DOMESTIC REVENUE MONITORING STRATEGY

ANNUAL MONITORING REPORT

FINANCIAL YEAR 2020/21

OCTOBER 2021

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

MOFPED
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ABBREVIATIONS

AIA	Appropriation in Aid
BMAU	Budget Monitoring and Accountability Unit
Bn	Billion
CIT	Corporate Income Tax
CF	Consolidated Fund
COVID-19	Coronavirus Disease 2019
DINU	Development Initiative for Northern Uganda
DTS	Digital Tax Stamps
DRMS	Domestic Revenue Mobilisation Strategy
EAC	East African Community
EFRIS	Electronic Fiscal Receipting Solution
FY	Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
IRS	Integrated Revenue administration System
LED	Local Excise Duty
LGFC	Local Government Finance Commission
LGs	Local Governments
Ltd	Limited
MDAs	Ministries, Departments and Agencies
MoES	Ministry of Education and Sports
MFPED	Ministry of Finance, Planning and Economic Development
NTR	Non Tax Revenue
PAYE	Pay as You Earn
PIT	Personal Income Tax
PS/ST	Permanent Secretary/ Secretary to the Treasury
PRN	Payment Registration Number
STI	Science, Technology and Innovations
TPD	Tax Policy Department
TREP	Tax Registration and Expansion Project
UNBS	Uganda National Bureau of Standards
UNHCE	Uganda National Council for Higher Education
URA	Uganda Revenue Authority
VAT	Value Added Tax

FOREWORD

The Government of Uganda (GoU) seeks to enhance efficiency and effectiveness in the mobilisation of its domestic revenue through the implementation of far-reaching reforms agreed upon in its Public Finance Management Strategy (2019-2024) and the recent Domestic Revenue Mobilisation Strategy (DRMS) adopted in 2020. The DRM Strategy aims to improve the tax system by closing gaps in tax policy, improving the productivity of tax instruments, and increasing the efficiency of the tax administration.

Government also requires closer monitoring, reporting and evaluation of the impact of tax policy and revenue administration reforms entailed in the DRM Strategy. The DRMS Monitoring Strategy includes 112 specific interventions that are planned to be implemented by the various responsibility centres mostly at the Uganda Revenue Authority (URA) and Ministry of Finance, Planning and Economic Development (MFPED). Closer monitoring and evaluation of the implementation of these interventions will essentially help to identify what works and what doesn't, and generally to identify what keeps the country from steadily improving its tax revenue to GDP ratio.

The Budget Monitoring and Accountability Unit (BMAU) has been assigned the responsibility of spearheading the monitoring of the DRMS. To that effect, the Unit has embarked on the monitoring of the DRMS and this is the second Annual Revenue Monitoring Report.

I urge all stakeholders to critically review the report and take action to ensure enhanced revenue mobilisation.

Ramathan Ggoobi

Permanent Secretary/Secretary to the Treasury

EXECUTIVE SUMMARY

The core objective of the Domestic Revenue Mobilisation Strategy (DRMS) is to improve revenue collection, lifting Uganda's tax-to gross domestic product (GDP) ratio from 12.5% to between 16-18% within five financial years 2019/20-2023/24. Additionally, the objective of Government in FY 2020/21 was to raise the revenue effort by 0.5 percentage points of GDP.

Methodology

The assessment covered Uganda Revenue Authority (URA) and Tax Policy Department (TPD) of the Ministry of Finance, Planning and Economic Development (MFPED), Busitema and Soroti universities; 10 Local Governments,[1] and 10 manufacturing industries[2].

The assessment of URA's performance focused on six indicators on: tax and non-tax revenues through key performance indicators for tax administration. These included tax compliance gaps, timeliness of filing and payments, tax payer registration, tax arrears management, audit process integration and transparency improvement. In addition, the digitalisation process was also reviewed. The assessment of the Tax Policy Interventions also covered six indicators that included; VAT, incentives and exemptions. The integrity of the URA database was assessed albeit to a very limited extent, additionally some tracking was done for NTR.

Data was collected through a combination of qualitative and quantitative methods and approaches. Secondary data was obtained through review of data on the websites of URA and MFPED, revenue performance reports (URA and TPD) and the Domestic Revenue Mobilisation Strategy. On the other hand, primary data was collected through key informant interviews.

Findings

The overall net revenue collections for FY 2020/21 were Ug shs 19,598.31bn against a target of Ug shs 21,810.66bn registering 90%, which was very good performance. However, the Revenue to GDP ratio increased by 0.6% (against a target of 0.5%) from 12.5% in FY 2019/20 to 13.1% in FY 2020/21.

i) Tax Policy

Overall, the tax policy interventions assessed achieved 55% performance, which was fair. The performance of the DRMS as assessed through the tax policy indicators sampled for the exercise, had two indicators on track out of the six. The Value Added Tax (VAT) exempt supplies as a percentage total supplies and value and proportion of exempt supplies by type were on track. Tax policies were developed by the MFPED, although joint analytical publications between URA and MFPED were not achieved. The revenue loss due to various relief measures in the tax laws increased with customs-related revenue losses accounting for 43% of revenue loss.

1 The Local Governments included Buikwe, Kaliro, Luwero, Mbale, Mukono, Soroti and Wakiso districts. In addition, Kiira, Mukono and Mbale municipalities.

2 These included: Century Bottling, Crown Beverages, Harris International, Hima Cement, Sugar and Allied Industries, Leaf Tobacco National Cement, Tororo Cement, SCOUL Sugar, Yaket International Limited.

Although there was growth in VAT performance of 14.73% in FY2020/21, analysis of performance based on the selected four indicators showed that two were not on track. One was partially on track, while another was fully achieved. The zero rated supplies as a percentage of total VAT supplies increased over the FYs 2019/20-21 eroding the VAT tax base. Additionally, the number of taxpayers per URA VAT technical staff increased. The VAT exempt supplies as a proportion of VAT supplies reduced minimising revenue leakage. The URA data was not streamlined to capture specific items regarding exempt supplies by type, and this limited the level of analysis.

Incentives and exemptions were not on track therefore tax losses continue to persist. Generally, the revenue loss due to various relief measures in the tax laws has continued to grow over time with customs-related revenue losses accounting for 43% (Ug shs 3,168bn) of total revenue losses in FY 2020/21. The estimation of revenue loss on account of Income Tax and VAT exemptions could not be adequately assessed because of the difficulty in obtaining the required data inputs. This was attributed to lack of enforcement measures on filing by exempt taxpayers. This was also accompanied by the design of the VAT return which does not allow the capture of exemptions by item- goods/service but through aggregated classifications.

ii) Tax Administration

Overall, there were improvements registered amidst challenging economic times for tax administration. The tax administration interventions tracked achieved 75.5% performance, which was good as a high proportion of targets were on track. Over the FYs 2019/20/21, overall tax compliance gap improved from 84% to 90%. These included: Indirect Domestic Taxes (78% to 89%), International Trade Taxes (84% to 94%), and Non-Tax Revenues (58% to 88%). Tax arrears collected achieved a 50% performance; although under Customs Taxes arrears collections achieved 250% performance. The achievements were below the desired targets and there is need to design stronger strategies as overall percentage of collectible arrears declined from 47% to 37%. Timeliness and accuracy of filings declined in FY 2020/21, Personal Income Tax (PIT) and Corporate Income Tax (CIT) registered less than 50% filing rates and attained a performance of 42%. Audit, investigations and enforcement achieved 90% performance on account of improvements from adoption of real time digital sales and production monitoring systems and, improved audits.

iii) Integrity of URA Databases

Comparison of data from 10 manufacturers and the URA database showed variances arising from payments registered and not fully settled by manufacturers (arrears).

Efforts by the URA to review returns through the self-assessment system and recover arrears were found to be limited and underperforming. This contributed to arrears of Ug shs 27.5bn (9% of the registered payments) in VAT and Ug shs 18.253bn (7% of the registered payments) of the sampled manufacturers that would have improved the achievement of targets.

The manufacturers of the products selected for validation were applying Digital Tax Stamps

(DTS) and the Electronic Fiscal Receipting and Invoicing Systems (EFRIS) to support collection of Excise Duty and VAT respectively. Although this enhanced performance, challenges experienced included stock outs of digital stamps and unstable network for the EFRIS.

iv) Non-Tax Revenue

The NTR achieved 88% (Ug shs 1,261.83bn) performance against the target. The ministries, departments and agencies (MDAs) were not certain about the rates for some NTR sources. Collection and performance was affected by the COVID-19 interventions.

Challenges

i) The URA data was not broken-down to fit the requirements for the indicators used to monitor the DRMS. For instance, the indicators on rental income were under consideration but their database could not feed into the requirements of the monitoring tool.

ii) Poor coordination between TPD and URA results in loss of synergies and convergence of minds that would result into better revenue mobilisation efforts.

iii) Low economic activity arising from the COVID-19 lockdown enforcement measures that called for incentives and tax relief measures to support businesses impacted on the revenue collections.

iv) Inadequate resources at the URA to monitor, analyse and enforce the tax administration measures including the self-assessment systems.

v) Limited resources and capacity within the TPD and BMAU to track the DRMS interventions.

