall pay any tax due and payable by the government arising from any commitment made by the government to pay tax on behalf of

	or imprisonment for a term not exceeding five years, or both; b) a person who acquires tax stamps with the Commissioner's authority and affixes them on goods other than those approved by the Commissioner commits an offence and is liable to double the excise duty due on the goods or UGX 10,000,000, whichever is higher. **Definition of tax decision** The law has been amended to define tax decision to mean: a) A tax assessment; or b) A decision on any matter left to the discretion, judgement, direction, opinion, approval, satisfaction or determination of the Commissioner other than: i) a decision made in relation to a tax assessment; ii) a decision to refuse, issue or revoke a practice note or an omission to issue or revoke a practice note; iii) a decision or omission that affects a tax officer or employee or agent of the authority; iv) the compoundment of an offence under any tax law; or v) a decision to refuse, issue or revoke a private ruling or an omission to issue or revoke a private ruling. **Tax returns** The law has provided an extension of the period to amend tax returns that are not under investigation from the 12-month period after the date of furnishing the return to a period of three years. **Objection** A taxpayer who is dissatisfied with an objection decision may apply to the Commissioner to resolve the dispute using alternative dispute resolution procedures that may be prescribed by the Minister through regulations. This may present other avenues for taxpayers who would like to review tax decisions issued by URA without necessarily lodging an appeal to the Tax Appeals Tribunal. **Failure to furnish a return by due date** Increased the penalty for failure to furnish a tax return by the due date or within a further time allowed by the Commissioner to a fine not		• a person or owing from the government as counterpart funding for aid-funded projects. All taxes due and unpaid by the government as at 30 June 2019 were written off. • Waived the penalty on any taxpayer who voluntarily discloses the commission of an offence. • A payment of 5% of the principal tax or duty recovered will be made to a person who provides information leading to the recovery of a tax or duty.

	exceeding UGX 1,000,000, and failure to furnish the return within the time prescribed by court to a fine not exceeding UGX 2,000,000 on conviction. **Failure to maintain records** Increased the penalty for knowingly and/or recklessly failing to maintain records as required under any tax law to a fine not exceeding UGX 2,000,000 or imprisonment not exceeding six years or both on conviction. **Using a false TIN** Increased the penalty for knowingly and/or recklessly using a false TIN on a tax return or any other document prescribed or used for purposes of a tax law to a fine not exceeding UGX 3,000,000 or imprisonment not exceeding six years or both on conviction. **Making false or misleading statements** Increased the penalty for knowingly or recklessly making false or misleading statements or omitting from a statement to a tax officer, a matter or thing to a fine not exceeding 200 currency points that is UGX 4,000,000 or imprisonment not exceeding ten years or both on conviction. **Obstructing a tax officer** Increased the penalty for a person who obstructs a tax officer in the performance of duties under a tax law to a fine not exceeding UGX 5,000,000 or imprisonment not exceeding ten years or both on conviction. **Aiding or encouraging a tax offence** Increased a penalty for a person who aids or encourages a tax offence to a fine not exceeding UGX 5,000,000 or imprisonment not exceeding ten years on conviction. Where the offender is a tax agent, the applicable fine is equal to double the tax evaded or not exceeding UGX 5,000,000, whichever is higher, or imprisonment for a term not exceeding five years, or both. **Failure to apply for registration**		