Recommendations

i) The MFPED should step up budgetary allocations to the Tax Policy Department and URA to enhance efforts to build capacity that includes: staffing levels, digitalisation of processes, trainings and research, analytical capacity in forecasting for both tax and non-tax revenues to implement the DRMS interventions.

ii) The MFPED should facilitate BMAU to strengthen its capacity to cover more performance indicators for the DRMS.

iii) The MFPED Tax Policy Department should periodically assess the relevance of certain tax incentives and reliefs to the revenue mobilisation effort for example through commissioned research on the impact of exemptions on plant and machinery in given sectors.

iv) The URA should streamline its database and systems so that they can capture taxpayers at declaration level and develop a holistic strategy to improve tax enforcement against counterfeit trade and the informal sector.

v) The URA through innovation and IT strategies should simplify filing for low-income taxpayers including options of filing through mobile phones and have lead times for cleaning the taxpayer register.

vi) The URA should strengthen enforcement measures on filing by exempt taxpayers and also change the design of the VAT return to capture the exemptions by item.

CHAPTER 1: INTRODUCTION

1.1 Background

The Public Finance Reform Strategy focuses on sustainable domestic resource mobilisation as one of the strategic objectives for Uganda's development. To that effect, the Domestic Revenue Mobilisation Strategy (DRMS) 2019/20-2023/24 was developed in FY2019/20 and is currently under implementation over the period.

The DRMS's core objective is to improve revenue collection and, lift Uganda's tax-to-GDP ratio from 12.5% to between 16%-18% within five financial years. To that end, the Government has developed interventions to: 1) Raise additional revenues to support the government's budgetary position, 2). Encourage a healthy flow of investment, and 3). Address issues of fairness and transparency in the tax system. It is critical that this strategy is effectively monitored and the Budget Monitoring and Accountability Unit (BMAU) has been tasked to do so.

The BMAU tracks the implementation of selected Government programmes or projects observing how values of different indicators against stated goals and targets change over time. The Unit regularly produces annual and semi-annual budget monitoring reports, sector monitoring reports and policy briefing papers focusing on various sector reforms. In 2019, on the strength of the Unit's institutional experience in monitoring and evaluating reforms and providing independent evidence-based monitoring findings, MFPED management tasked BMAU to add the revenue sector onto its priority list to be monitored. The Unit has since produced one revenue monitoring report (in December 2020) and this is the second annual report.

The Annual DRMS Monitoring Report for the FY2020/21 is focusing on tax and non-tax revenues. The selected[3] tax revenue key performance indicators for tax administration included; tax compliance gaps against revenue potential, timeliness of filing and payments, tax arrears collection and transparency improvement, audit process integration and taxpayer registration were tracked. For tax policy interventions, the indicators reviewed include: Value Added Tax (VAT) - Zero rated and exempt supplies, tax incentives and exemptions, and tax expenditures.

Additionally, validation of data for excise duty and VAT from selected manufacturers with the URA data was conducted.

The objectives of the monitoring were to assess:

1. The performance of selected DRMS tax policy interventions (VAT, incentives and exemptions, tax expenditure).
2. The performance of selected DRMS tax administration interventions.
3. Non Tax Revenue base covered in terms of revenue mobilisation.
4. Local Government efforts in setting and meeting own revenue targets.

3 The BMAU has very limited capacity to cover all the performance indicators for the DRMS. Currently three staff have been dedicated to revenue monitoring as capacity constraints are addressed. A total of 12 indicators out of 112 proposed indicators were assessed. These are attached as Annex 1.

CHAPTER 2: METHODOLOGY

2.1 Scope

The assessment covered Uganda Revenue Authority (URA) and Tax Policy Department of the Ministry of Finance, Planning and Economic Development, Universities of Busitema and Soroti; 10 Local Governments[4] and 10 manufacturing industries[5].

Assessment of URA's performance focused on six indicators covering tax and non-tax revenues through key performance indicators for tax administration. These included tax compliance gaps, timeliness of filing and payments, taxpayer registration, tax arrears management, audit process integration and transparency improvement. In addition, the digitalisation process was also reviewed. The assessment of the tax policy interventions also covered six indicators that included; VAT, incentives and exemptions, tax expenditure management and performance non-tax revenue (NTR) were tracked; as well, validation of data for Excise Duty and Value Added Tax (VAT) from selected manufacturers with the URA was conducted.

The NTR assessments were conducted in Universities and Local Governments, while manufacturing industries were visited to verify URA tax records.

2.1.1 Data Collection

Data was collected through a combination of qualitative and quantitative methods and approaches. Secondary data was obtained through review of data on the websites of URA and MFPED, revenue performance reports (URA and Tax Policy) and the Domestic Revenue Mobilisation Strategy.

Primary data was collected through key informant interviews with District Local Government and Municipal Council staff that included Chief Finance Officers, Town Clerks and Accountants. In addition, information was also collected from the manufacturers, and officials from URA Domestic Taxes Department, and the Research and Planning Section.

The manufacturers were visited[6] and performance data of the Excise Duty and VAT obtained for comparison with URA data.

Focus group discussions were conducted with key informant staff for respective manufacturers. Additionally, discussions were held with the manufacturers and URA staff regarding URA's digitalisation process including the roll out of Digital Tax Stamps and about the Electronic Fiscal Invoicing and Receipting System (EFRIS).

4 The LGs included Buikwe, Kaliro, Luwero, Mbale, Mukono, Soroti and Wakiso. In addition, Kiira, Mukono and Mbale municipalities.
5 These included: Century Bottling, Crown Beverages, Harris International, Hima Cement, Sugar and Allied Industries, Leaf Tobacco National Cement, Tororo Cement, SCOUL Sugar, Yaket International Limited.
6 This was done by a joint team of BMAU and URA staff.

2.2.2 Data Analysis

The data was analysed using Microsoft excel tables to determine the changes in tax data over the FYs 2019/20-21, and the variance between information provided by the taxpayers vis-a-vis that on the URA database. Comparison of actual non-tax revenue collections with the targets set was carried out to determine the levels of achievement.

The performance was rated based on the criterion in table 2.1.

Table 2.1: Assessment guide to measure performance of the DRMS in FY2020/21

SCORE	COMMENT
90% and above	Very good (most of the set targets achieved)
70%-89%	Good (higher proportion of target achieved 70%-89%)
50%- 69%	Fair (few targets achieved 50%-69%)
Less than 50%	Poor (no targets achieved 50%)

Source: BMAU

2.2.3 Limitations of the report

Two main constraints limited this report.

- A key constraint was the inadequate formats of the data from URA to meet the requirements of the indicators that were selected.
- The BMAU covered a very small number of DRMS monitoring indicators because of capacity constraints. Only one team has been allocated to this task since recruitment of relevant staff has not been made.

CHAPTER 3: PERFORMANCE

3.0 Domestic Revenue Mobilisation Strategy (DRMS)

Background

In line with international norms, Uganda's tax system comprises of several tax instruments that include, direct personal and corporate income taxes; and indirect taxes such as excise duties and value-added tax. The revenues that the system generates reflect a broad balance between taxes on consumption, income, and international trade.

Government is committed to narrowing the gap between current and potential revenue performance. This commitment builds on the government's existing policy of seeking to increase tax revenues as a share of GDP by at least 0.5% per annum, requiring them to grow at a rate in excess of the rate of growth in GDP (commonly referred to as buoyancy). Although this has been achieved year-on-year, the current revenue yield, remains below expectations for a country at Uganda's stage of development. This jeopardises economic growth and development by limiting the government's ability to provide the education and welfare programmes that would act as drivers of higher achievement. The tax system needs to be "competitive", but it also has to yield enough revenue to address these issues consistently and sustainably. It is not achieving that today.

Objectives of the Domestic Revenue Monitoring Strategy

The core objective of the DRMS is to improve revenue collection, lifting Uganda's tax-to-GDP ratio to between 16%-18% within the next five financial years. This will bring Uganda closer to its theoretical potential and exceeds the target of a 16% tax-to-GDP ratio as set out in the NDPIII and the Charter of Fiscal Responsibility.

In setting the objectives of the DRMS, Government was cognizant of the need to achieve a better balance between competing challenges:

1. To raise additional revenues to support the government's budgetary position;
2. To encourage a healthy flow of investment; and
3. To address issues of fairness and transparency in the tax system.

3.1 Annual Domestic Revenue Performance for FY 2020/21

In the FY 2020/21, the domestic[7] revenue collections were Ug shs 12,144.01bn against a target of Ug shs 14,038.18bn, registering a performance of 86.51% and a deficit of Ug shs 1,894.18bn. Nevertheless, a growth of Ug shs 1,464.19bn (13.71%) was posted compared to the FY 2019/20. In terms of tax heads, a deficit of Ug shs 874.64bn was incurred in direct domestic taxes, Ug shs 555.72bn in indirect domestic taxes, and Ug shs 463.79bn in NTR including appropriation in aid.