	Increased the penalty for a person who fails to apply for registration, cancel a registration or notify the Commissioner of a change in registration or circumstances to: i. a fine not exceeding UGX 3,000,000 or imprisonment not exceeding six years or both on conviction if the failure/act was done knowingly or recklessly. ii. a fine not exceeding UGX 1,000,000 or imprisonment not exceeding two years or both on conviction in any other case. **Offering a tax officer any payment or reward** Increased the penalty for a person who directly or indirectly offers or gives to a tax officer any payment or reward not being payment or a reward which the officer is lawfully entitled to receive, to a fine not exceeding UGX 3,000,000 or imprisonment not exceeding six years or both upon conviction. **Induce the officer to do any act** Increased the penalty for a person who proposes or enters into any agreement with a tax officer in order to induce the officer to do any act or thing, abstain from doing any act or thing, connive in the doing of any act or thing or conceal any act or thing whereby the tax revenue is or may be defrauded or which is contrary to the provisions of a tax law or to the proper execution of the officer's duty, to a fine not exceeding UGX 3,000,000 or imprisonment not exceeding six years or both upon conviction. **Impersonating a tax officer** Increased the penalty for a person who impersonates a tax officer, to a fine not exceeding UGX 2,000,000 or imprisonment not exceeding six years or both upon conviction. **Failure to apply for registration** A person who is not registered as a tax agent who acts as a tax agent commits an offence and is liable on conviction to fine not exceeding UGX 480,000 or to imprisonment not exceeding one year or both.		
Tax Appeals Tribunal Act	• Provides for appeals to the Court of Appeal from decisions of the High Court. This appeal ought to be lodged within 30 days after being notified of the decision or within further time as the Court		

	• of Appeal may allow. The Act further provides for appeals from decisions of the Court of Appeal to the Supreme Court with leave from the Supreme Court. This appeal ought to be on questions of law only. • Provides for powers of the reviewing body (Tribunal, the High Court, the Court of Appeal and the Supreme Court) of the decision to make an order staying or otherwise affecting the operation or implementation of the decision under review or appeal. The Act further provides for interest on amount to be refunded by the decision-maker as a result of the decision of the reviewing body. The amount to be refunded shall be repaid with interest at the rate specified in the relevant law on the amount of the refund from the date the person paid the tax refunded and		
Mining Act, 2003	Imposed a levy on processed gold at a rate of 5% of the value of a kilogram which is exported outside Uganda. This shall be paid to URA at the point the processed gold is exported out of Uganda. Imposed a levy on unprocessed minerals at a rate of 10% of the value of the unprocessed minerals exported out of Uganda. This shall be paid to the URA at the time when the unprocessed minerals are exported out of Uganda.		
The Tobacco Control Act, 2015	a) Introduced a levy on leaf tobacco at the rate of US$0.8 per kilogram of leaf tobacco which is exported out of Uganda. b) The levy shall be paid by the exporter to URA at the time the tobacco is exported out of Uganda. c) Leaf tobacco shall not include cutrag; threshed stem, threshed strips; threshed loose leaves or threshed lamina.		
Fish Act Cap 197	a) Imposed a levy on fish maw exported out of Uganda at a rate of 8% of the total value. b) The levy shall be paid by the exporter to URA at the time the fish maw is exported out of Uganda		

Tax Administration	• URA to implement the following administrative interventions: • strengthen tax arrears management and recovery; • enhance data analysis through interfaces with other government information systems to enhance taxpayer compliance;	• Introduced the Electronic Fiscal Receipting and Invoicing System (EFRIS). In accordance with Section 73A (1) of the tax procedures code act, a taxpayer may issue an e-invoice or e-receipt, or employ an electronic fiscal	
	• enforce tax compliance using the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) and Digital Tax Stamps; • enforce enhanced licensing requirements for clearing and tax agents, and bond operators; • improve detection of smugglers using non-intrusive inspection equipment; and • close all bonded houses for imported sugar for re-export to avoid declaration and misclassification. • The capacity of local governments to collect revenue will be enhanced through training and ICT infrastructure.	device which shall be linked to the centralized invoicing and receipting system or a device authenticated by URA. Furthermore, initially the due date for implementation of EFRIS was 1 July 2020; however, due to the challenges taxpayers faced in integrating their systems with EFRIS, the due date for implementation was extended to and is effective from 1 January 2021.	