7 Overall net revenue collections for FY2020/21 were Ug shs 19,598.31bn against a target of Ug shs 21,810.66bn of which Ug shs 12,144.01bn were domestic taxes.

3.2 Performance of Tax Policy

Six indicators under Tax Policy were monitored, four of which were under VAT, while the other two were under exemptions and incentives.

3.2.1 Value Added Tax (VAT)

The VAT is one of the most important revenue sources in Uganda, however it performance is comparatively low. Research indicates that Uganda's VAT efficiency, the ratio of VAT revenue to the product of the standard rate and final consumption is 28.6%. This is lower than the Sub-Saharan African average of 48.7%, and lower than regional peers, such as Kenya (44.4%), Rwanda (41.7%), and Tanzania (45.7%). VAT is normally a buoyant source of revenue, with growth expected to at least match that of GDP.

Limit the range of zero rated supplies as far as possible

i) Zero-Rated VAT Supplies as a Percentage of Total VAT Supplies.

The aim of the intervention is to reduce the zero rated supplies. Where the proportion of zero rated supplies against total VAT supplies remarkably reduces (relative to the baseline), then the taxable VAT base is expanding, which is the ultimate goal of the policy intervention.

The amount of zero-rated VAT supplies increased from Ug shs 12,428.19bn in FY 2019/20 to Ug shs15,405.82bn in FY 2020/21, while the total VAT supplies increased from Ug shs 76,311.16bn in FY2019/20 to Ug shs 86,027.77bn in FY2020/21. The proportion of zero rated supplies to total VAT supplies increased from 16.28% in FY 2019/20 to 17.91% in FY2020/21. This implies, there was a reduction in the taxable VAT base in the FY 2020/21 on account of zero rated supplies, and the aim of intervention based on the indicator was not achieved. Table 3.1 shows the detailed performance.

Table 3.1. Zero Rated VAT Supplies as a Percentage of Total VAT Supplies

Intervention	FY 2020-2021	FY 2019-2020
	Ug shs bn	Ug shs bn
Amount of zero rated VAT supplies	15,405.82	12,428.19
Total VAT supplies	86,027.77	76,311.16
Indicator calculation	**17.91%**	**16.28%**

Source: URA

3.2.2 Remove unnecessary VAT exemptions to curb unjustifiable revenue leakages, while maintaining those that support Ugandan welfare and economic objectives

i) VAT exempt supplies as a percentage of total VAT supplies

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

The amount of VAT exempt supplies increased from Ug shs 12,770bn in FY2019/20 to Ug shs 13,330.87bn in FY 2020/21. Total VAT supplies increased in FY 2020/21 to Ug shs 86,027.77bn from Ug shs 76,311.16bn (Table 3.2.). VAT exempt supplies as a proportion of total VAT supplies reduced from 16.73% in FY 2019/20 to 15.5% in FY 2020/21 registering a reduction in revenue loss arising from VAT exempt supplies over the FYs 2019/20-21.

Table 3.2: VAT Exempt Supplies as a Percentage of total VAT Supplies

Intervention	FY 2020-2021	FY 2019-2020
	Ug shs bn	Ug shs bn
Amount of VAT exempt supplies	13,330.87	12,770.04
Total VAT supplies	86,027.77	76,311.16
Indicator calculation	**15.5%**	**16.73%**

Source: URA

ii) Value (and proportion) of VAT exempt supplies by type of supply

The aim of the indicator is to monitor the trend in value of the zero rated-rated supplies by type of supply. Items that will be removed from the list will not be expected to return zero values once the policy intervention to remove some of the items from the list is implemented. Where the values continue to be seen would signify a weakness. The indicator values[8] and proportions are also used to examine whether the non-export zero rated supplies are the kind of supplies that support the poor, and if not, this points to areas where revisions in the VAT law could be considered regarding zero rated supplies.

The trend in value of the zero-rated supplies by type of supplies had mixed performance (table 3.3). The value and proportion of most agricultural items reduced, for example irrigation works, sprinklers and ready-to-use drip lines, crop extension services, photosensitive semi-conductor devices, light emitting diodes, solar water heaters, refrigerators, and solar cookers, animal feeds and premixes declined. These were expected to have increased as they support the poor who are the majority.

The supplies that increased in FY2020/21 under agriculture included: unprocessed foodstuffs, agricultural products, livestock, machinery, tools, and implements suitable for use only in agriculture. For this indicator to progress positively, there is need for an increase in the items that directly support the poor.

8 Y %=(X/∑X) *100, Where X- is the value of zero rated supplies. Y% is the proportion of zero rated supplies.

Table 3.3: Trends in VAT Exempt Supplies FY2019/20 and 2020/21

Type of Zero-Rated Supplies	FY 2019/20 (Ug Shs bn)			FY 2020/21 (Ug Shs bn)		
	X	Y%	X(Y%)	X	Y%	X(Y%)
Unprocessed foodstuffs, agricultural products, and livestock	278.44	1.85	514.15	284.5	2.24342	638.256
Postage stamps (where)	204.18	1.35	276.48	234.02	1.84535	431.848
Financial and insurance services	2569.57	17.04	43787.53	2972.14	23.4366	69656.9
Education services	9.52	0.06	0.6	19.8	0.15617	3.09277
Veterinary, medical, dental, and nursing services	879.38	5.83	5128.43	1106.46	8.72489	9653.7
Social welfare services	1.27	0.01	0.01	2.05	0.01618	0.0332
Betting, lotteries, and games of chance	6.96	0.05	0.32	5.12	0.04036	0.20661
Passenger transportation services, except travel and tour operators	20.8	0.14	2.87	19.48	0.15361	2.99238
Petroleum fuels subject to excise duty	10233.96	67.87	694569	7224.97	56.9721	411622
Dental, medical, and veterinary equipment	181.84	1.21	219.28	268.1	2.11409	566.787
Animal feeds and premixes	372.04	2.47	917.91	253	1.995	504.732
Machinery, tools, and implements suitable for use only in agriculture	24.01	0.16	3.82	36.59	0.28854	10.5578
Crop extension services	21.58	0.14	3.09	2.79	0.02201	0.06144
Irrigation works, sprinklers and ready-to-use drip lines	1.45	0.01	0.01	0.84	0.00665	0.0056
Deep cycle batteries, composite lanterns, and raw materials for their manufacture	0.06	0	0	0.4	0.00319	0.00129
Photosensitive semiconductor devices, light emitting diodes, solar water heaters, solar refrigerators, and solar cookers	71.09	0.47	33.51	62.15	0.49008	30.458
Lifejackets, life-saving gear, headgear, and speed governors	7.86	0.05	0.41	9.21	0.07262	0.66884
Any goods and services to the contractors and subcontractors of hydroelectric power, solar power, geothermal power or biogas, and wind energy power projects	193.74	1.28	248.93	178.66	1.40879	251.692
Bibles, Qurans, and textbooks	1.23	0.01	0.01	1.31	0.0103	0.01344
Total	**15078.98**	**100**	**1507898**	**12681.59**	**100**	**1268159**

Source: URA and field findings Y %=(X/∑X) *100

Table 3.3 does not show some of the zero- rated supplies because of the nature of the VAT return which does not capture item level declarations. These include: supply of unimproved land; sale, leasing, and letting of immovable property, excluding commercial premises; supply of goods as part of a transfer of business as a going concern.

Other items do not file and even if they filed it would not be easy to distinguish these services. For example, it was noted that burial and cremation services, supply of movie productions do not file and when they do it is not easy to distinguish these services.

The URA data should be cleaned/streamlined so that they are able to capture items at the declarations level and also be able to distinguish the different services.

iii) Number of VAT payers per VAT Technical Staff

The goal of the indicator is to show the balance between taxpayers and staff so that the latter are not overworked.

The number of taxpayers increased in FY2020/21, while that of URA staff reduced. Table 3.4 shows an increasing number of taxpayers per staff therefore an increase in the workload

The challenge with this indicator is that the URA data was not specifically broken down to indicate numbers of VAT technical staff and VAT payers. Therefore, the limited data jeopardises the indicator results.

Table 3.4: Ratio of Tax Payers to URA Staff

	FY 2019/20	FY 2020/21
Number of taxpayers	1,594,867	1,783,493
Number of URA Staff	2546	2359
Indicator Calculation	**626.42**	**756.04**

Source: URA

3.3 Incentives and Exemptions

Various factors hinder better performance in revenue collection, and high exemption regimes amidst a big informal sector tend to be central in exacerbating the erosion of the tax base. Tracking the incentives and exemptions would inform a balance for incentives and exemptions to apply.

3.3.1 Establish and publish a Tax Expenditure Government Framework

The framework particularly monitors the trends in the value and composition of tax expenditures and how they erode the tax base. Tax expenditures include:

(i) Tax exemptions, which are incomes that are excluded from the tax base

(ii) Tax deductions or allowances which refer to amounts that reduce taxable income

(iii) Tax deferrals, which are amounts that are not included in the calculation of income for a given year but are included in the calculation of a future year

(iv) Tax rate reliefs/reductions, which occur by allowing some taxpayers to benefit from reduced tax rates on specific goods or services, and

(v) Tax credits, which are amounts deducted from a taxpayer's liability (e.g. tax refunds).

The indicator seeks to monitor revenue foregone through tax expenditures[9]. It monitors the trends in the value and composition of tax expenditures and how they erode the tax base. The objective of the intervention is to expand the taxable base through minimisation of tax expenditures. Thus, if tax expenditures especially exemptions (and their share to total revenue) keep increasing relative to the baseline, a flag would be raised.

9 OECD (2017) defines tax expenditures as "a transfer of public resources that is achieved by reducing tax obligations with respect to a benchmark tax, rather than by a direct expenditure". Tax expenditures include; i) tax exemptions, ii) tax deductions or allowances iii) tax rate reliefs/deductions iv) Tax credits.

Overall, the tax expenditure increased from Ug shs 4,693.73bn in FY2019/20 to Ug shs 7,621.71bn in FY 2020/21, representing a proportion of 38.8% of total revenue (table 3.5). The tax exemptions increased by Ug shs 1,371bn in FY 2020/21, and tax deductions/allowances also increased by Ug shs1,592bn. In FY 2020/21, the tax rate reliefs/deductions reduced to Ug shs 560.01bn. Other tax expenditure types - Income Tax, VAT, Customs registered increases as percentage share to revenue, effectively reducing the taxable base. The indicator was not on track as the objective is to expand the taxable base through minimisation of tax expenditures.

Table 3.5: Tax Expenditure by type for the FY2019/20 and FY2020/21

Tax expenditure by type	FY2019/20		FY2020/21	
	Revenue foregone (Ug Shs bn)	Percentage share to total revenue	Revenue foregone (Ug shs bn)	Percentage share to total revenue
1)Tax Exemptions	**2,964.52**	**17.31**	**4,335.91**	**22.07**
i) Income Tax	360.2	2.10	386.34	1.97
ii) VAT	845.58	4.94	1,116.05	5.68
iii) Customs	1758.74	10.27	2833.52	14.42
iv) Other	0	0.00	0	0.00
2) Tax Deductions/Allowances	**1133.31**	**6.62**	**2725.79**	**13.87**
i) Income Tax	442.55	2.58	1949.28	9.92
ii) VAT	690.76	4.03	776.51	3.95
iii) Customs	0	0.00	0	0.00
iv) Other	0	0.00	0	0.00
3) Tax Rate Reliefs/Reductions	**595.9**	**3.48**	**560.01**	**2.85**
i) Income tax	48.46	0.28	23.05	0.12
ii) VAT	241.03	1.41	201.97	1.03
iii) Customs	306.41	1.79	334.99	1.70
iv) Other	0	0.00	0	0.00
4)Tax Credits	**0**	**0.00**	**0**	**0.00**
i) Income tax	0	0.00	0	0.00
ii) VAT	0	0.00	0	0.00
iii) Customs	0	0.00	0	0.00
iv) Other	0	0.00	0	0.00
5) Other Tax Expenditures	**0**	**0.00**	**0**	**0.00**
6)Total Tax Expenditures	**4,693.73**	**27.41**	**7,621.71**	**38.79**
i) Income tax	851.21	4.97	2358.67	12.00
ii) VAT	1777.37	10.38	2,094.53	10.66
iii) Customs	2065.15	12.06	3168.51	16.12
iv) Other	0	0.00	0	0.00

Source: URA Database

3.3.2 Tax Exemptions as a Percentage of GDP

One of the DRMS objectives is to increase the tax/GDP ratio to 16%-18% by FY2023/2024. On the other hand, exemptions as a percentage of GDP are estimated at 1%. This implies that if all exemptions were to be eliminated, Uganda's tax/GDP ratio would presumably increase by one percentage point (from the current level of 12% to 13%) even without implementing other DRMS interventions.

In the FY2020/21, the estimated total revenue foregone due to tax exemptions/incentives amounted to Ug shs 7,722.2bn. This was 38% of the tax exemptions granted in the FY2019/20.

Table 3.6 illustrates the tax exemptions as a percentage of GDP for FY 2019/20 and FY2020/21.

Table 3.6: Tax Exemptions as a Percentage of GDP

	FY2019/20	FY2020/21
Tax exemptions (Ug shs bn)	4,771.85	7,722.2
Nominal GDP (Ug shs bn)	13,9711.44	14,8278
Tax exemption as % of GDP	**3.42**	**5.21**

Source: URA Database

Total revenue foregone due to various incentives as a percentage of GDP increased to 5.21% in FY2020/21 from 3.42% registered in FY2019/20. There was a 1.79% increase in FY2020/21 which is not a desirable increment. There are revenue leakages through exemptions that almost doubled within one financial year.

In FY2020/21, the largest share of the tax losses was from Customs Taxes Ug shs 3,168.51bn followed by Income Tax revenue losses at Ug shs 2,358.67bn, while VAT revenue losses stood at Ug shs 2,195.34bn.

The indicator seeks to achieve a reduction in exemptions, this is taking the opposite trend.

3.4 Tax Administration

Six indicators were considered in the assessment of the performance for FY 2020/21. These were; tax compliance gap, growth in active taxpayer population, proportion of tax arrears collected, tax returns filing rate, percentage increase in VAT paid and audits investigations and enforcement conducted

3.4.1 Expand the range of measures for assessing URA's performance

Four indicators were introduced and these were analysed as measures of focus for URA performance.

i) Tax compliance gap (revenue collected as a percentage of revenue potential)

The indicator measures the extent to which the tax potential was exploited, focusing on the potential revenue that remains uncollected (which translates into a gap). The desired outcome should be a steady decrease in the gap towards zero percent gap.

There was overall improvement in tax compliance in FY2020/21 registering 90% performance from 84% in FY 2019-20 (table 3.7). However, there was a significant decline in the direct domestic taxes from 90% in FY 2019/20 to 88%. Pay as You Earn (PAYE) declined from 94% to 91%, Corporate Tax from 100% to 87%, and Presumptive Tax from 21% to 2%.

The shortfall in PAYE was due to the COVID-19 pandemic, which led to laying off of some employees and salary reductions. For instance, PAYE from the Education and Sports Sector declined by 35.31%, PAYE from accommodation and food services activity reduced by 37.99%, while remittances from construction reduced by 2.23% as a result of laying off over 4,176 employees. For example, Sino Hydro Corporation Limited reduced its employees from 3,793 to 901.

Table 3.7: Tax Compliance Gap for FY2019/20 – 2020/21

Revenue Source	Baseline (2019/20)			Year 1 (2020/21)		
	Estimated Revenue Potential	Revenue Collected	Percentage Tax Potential Exploited	Estimated Revenue Potential	Revenue Collected	Percentage Tax Potential Exploited
(i)	(ii)	(iii)	(iv)=(iii)/(ii)	(ii)	(iii)	(iv)=(iii)/(ii)
Direct Domestic Taxes:						
PAYE	3234.74	3039.83	94%	3424.65	3109.14	91%
Corporate Tax	1287.63	1302.30	101%	1807.57	1567.67	87%
Rental Tax	321.00	103.69	32%	285.57	117.24	41%
Presumptive taxes	25.18	5.22	21%	271.69	6.58	2%
Indirect Domestic Taxes:						
Excise Duty	1662.30	1266.08	76%	1735.00	1479.98	85%
VAT	3316.82	2608.58	79%	3293.62	2992.92	91%
International trade:						
Petroleum Duty	2233.54	2012.54	90%	2434.96	2453.38	101%
Import Duty	1550.22	1208.77	78%	1574.86	1403.12	89%
Excise Duty	262.72	183.81	70%	225.08	185.34	82%
VAT on Imports	2979.86	2498.39	84%	2940.23	2832.47	96%
Withholding tax on imports	192.42	166.41	86%	209.97	186.04	89%
Non-Tax Revenues:	651.28	379.23	58%	591.05	504.81	85%
Summary:						
Direct Domestic Taxes	6514.68	5878.63	90%	7494.07	6619.40	88%
Indirect Domestic Taxes	4979.12	3874.67	78%	5028.62	4472.90	89%
International Trade Taxes	7666.84	6446.60	84%	8001.35	7505.86	94%
NTRs	651.28	379.23	58%	591.05	504.81	85%
Total	**19811.92**	**16579.12**	**84%**	**21115.08**	**19102.97**	**90%**

Source: URA Data

iv) Growth in active taxpayer population

The indicator seeks to assess URA's efforts in increasing the registered taxpayers' base and enforcing tax payment from the registered taxpayers. The desired outcome is a steady increase in the growth rate in active taxpayer population (i.e., registered taxpayers that pay tax) in each of the major tax categories (Income Tax, VAT, Excise Tax, Customs).

In FY 2020/21, there was a steady increase of active taxpayers registered. The VAT registered a lowest increase of 7.63%, followed by PAYE with a 7.75% (table 3.8). Customs/Imports registered the highest increase of 94.20% followed by Corporate Income Tax (CIT) at 16.29%. The indicator was achieved on basis of increase in active tax payers.