ANNEX 3: VAT EXEMPTED AND ZERO-RATED GOODS AND SUPPLIES

List of exempted supplies and goods	Zero-rated supply of goods or services
• Agriculture animal feeds and premixes, crop extension services, irrigation works and sprinklers, supply of agriculture insurance, Hoes, Ploughs, Harrows, seeders, planters and transplanters, manure spreaders and fertilizer distributors, Agricultural sprayers, Fertilizers, Refrigerated Trucks, Agricultural chemicals (fungicides and pesticides), Veterinary Chemicals (Acaricides), Agricultural Tractors, Poultry parent stock imported by persons engaged in poultry farming, broiler and layer breeder, Breeding animals, Feeds for Poultry and Livestock Poultry, Machinery for processing dairy products, supply of irrigation works, sprinklers and ready to use drip lines	• The supply of earth-moving equipment and machinery for development of an industrial park or free zone to a developer of an industrial park or free zone whose investment is at least US$50m. • Developer of an industrial park or free zone whose investment is at least US$50m. Payment for feasibility studies, design construction services, construction materials and earth-moving equipment and machinery. • Investment in processing agricultural products; manufacturing or assembling medical appliances, medical sundries or pharmaceuticals, building materials, automobiles and household appliances; manufacturing furniture, pulp, paper, printing and publishing of instructional materials; establishing or operating vocational or technical institutes; or carrying on business in logistics and warehousing, information technology or commercial farming. Must invest US$10m for foreign investors or US$1m for EAC citizens. Use at least 70% of locally sourced raw materials and employ at least 60% EAC citizens.

• Education: Exercise books (if locally produced), Mathematical sets & geometry sets used in educational services, Crayons, coloured pencils, lead pencils, rulers, erasers, stencils, technical drawing sets, educational computer tablets, educational computer applications or laboratory chemicals for teaching science subjects used in educational services; Textbooks • Industry: Woodworking machines, Welding machines, Sewing machines • Bibles and Qu'rans • Energy: Supply of any goods and services to contractors and subcontractors of hydroelectric power, solar power, geothermal power, or bio gas and wind energy projects; Penstock pipes for use in hydro power projects • Medical: Medical Autoclaves, X-Ray Machines for medical use, Chemical Analysers for blood analysis, Ophthalmic instruments and appliances, Dental drill equipment, Ultrasound machinery, Syringes, Cardio graphic machine, Artificial parts of the body (teeth, legs, joints), prosthesis, Hearing aid, Medicated cotton wool, Medical bandage,	• Developer of a hotel or tourism facility: supply of feasibility study, design and construction services; or on the supply of locally produced materials. The investor must invest at least US$8m. The hotel or tourism facility must have a room capacity exceeding 100 guests. • Developer of a hospital facility: supply of feasibility study, design and construction services; or the supply of locally produced materials; or the supply of machinery and equipment or furnishings and fittings. Must invest at least US$5 million. The investment must be for a hospital at the level of a national referral hospital with capacity to provide specialised medical care. • Manufacturers of medicines: The supply of drugs, medicines and medical sundries manufactured in Uganda. • Exporters

• Insurance: Life, medical, micro, aircraft and reinsurance services. • Importers of medicines (exemption at importation) • The supply of construction materials for development of an industrial park or free zone to a developer of an industrial park or free zone whose investment is at least 50 million US$.	

Source: URA (2021), A Guide on Tax Incentives/Exemptions available to the Uganda Investors. Accessed from: https://www.ura.go.ug/resources/webuploads/INLB/Tax%20Incentive%20Guide%202020-21%20high%20resolution_compressed.pdf

ANNEX 4: SELECTED TAX INCENTIVES IN UGANDA

No.	Beneficiary	Incentives	Period of incentive	Conditions
1.	Developer of an industrial park/free zone	Exemption of income derived from renting out or leasing facilities established in an industrial park or free zone. No stamp duty on debentures, lease of land, increase of share capital, transfer of land. Nil excise duty on construction materials for development of industrial parks or free zones by a developer.	10 years Duration of development Duration of development	Must invest a minimum of US$50m for foreign investors or US$10m for EAC citizens; incentive takes effect from the date of commencement of construction. Also applies to an existing investor making an additional investment of the same value. Must invest a minimum of US$50m and incentive takes effect from the date of commencement of construction. Must invest a minimum of US$50m for foreign investors and US$10m for EAC citizens. The incentive takes effect from the date of commencement of construction.

No.	Beneficiary	Incentives	Period of incentive	Conditions
2.	Operator in an industrial park or free zone who invests in processing agricultural products; manufacturing or assembling medical appliances, medical sundries or pharmaceuticals, building materials, automobiles and household appliances; manufacturing furniture, pulp, paper, printing and publishing of instructional materials; establishing or operating vocational or technical institutes; or carrying on business in logistics and warehousing, information technology or commercial farming or manufacture of tyres, footwear, mattresses or toothpaste.	Income derived by a person from undertaking any of the listed business activities in an industrial park or free zone.	10 years	Must invest a minimum of US$10m for foreign investors and US$300,000 for EAC citizens or US$150,000 where the investment is made up-country. The investor must use at least 70% locally sourced raw materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill.

No.	Beneficiary	Incentives	Period of incentive	Conditions
3.	Operator within an industrial park or free zone or an operator of a single factory or other business outside the industrial park who invests in agro processing, food processing, medical appliances, building materials, light industry, automobile manufacturing and assembly, household appliances, furniture, logistics and warehousing, information technology or commercial farming, operating vocational or technical institutes.	No stamp duty on debentures, lease of land, increase of share capital, transfer of land. Nil excise duty on construction materials of a factory or warehouse exclusive of those available on the local market, locally produced raw materials and inputs.	Duration of activity	Must invest a minimum of US$10m for foreign investors and US$300,000 for EAC citizens or US$150,000 where the investment is made up-country. The investor must use at least 70% locally sourced raw materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill.

No.	Beneficiary	Incentives	Period of incentive	Conditions
4.	Investor outside an industrial park or free zone carrying out activities as specified in 2 above.	Income derived by a person from undertaking any of the specified business activities.	10 years	Must invest a minimum of US$10m for foreign investors and US$300,000 for EAC citizens or US$150,000 where the investment is made up-country. The investor must use at least 70% locally sourced raw materials and employ at least 70% EAC citizens who must take up at least 70% of the wage bill.
5.	Agro processors	Income derived by a person from undertaking agro processing.	One year. May be renewed annually.	Investor must use plant and machinery that has not previously been used in Uganda, apply for and be issued with a certificate of exemption from URA and must be tax compliant.

No.	Beneficiary	Incentives	Period of incentive	Conditions
6.	Exporters of finished consumer and capital goods	Income derived from the exportation of finished consumer and capital goods.	10 years	Exemption valid from the beginning of the investment. Investor must export at least 80% of production. Investor must apply for and be issued with a certificate of exemption.
7.	Collective investment schemes to the extent of distribution	Income tax exemption for collective investment schemes.	Indefinite	Must be licensed to operate as a collective investment scheme. Participants in the scheme should not have day-to-day control over the management of the property. Participants' contributions and ultimate income/profits must be pooled. Property must be managed as a whole by the operator of the scheme.

No.	Beneficiary	Incentives	Period of incentive	Conditions
8.	Mining and petroleum operators	Special income tax deductions allowed and exemptions: carry forward losses, 100% depreciation rate for depreciable assets acquired for mining exploration, deduction for contribution made by a licensee to a rehabilitation fund in accordance with an approved rehabilitation plan, deductions for recovery of costs for work programmes, exemption of income tax on amounts withdrawn from a rehabilitation fund to meet expenditure incurred under an approved rehabilitation plan, 10% withholding tax on payments made to subcontractors as a final tax as opposed to 15%, deduction of social infrastructure costs incurred in accordance with the mining lease.	Indefinite	Mining and petroleum operators

No.	Beneficiary	Incentives	Period of incentive	Conditions
9	Aircraft operators	Income tax exemption for aircraft operators.	Indefinite	Applies to persons engaged in air transport for domestic and international traffic or aircraft leasing.
10.	Private employers of persons with disabilities (PWDs)	Deduction of 2% income tax for employers that employ PWDs.	Indefinite	5% of employees must be PWDs.
11.	Non-profit making organizations	Income tax exemption.	Indefinite	Where the Commissioner has issued a written ruling stating that it is exempt.
12.	Compliant taxpayers	6% WHT exemption.	Six months, renewable	Where the Commissioner is satisfied that the taxpayer has regularly complied with the obligations under the tax laws.
13.	All taxpayers	100% deduction of scientific research expenditure.	Indefinite	A person who incurs expenditure for scientific research.
14.	All taxpayers	100% deduction of training expenditure.	Indefinite	Employers who train permanent residents or provide tertiary education not exceeding in the aggregate five years.