Table 3.8: Growth Rates in Active Taxpayer Population FY 2019/20 – 2020/21

Tax category	Number of active taxpayers		Annual growth rates
	FY 2019/20	FY 2020/21	2020/21
(i)	(ii)	(iii)	A=[(iii)/(ii)]-1*100
Income tax			
· o/w PAYE	32,301	34,804	7.75%
· o/w CIT	114,984	133,717	16.29%
· o/w Rental Tax	54,076	56,056	3.66%
VAT	18,810	20,245	7.63%
Excise Tax	483	557	15.32%
Customs/imports	**452,556**	**878,883**	**94.20%**

Source: URA Database

v) Proportion of tax arrears collected

Tax arrears refer to past due debt or an unfulfilled tax obligation. The desired outcome would be a steady increase in the proportion of collectible tax arrears collected in each of the major tax categories. The intervention seeks to assess URA's performance in terms of enforcing the collection of tax arrears.

The total arrears stock by 30th June 2021 was Ug shs 4,190.10bn, of which Ug shs 4,111.78bn were arrears from Domestic Taxes, and Ug shs 78.32bn Customs Taxes. The proportion of arrears collected of collectible arrears reduced from 47% to 34.68% in FY2020/21 (table 3.9).

Although there was improved performance under Domestic Tax arrears collected as a percentage of collectible arrears from 0.44% to 33% in FY 2020/21, Ug shs 1,960.79bn collectible arrears under Domestic Taxes were not collected in the FY2020/21.

Table 3.9: Performance of Proportion of Tax Arrears Collected FY 2019/20 -2020/21

Tax type	2019/20 (Ug Shs bn)	2020/21 (Ug Shs bn)
Domestic Tax		
Total arrears	2884.28	4111.78
Collectable arrears	1523.69	2932.70
Arrears collected	674.57	971.91
Arrears collected as % of total arrears	0.23	23.64%
Arrears collected as % of collectable arrears	0.44	33.14%
Customs		
Total arrears	105.19	78.32
Collectible arrears	21.70	20.94
Arrears collected	51.69	52.47
Arrears collected as % of total arrears	49.14%	66.99%
Arrears collected as % of collectable arrears	238.21%	250.57%
Total		
Total arrears ∑Xi	**2,989.47**	**4,190.11**
Collectible arrears ∑Yi	**1,545.39**	**2,953.64**
Arrears collected ∑Zi	**726.26**	**1024.39**
Arrears collected as % of total arrears∑Zi/∑Xi*100	**24.29%**	**24.45%**
Arrears collected as % of collectible arrears∑Zi/∑Yi*100	**47.00**	**34.68**

Source: URA Database

3.5 Timely and Accurate Filing

This intervention seeks to assess URA's efforts towards enforcing on time filing of Income Tax, VAT tax returns and payment of taxes declared. The desired outcome is an increase in both rates (on time filing of returns and on time tax payment).

3.5.1 Work more closely with relevant regulators to improve filing compliance

Tax returns filing rates were tracked for Corporate Income Tax (CIT), Personal Income Tax (PIT) and Value Added Tax (VAT). The information from other relevant regulators was not readily available to support efforts to improve tax filing by the URA.

i) Tax returns filing rates by tax type (CIT, PIT, VAT, and PAYE)

This indicator seeks to track the filing ratios for each tax source. All taxpayers are expected to file their returns as required in the tax laws. Filing rates of below 100% imply there is more work that needs to be done to improve tax compliance.

In FY 2020/21 none of the filing rates achieved 100%. There was a general decline in the filing rates. Out of the three variables, PIT and CIT registered low filing rates below 50%, while VAT achieved the highest rate at 83.83% followed by CIT with 37.75%. More effort is required to improve filing rates to 100% as 75% of variables in table 3.10 were less than 50%.

Table 3.10: Performance of Tax return filing rates for FY2019/2020& FY2020/21

Variables	FY 2019/20	FY 2020/21
1. CIT		
No. of declarations filed	36,646	39,826
No. of declarations filed on-time	28,792	31,077
No. of declarations expected	87,836	105,486
Filing rate	41.72%	37.75%
On-time filing rate	32.78%	29.46%
2. PIT		
No. of declarations filed	48,148	37,461
No. of declarations filed on-time	44,284	33,207
No. of declarations expected	359,751	431,422
Filing rate	13.38%	8.68%
On-time filing rate	12.31%	7.70%
3. VAT		
No. of declarations filed	173,605	188,321
No. of declarations filed on-time	151,638	164,868
No. of declarations expected	201,219	224,652
Filing rate	86.28%	83.83%
On-time filing rate	75.36%	73.39%

Source: URA Database

3.6 Audit, Investigations and Enforcement

Audits lead to effective enforcement-related strategies to deter, detect and address non-compliance. A risk management approach is a structured and systematic process for deciding what is important in a tax compliance context and how major compliance risks will be addressed. One of the benefits of pursuing a risk management approach is that it provides the revenue authority with a structured basis for strategic planning and a focus on the underlying drivers of non-compliance.

3.6.1 Consider the adoption of real-time digital sales and production monitoring systems

This intervention intends to minimise tax evasion through under declaration of sales, especially VAT supplies. The implementation of the intervention is thus expected to lead to an increase in the average VAT declared/paid by firms that have adopted the use of digital tax stamps (DTS). The DTS was introduced mainly targeting taxpayers involved in production for specific gazetted excisable products for example spirits, wines, water etc

i) Percent increase in average amount of VAT paid by firms

There was an increase in the average VAT paid by firms using digital stamps from 4.96% to 22.81% in FY 2020/21 (table 3.11).

The DTS contributed to the 16.89% growth in Local Excise Duty (LED) collections by aiding the enforcement and tracking of locally manufactured and imported goods. There was an increase in the percentage growth in average VAT paid by firms using digital stamps.

Table 3.11: Average amount of VAT paid by firms using digital stamps FYs 2019/20 & 2020/21

Variable	FY 2019/20	FY 2020/21
No. of firms registered on Digital Tax Stamps (DTS)	93	212
Total VAT paid by the firms that were registered (Ug shs bn).	579.73	663.27
Percent growth in average VAT paid by firms using digital stamps	**4.96%**	**22.81%**

Source: URA Database

3.6.2 Promote audit process integration across taxpayer offices at URA

The aim of the intervention was to create synergy among auditors as well as minimize audit administration costs within the URA, as well as improve audit yield through sharing of information. An increase in the number of joint audits should indicate success in the implementation of the intervention.

i) Number of joint tax audits conducted (involving VAT, Income Taxes, Excise Taxes and Customs)

There was an increase in the number of comprehensive audits in FY2020/21 compared to FY 2019/20 (table 3.12). Data on joint audits done during the time was not availed, synergies among auditors from the intervention are lost as well audit administration cost are not minimised.

Table 3.12: Number of Comprehensive Audits in FY 2019/20 & FY2020/21

Count of audits	2019/20	2020/21
CIT		
Issue	441	959
Comprehensive	20	174
PAYE		
Issue	164	210
Comprehensive	13	133
VAT		
Issue	773	833
Comprehensive	21	155
CUSTOMS		
Issue	73	40
Comprehensive	134	60

Source: URA Database

3.6.3 Challenges

i) Difficulties in determining the tax potential to reasonably estimate the compliance gap.

ii) Inadequate resources at URA to manage filing and payment compliance.

iii) Failure to implement rental tax tracking solution by RippleNami[10]' to significantly exploit the potential.

3.6.4 Recommendations

i) Strengthen the Tax Analysis Unit at the URA through training embedded with scenarios to build analytical and forecasting capacities.

ii) The MFPED should consider increasing budgetary allocations to Tax Policy Department and URA to achieve improved staffing levels and technologies.

iii) The MFPED and URA should step up awareness for tax administration measures to enable stakeholders appreciate the costs and benefits.

3.7 Integrity of the URA Database

This section compares the URA Database records with selected manufacturers as an indicator of the integrity of the database. Data for Value Added Tax (VAT) and Local Excise Duty (LED) for 10 selected companies was compared with the URA data. The data sets for the manufacturers compared with that at URA for the VAT paid as at 30th June 2021 registered variations in nine companies with only one- Tororo Cement having no discrepancies.

10 RippleNami is a technology company working to deliver innovative solutions to people across the globe to solve critical problems, empower nations, and provide people with real-time information to connect and create positive change.
Also, delivering scalable Web and mobile applications, RippleNami supports governments, businesses, and individuals with traceable and transparent technology solutions.

The overall VAT collected in FY 2020/21 was Ug shs 2,992bn against a target of Ug shs 3,293bn representing 90.87% performance that was good. From the manufacturers, Ug shs 644.744bn was realised against a target of Ug shs 747.826bn representing 86% performance.

The nine companies that registered variances with the URA data arose from payment registrations made but remained outstanding by 30th June, 2021, effectively creating 9% (Ug shs 27.5bn) arrears from registered payments (table 3.13).

Table 3.13: VAT Performance for Selected Companies/Manufacturers in FY 2020/21

Taxpayer	Manufacturers' VAT (Ug shs)	URA VAT(Ug Shs)	Variance (Ug Shs)	Remarks
Century Bottling Company	35,275,627,773	29,658,511,741	5,617,116,032	Manufacturer registered payments, but remained with outstanding payments to settle by 30th June.
Crown Beverages	16,952,812,095	15,431,270,374	1,521,541,721	Manufacturer registered payments, but remained with outstanding payments to settle by 30th June.
Harris International	22,922,585,197	17,404,666,421	5,517,918,776	Manufacturer registered payments, but remained with outstanding payments to settle by 30th June.
Hima Cement	32,348,022,339	29,404,619,941	2,943,402,398	Manufacturer registered payments, but remained with outstanding payments to settle by 30th June.
Sugar and Allied Industries	7,606,029,174	7,506,713,975	99,315,199	Manufacturer registered payments, but remained with outstanding payments to settle by 30th June.
Leaf Tobacco	630,976,480	532,146,995	98,829,485	Manufacturer registered payments, but remained with outstanding payments to settle by 30th June.
National Cement	45,032,064,089	38,233,995,276	6,798,068,813	Manufacturer registered payments, but remained with outstanding payments to settle by 30th June.
Tororo Cement	120,466,451,747	120,466,451,747	0	Payments registered by manufacturer were all settled by 30th June 2021
SCOUL Sugar	28,909,660,482	28,700,602,482	209,058,000	Manufacturer registered payments, but remained with outstanding payments to settle by 30th June.
Yaket International Ltd	10,734,435,339	6,007,250,367	4,727,184,972	Manufacturer registered payments, but remained with outstanding payments to settle by 30th June.
Total	**320,878,664,715**	**293,346,229,319**	**27,532,435,396**	

Source: URA Database and Field Findings

Overall, Excise Duty collected was Ug shs 1,479bn against a target of Ug shs 1,735bn thus registering 85% performance.

From the 10 selected manufacturers 6 had outstanding payments by 30th June 2021, these effectively resulted in arrears of Ug shs 18.253bn (7% of the registered payments). Four companies had all registered payments settled as at 30th June 2021.

Table 3.14: LED Performance for Selected Companies/Manufacturers in FY 2020/21

Taxpayer	Manufacturers' LED (Ug shs)	URA LED (Ug Shs)	Variance (Ug Shs)	Remarks
Century Bottling Company	56,755,033,994	55,089,596,547	1,665,437,447	Manufacturers LED was higher than that registered at URA, on account of outstanding payment registrations.
Crown Beverages	61,398,344,229	61,398,344,229	0	Payments registered by manufacturer were all settled by 30th June 2021
Harris International	48,086,819,027	33,551,909,466	14,534,909,561	Manufacturers LED was higher than that registered at URA, on account of outstanding payment registrations.
Hima Cement	9,989,071,217	9,397,251,017	591,820,200	Manufacturers LED was higher than that registered at URA, on account of outstanding payment registrations.
Sugar and Allied Industries	1,777,178,000	1,577,178,000	200,000,000	Manufacturers LED was higher than that registered at e URA, on account of outstanding payment registrations.
Leaf Tobacco	26,999,989,585	26,999,989,585	0	Payments registered by manufacturer were all settled by 30th June 2021
National Cement	6,868,873,705	6,780,130,400	88,743,305	Manufacturers LED was higher than that registered at URA, on account of outstanding payment registrations.
Tororo Cement	24,267,681,400	24,267,681,500	-100	Payments registered by manufacturer were all settled by 30th June 2021
SCOUL Sugar	20,656,858,832	20,656,858,832	0	Payments registered by manufacturer were all settled by 30th June 2021
Yaket International Ltd	6,355,970,873	5,183,491,305	1,172,479,568	Manufacturers LED was higher than that registered at URA, on account of outstanding payment registrations.
Total	**263,155,820,862**	**244,902,430,881**	**18,253,389,981**	

Source: URA Database and Field Findings

3.7.1 Timely and Accurate Filing

The average on time filing ratio for VAT in FY 2020/21 was 80.47%, against a target of 89%. On average on time filing gap for VAT of 8.54%, as shown in table 3.15.

Table 3.15: On-time filing Ratios for VAT FY 2020/21

Taxpayer segments	Target Filing ratio (%)	Actual Filing ratio (%)	Average Filing gap (%)
Large Tax Payer Office	98.00	91.40	6.60
Medium Tax Payer Office	99.00	88.78	10.22
Small Tax Payer Office	75.00	71.55	3.45
Public Sector Office	84.00	70.13	13.87
VAT Average	**89.00**	**80.47**	**8.54**

Source: URA Database

The average filing ratio for VAT was 80.4% and was below the target of 89%. This was partly attributed to requests for extension and existence of non-filers on the register. The data for timeliness of filing for Local Excise Duty was not availed for further analysis

Outstanding payments registered by the manufacturers effectively result into Domestic Tax arrears, and these are based on a self-assessment system which is not adequately supervised and enforced by URA.

Overall, shortfalls against targets for Excise Duty were registered among manufacturers as follows: beer Ug shs 107.6bn, soft drinks Ug shs 45.12bn, cigarettes Ug shs 9.09bn and sugar Ug shs 4.35bn. A recovery of the outstanding Excise Duty from the sampled soft drinks manufacturers[11] would reduce the overall shortfall registered by 40%.

Data regarding penalties arising from non-filing and late filing was not availed, so enforcing of filing for VAT by the URA could not be tracked.

The manufacturers were already applying Digital Tax Stamps (DTS) and Electronic Fiscal Receipting and Invoicing System (EFRIS) to track production for Excise Duty and VAT respectively.

3.7.2 Challenges

Variances from the comparison of the manufacturers' records and URA showed existence of both process and implementation challenges, arising from internal and external operations of the manufacturers and the URA as follows:

i) Differences in records for taxes collected and that of manufacturers that will result in uncollectible tax arrears if not enforced.

ii) Supervision and review of submissions from the self-assessment system and enforcement of arrears by the URA is limited.

iii) A number of businesses yet to enroll onto the EFRIS affects would-be supply chains for business inputs.

iv) The markets for manufactured goods declined due to the COVID-19 lockdown enforcement measures and the ban on some exports in the region, for example, sugar to Kenya.

v) There are shortages and slow supply of digital stamps and high downtime levels affecting the use of the EFRIS.

11 Century Bottling Company, Harris International, Yaket International Ltd, Crown Beverages

3.7.3 Recommendations

i) The URA should step up the review from the self-assessment system and enforcement of arrears collection for VAT and Excise Duty.

ii) The MFPED should through budgetary allocation support URA's efforts to improve capacity to review self-assessments, enforcement and digitalisation of systems.

iii) The URA should further create awareness and simplified approaches for businesses and taxpayers about the benefits from the EFRIS.

iv) The Ministry of Trade, Industry and Cooperatives, and that of East African Community Affairs should step up bilateral talks regarding compliance with the Common Market Protocols to limit loss of markets of exportable products.

v) The URA should track the functionality of the newly rolled tax administration measures to ensure smooth operation and fairness in the process of taxation.

3.8 Performance of Non-Tax Revenue

Introduction

Non-tax revenue (NTR) includes all Government revenue not derived from taxes, from both domestic and external sources. Domestic sources include payments for Government services, such as permits, licenses, passports, mining, royalty fees, fines and penalties. External sources include grants and gifts from development partners. NTR currently contributes around 0.5% of GDP and there is scope to improve its performance to at least 1% of GDP.

The more recent reform that resulted in improvement of NTR collections was the directive to Ministries, Departments and Agencies (MDAs) to transfer the responsibility to collect NTR to URA. Although this is regularly communicated in the budget call circulars issued by MFPED, it is not regularly followed as there is lack of clarity on the NTR sources available for collection by the MDAs.

The objectives of analysing NTR were to assess the: i) NTR base covered in terms of revenue mobilisation, and ii) LGs efforts in setting and meeting own revenue targets as at 30th June 2021.

The approved annual target for NTR for the FY 2020/21 was Ug shs 1,436.214bn, of which Ug shs 1,263.530bn (88% of the budget) was collected by 30th June 2021.

3.8.1 Uganda Revenue Authority's Performance

Cumulatively, from July 2020 to June 2021, NTR collections including Appropriation in Aid (AIA) were Ug shs1,051.71bn, against a target of Ug shs 1,515.49bn. Posting a shortfall of Ug shs 463.79bn and a performance 69.4%. The NTR contributed Ug shs 630.3bn against a target of Ug shs 687.56bn with a performance of 91.67%, while AIA contributed Ug shs 421.41bn against a target of Ug shs 827.93bn and a short fall of Ug shs 406.52bn with a performance of 50.9% (table 3.16.)