No.	Beneficiary	Incentives	Period of incentive	Conditions
15.	All taxpayers	Initial allowance and depreciation allowance: initial allowance – capital deduction of 50% of qualifying plant and machinery and 20% on industrial building placed in the radius of 50km outside the boundaries of Kampala. Person who places depreciable assets in service, e.g. computers, automobiles, specialized trucks, tractors, plant and machinery used in farming, manufacturing or mining operations, trailers and trailer-mounted containers; and industrial building deduction of 5% on cost of construction straight line method for 20 years.	Indefinite	All taxpayers with deprecia-ble assets.
16.	All taxpayers	Carry forward losses: assessed loss is carried forward as a deduction in the following year of income.	Duration of the loss	All taxpayers.

No.	Beneficiary	Incentives	Period of incentive	Conditions
17.	Investor established in a country with which Uganda has a Double Taxation Agreement (DTA)	Investors from countries with active DTAs with Uganda, i.e. United Kingdom, Denmark, Norway, South Africa, India, Italy, the Netherlands and Mauritius. Withholding tax rates applicable to dividends, interests, management fees and royalties are 10% except UK at 15%.	Duration of the DTA	Beneficial owner of investment as defined in the Income Tax Act established with economic substance in a country with which Uganda has a DTA.
18.	Contractors to licensees undertaking mining/petroleum operations.	Deemed VAT.	Duration of the investment	Tax payable on supply by a contractor to a licensee undertaking mining or petroleum operations is deemed to have been paid by the licensee to the contractor provided the supply is for use by the licensee solely and exclusively for mining or petroleum operations.

No.	Beneficiary	Incentives	Period of incentive	Conditions
19.	Contractors executing aid-funded projects.	Deemed VAT.	Duration of the project	Tax payable on a taxable supply made by a supplier to a contractor executing an aid-funded project is deemed to have been paid by the contractor provided the supply is for use by the contractor solely and exclusively for the aid-funded project.
20.	Contractor or licensee or a person providing business process outsourcing services.	Input tax credit on imported services.	Indefinite	Persons providing services to the licensees in mining operations or licensees in petroleum operations. Persons granted mining rights or with whom the government has entered into a petroleum agreement. Persons providing business process outsourcing services.

No.	Beneficiary	Incentives	Period of incentive	Conditions
21.	Hotel or tourism developer	Nil stamp duty on debenture, further charge, lease of land, increase of share capital, transfer of land and agreement to provide services on conducting a feasibility study or developing a design for construction.	Duration of the development	Must invest at least US$8m. Hotel or tourism facility should have room capacity exceeding 100 guests.
22.	Hospital facility developer	Nil stamp duty on debenture, further charge, lease of land, increase of share capital, transfer of land and agreement to provide services on conducting a feasibility study or developing a design for construction.	Duration of the development	Must invest at least US$5m. Develop a hospital at the level of a national referral hospital with capacity to provide specialized medical care.

No.	Beneficiary	Incentives	Period of incentive	Conditions
23.	Specialized equipment for development and generation of solar and wind energy, including accessories and deep cycle batteries which use and/or store power. These include: Deep cycle batteries Solar panels Direct current inverters Direct current charge controller. Plastic bag biogas digesters. Water treatment effluent plant.	Exempted from all taxes under the 5th schedule of the East African Community Customs Management Act, 2004.		

Source: URA (2021), A Guide on Tax Incentives/Exemptions available to the Uganda Investors. Accessed from: https://www.ura.go.ug/resources/webuploads/INLB/Tax%20Incentive%20Guide%202020-21%20high%20resolution_compressed.pdf

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