Table 3.16: Performance of Non-Tax Revenue (Ug shs bn) July 2020 – June 2021

S/N	Tax Head	Category	June 2021	July 2020 –June 2021
1.1	Non-Tax Revenue	Target (Ug shs bn)	81.49	687.56
		Actual (Ug shs bn)	39.07	630.30
		Variance (Ug shs bn)	(42.42)	(57.27)
		Achievement rate (%)	47.94%	91.67%
1.2	Appropriation in Aid (AIA)	Target (Ug shs bn)	143.86	827.93
		Actual (Ug shs bn)	26.63	421.41
		Variance (Ug shs bn)	(117.22)	(406.52)
		Achievement rate (%)	18.51%	50.90%

Source: URA Databases

Overall performance for the selected MDAs and LGs was below the target. This was attributed to the COVID-19 lockdown and the phased re-opening of the academic institutions that affected NTR collections. Whereas most entities had NTR targets set, in some MDAs sources did not have targets, thus affecting the overall NTR effort. It was observed that some projected revenue was collected outside the URA portal and yet the targets set for the NTR were not revised downwards. For instance, Uganda National Medical Stores collected Ug shs 56.38bn and Uganda Communications Commission Ug shs 26.89bn outside the URA portal.

3.8.2 MDAs and LGs

This includes performance of NTR in FY2020/21 for Busitema and Soroti universities, District Local Governments including Buikwe, Luweero, Mbale, Mukono and Wakiso and Municipal Councils including Kiira and Mbale as at 30th June 2021. The Local Government Finance Commission (LGFC) was also monitored to assess its performance in terms of interventions and support towards the LG's revenue mobilisation efforts.

The sources of NTR varied across the different agencies and these included; fees for application, registration, examinations, tuition, accreditation and plan park, teaching licenses, local service tax, local hotel tax, property tax, market dues, land fees, business licenses and sale of tender documents among others.

i) Busitema University

The planned annual NTR collection for Busitema University was Ug shs 6.517bn, and Ug shs 4.12bn (63.2%) was collected by 30th June 2021 (compared to FY 2019/20 performance of Ug shs 5.497bn against the target of Ug shs 5.768bn. Tuition fees and procurements presented the highest collections for NTR. The COVID-19 lockdown affected NTR considering few students who were in their final year paid for their examinations. The different non-functioning projects at the campus for instance the ginnery also contributed to low revenue.

ii) Soroti University

Overall NTR receipts by 30th June 2021 were Ug shs 195.9m which was at 27% of the annual projected target of Ug shs 700m. The biggest contribution to the NTR was tuition and bid documents. The poor performance is attributed due to the partial re-opening of educational institutions. Absence of students due to the COVID-19 lockdown and late accreditation of courses (Bachelors of Science in Education & Bachelors of Science in Accounting) by the National Council for Higher Education (NHCE), and the low staffing levels affected performance of NTR collections.

iii) **Local Governments**

The Local Governments (LGs) assessed included: Mbale, Buikwe, Kaliro, Luweero, Mukono and Wakiso DLGs; plus, Kiira and Mukono Municipal Councils. The revenue sources included: Local Service Tax, rent and rates, inspection fees, business licenses, sale of non-produced assets, administrative fees and licenses among others.

Financial Performance

The highest performance was registered under Luwero DLG at 87.5 % (Ug shs 1.2bn, against a target of Ug shs 2bn). This was followed by Kaliro DLG that attained 87% (Ug shs 175million) against a target of Ug shs 200m. The least performing LG was Buikwe at 14.3% with a collection of Ug shs 191.5m against a target of 1.335bn (table 3.17). The highest performing local revenue source was Local Service Tax, business trading licenses and administrative fees (inspection fees, property rates among others). Poor budgeting (forecasting), planning and political interferences contributed to under performance in the LGs. Local revenue is a function of the lower local governments (sub-counties, divisions and parishes), but they have limited staff to handle its collection and administration.

Table 3.17: Performance of Non Tax Revenue for selected MDAs &LGs as at 30th June 2021

Vote	Budget F/Y 2020/21	Actual Receipts/ Collection	Performance (%)	Remarks
Soroti University	700,000,000	195,900,000	27	Poor performance
Busitema University	6,517,000,000	4,120,000,000	63.2	Fair performance
Mbale LG	970,364,320	269,130,457	27.7%	Poor performance
Buikwe LG	1,335,227,000	191,593,798	14.3	Poor performance
Kaliro LG	200,000,000	175,000,000	87	Good performance
Kiira Municipality	9,580,000,000	5,365,386,904	56	Fair performance
Luweero LG	2,007,245,246	1,207,778,225	87.5	Good performance
Mukono LG	3,450,395,000	1,541,143,851	44	Poor performance
Wakiso LG	8,560,640,069	5,028,390,159	58.7	Fair performance

Source: Field Findings

iv) **Local Government Finance Commission**

The Local Government Finance Commission Act, 2003, provides the operational framework for the Local Government Finance Commission (LGFC). It is an autonomous arm of Government responsible for advising Central and Local Governments on matters of fiscal decentralisation. In FY 2020/21, the Commission received Ug shs 4.841bn, of which Ug shs 0.042bn was for development, Ug shs 1.214bn for wage, and Ug shs 2.585bn for non-wage. Analysis under LGFC focused as far as NTR support to enhancement of LG Revenue generation and mobilisation efforts

Interventions

The Ministry of Local Government through the LGFC rolled out the automated revenue management system, E-LogRev aimed at increasing revenue collections. The online tool is used for local taxpayers' registration, payment assessments, e-payment, reconciliation, enforcement, reporting and integration with other government agencies. The system has been under pilot study in Jinja and Kira municipalities. Based on an assessment conducted by LGs and the success registered during the pilot period of two years, the E-LogRev is to be rolled out to all LGs in a phased manner. The system led to development of properly maintained registers, ease of payments and reduction of forgeries. However, to experience efficient services from its use, the municipal councils have to ensure the assessable sources are organised and captured on the system.

The Local Revenue Mobilisation Strategy was finalised and disseminated and waiting for validation from stakeholders prior to implementation. This is expected to strengthen the local revenue collection effort with enhanced assessments, collection and reconciliations.

The Integrated Revenue Administration System (IRAS) was rolled out in June 2021 to cities, LGs and municipalities to support the automation of local revenue collection. This was through the Development Initiative for Northern Uganda (DINU) Project with a specific objective to mobilise local resources for improved service delivery through improved revenue administration, asset management and revenue enhancement initiatives. Five districts of Kole, Yumbe, Zombo and Omoro, and cities - Gulu, Mbarara, Soroti, Arua, Mbale, plus Entebbe, Nansana, Makindye and Mubende municipalities benefited. For instance, revenue collection for Yumbe DLG improved from Ug shs 300m in FY 2019/20 to Ug shs 1.4bn in FY 2020/21.

Existing local revenue enhancement, strategies were conducted and data collected from 11 LGs of Masindi, Moroto, Mubende, Jinja and Buhweju Buikwe, Nwoya, Kanungu, Kasese, Tororo, Hoima and a report on revenue enhancement strategies produced. Action research in revenues potential from natural resources was conducted focusing on poorly performing LGs.

Support in dissemination and setting appropriate charges for local revenue for LGs was provided in Yumbe, Dokolo, Kyenjojo, Kaliro, Kanungu, Budaka, Oyam, Kaberamaido, Kitgum and Ngora. Dissemination was carried out in Lwengo, Ngora and Oyam LGs and a report produced. However, these interventions are yet to be embraced by the LGs supported, for example Buikwe felt the support from the LGFC should involve systems improvement and mobilisation of stakeholders. Wakiso DLG acknowledged obtaining support including computers and update of the local revenue database, however these were not integrated and are manual in form. Moreover, more work was in mapping out divisions, urban areas and parishes under sub-counties for purposes of developing local revenue sources.

3.8.3 Challenges

i) Inadequate staff provided for in the district structure especially the lower local governments (sub-counties and parishes) to conduct enforcement has affected the revenue collection.

ii) Lack of a clear framework for LG taxation. Without guiding principles of LG taxation, the risk of distortions between various regions and elements of double taxation is high. Absence of policy alignment with the national tax policy as well as collaboration between URA and LGs to facilitate collection.

iii) The LGs' capacity to interrogate policy options, forecast, and analyse revenue streams is low**.** Many LGs do not have a comprehensive system for monitoring revenue, and they still predominantly use cumbersome, independent, manual systems that do not facilitate integrated reporting. There is poor taxpayer profile management with details of the same customer paying different taxes maintained in different systems.

iv) Inadequate resources for LGs to roll out the Electronic Revenue Management System (E-LogRev), and/or the Integrated Revenue Administration System (IRAS) that would streamline the local revenue collection and management of data.

v) Low NTR collections as a result of the phased re-opening of institutions of learning affected implementation of planned outputs.

vi) Late payment of tuition fees, and use of enrolment figures during planning compared to registration figures affects accurate projections of NTR and delays implementation of planned activities. (Many students who enroll do not register).

3.8.4 Conclusion

The performance of the MDAs in achieving the set targets was better than that of LGs. This was attributed to their ability to enforce collections especially fees at the point of offering the service. The MDAs' performance was affected by the COVID-19 lockdown enforcement measures. The monitored LGs did not meet their revenue targets, registering an average achievement rate of 55%. The LGFC interventions to enhance revenue mobilisation included introduction of the E-LogRev, although it has not been rolled out to all LGs due to inadequate funding, moreover another system - IRAS has also been introduced. This is creating confusion over which system to adopt.

Following the development of the Domestic Revenue Mobilisation Strategy (DRMS) 2019/20-2023/24, the Government of Uganda embarked on a process of changing the method of collecting and managing NTR. The execution of the strategy is essential in streamlining and achieving the full potential of NTR in the MDAs and LGs. This starts with determining the responsibilities for the MDAs and URA, and disseminating the relevant information regarding the sources and targets.

3.8.5 Recommendations

i) The Ministry of Public Service in consultation with LGs and MoLG should make provision for revenue enforcement officers within the staffing structures to improve revenue collection.

ii) The LGFC should build capacity of LG officers and other stakeholders including political leaders to assess and manage local revenue sources, and determine areas that would be managed through partnerships with URA.

iii) The MFPED should further strengthen communication in the Budget Call Circulars about policy regarding collection and use of NTR and AIA for MDAs and LGs.

iv) The MFPED in consultation with the MDAs should hold workshops with the Votes to determine the targets for NTR sources and disseminate responsibilities for collection

v) The MoLG should advocate for more resources to roll out information management solutions (E-LogRev and IRAS) to all LGs and support regular implementation, computerisation, documentation and dissemination of good practices of LGs. More support through grants is needed to implement the Local Revenue Mobilisation Strategy.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Overall Conclusion

The overall net revenue collections for FY 2020/21 were Ug shs 19,598.31bn, against a target of Ug shs 21,810.66bn registering 90%, which was very good performance, however, the revenue to GDP ratio increased by 0.6% (against a target of 0.5%) from 12.5% in FY 2019/20 to 13.1% in FY 2020/21.

Tax Policy

Overall, tax policy interventions assessed achieved 55% performance, which was fair. The performance of the DRMS as assessed through the tax policy indicators sampled for the exercise, had two indicators on track out of the six. The VAT exempt supplies as a percentage of total supplies and value and proportion of exempt supplies by type were on track. Tax policies were developed by MFPED, although joint analytical publications between URA and MFPED were not achieved. The revenue loss due to various relief measures in the tax laws increased with Customs-related revenue losses accounting for 43% of revenue loss.

Although there was growth in VAT performance of 14.73% in FY 020/21, analysis of performance based on the selected four indicators showed that two were not on track. One was partially on track, while another was fully achieved. The zero rated supplies as a percentage of total VAT supplies increased over the FYs 2019/20-21 eroding the VAT tax base. Additionally, the number of taxpayers per URA VAT staff increased. The VAT exempt supplies as a proportion of VAT supplies reduced thus minimising revenue leakage. The URA data was not streamlined to capture specific items regarding exempt supplies by type, and this limited the level of analysis.

Incentives and exemptions were not on track therefore tax losses continue to persist. Generally, the revenue loss due to various relief measures in the tax laws has continued to grow over time with Customs-related revenue losses accounting for 43% (Ug shs 3,168bn) of total revenue losses in FY 2020/21. The estimation of revenue loss on account of Income Tax and VAT exemptions could not be adequately assessed because of the difficulty in obtaining the required data inputs. This was attributed to lack of enforcement measures on filing by exempt taxpayers. This was also accompanied by the design of the VAT return which does not allow the capture of the exemptions by item- good/service but through aggregated classifications.

Tax Administration

Overall, improvements were registered amidst challenging economic times for tax administration. The tax administration interventions tracked achieved 75.5% performance, which was good as a high proportion of targets were on track. Over the FYs 2019/20-21, the overall tax compliance gap improved from 84% to 90%. These included, Indirect Domestic Taxes (78% to 89%), International Trade Taxes (84% to 94%) and Non-Tax Revenues (58% to 88%).

Tax arrears collected achieved a performance of 50%; although under Customs Taxes arrears collections achieved 250% performance. However, the achievements were below the desired targets and there is need to design stronger strategies as overall percentage of collectible arrears declined from 47% to 37%. Timeliness and accuracy of filings declined in FY 2020/21, Personal Income Tax (PIT), and Corporate Income Tax (CIT) registered less than 50% filing rates and attained a performance of 42%. Audit, investigations and enforcement achieved 90% performance on account improvements from adoption of real time digital sales and production monitoring systems and, improved audits.

Integrity of URA Databases

Comparison of data from manufacturers and the URA database for the 10 manufacturers showed variances arising from payments registered and not fully settled by manufacturers (arrears).

Efforts by the URA to review returns through the self-assessment system and recover arrears were found to be limited and underperforming. This contributed to arrears of Ug shs 27.5bn (9% of the registered payments) in VAT and Ug shs 18.253bn (7% of the registered payments) of the sampled manufacturers that would have improved the achievement of targets.

The manufacturers of the products selected for validation were applying Digital Tax Stamps (DTS) and Electronic Fiscal Receipting and Invoicing Systems (EFRIS) to support collection of Excise Duty and VAT respectively. Although this enhanced performance, some of the challenges experienced included stock-outs for digital stamps and unstable network for the EFRIS.

Non-Tax Revenues

The NTR achieved 88% (Ug shs 1,261.83bn) performance against the target. The MDAs were not certain about the rates for some NTR sources. Its collection and performance was affected by the COVID-19 interventions.

4.2 Challenges

i) The URA data was not broken-down to fit in the requirements for the indicators used to monitor the DRMS. For instance, the indicators on rental income were under consideration but their database could not feed into the requirements of the monitoring tool.

ii) Poor coordination between TPD and URA results in loss of synergies and convergence of minds that would result into better revenue mobilisation efforts.

iii) Low economic activity arising from the COVID-19 lockdown enforcement measures that called for incentives and tax relief measures to support businesses impacted on the revenue collections.

iv) Inadequate resources at URA to monitor, analyse and enforce the tax administration measures including the self-assessment systems.

v) Limited resources and capacity within the MFPED's Tax Policy Department and BMAU to track the DRMS interventions.

Recommendations

i) The MFPED should step up budgetary allocations to the Tax Policy Department and URA to enhance efforts to build capacity that includes: staffing levels, digitalisation of processes, trainings and research, analytical capacity in forecasting for both tax and non-tax revenues to implement the DRMS interventions.

ii) The MFPED should facilitate BMAU to strengthen its capacity to cover more performance indicators for the DRMS.

iii) The MFPED Tax Policy Department should periodically assess the relevance of certain tax incentives and reliefs to the revenue mobilisation effort for example through commissioned research on the impact of exemptions on plant and machinery in given sectors.

iv) The URA should streamline its database and systems so that they can capture taxpayers at declaration level and develop a holistic strategy to improve tax enforcement against counterfeit trade and the informal sector.

v) The URA through innovation and IT strategies should simplify filing for low-income taxpayers including options of filing through mobile phones and have lead times for cleaning the taxpayer register.

vi) The URA should strengthen enforcement measures on filing by exempt taxpayers and also change the design of the VAT return to capture the exemptions by item.

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Annex 1. DRMS Performance Monitoring Indicators

These are listed under the categories of tax policy and tax administration.

1.1 Performance indicators relating to tax policy interventions.

A total of (60)[12] indicators have been proposed to be used in tracking the implementation of interventions to reform Uganda's tax policy. The indicators are presented in Table 1.1 below, in the non-shaded cells just below the grey-shaded area that presents the interventions as provided in the DRMS.

Table 1.1: Performance Indicators for Tax Policy Interventions

Area measured/Indicator		
P1. Process reform and institutional changes		
1.	Reform of the tax policy-making process	
	1.1.	No. of tax related proposals received from non-state stakeholders in a year
	1.2.	No. of tax related proposals received from stakeholders within Government in a year
	1.3.	No. of revenue measures adopted from tax proposals from non-state stakeholders in a fiscal year
2.	Elevate the status of taxation within MFPED	
	2.1.	Tax Policy Department's budget as percent of MoFPED budget
3.	Enhance the analytical capacity of TPD & URA	
	3.1.	No. of tax related analytical papers published by TPD/URA staff per year- To be availed by Commissioner TPD and AC RPD
4.	Address TPD structure and staffing/training needs	
	4.1.	No. of TPD staff attended specialised training in a year
5.	Strengthen partnership with URA and formalise arrangements.	
	5.1.	No. of tax related analytical papers jointly prepared by TPD and URA staff and uploaded on the MFPED websites.
P2. VAT		
6.	Limit the range of zero-rated supplies as far as possible	
	6.1	Zero-rated VAT supplies as % of total VAT supplies
	6.2	Value of zero-rated VAT supplies (non-export items) as % of total value of VAT zero-rated supplies
	6.3	Value of VAT zero-rated supplies (export items) as % of total value of exports
	6.4	Value (and proportion) of VAT zero-rated supplies by type of supply*
7.	Remove unnecessary VAT exemptions to curb unjustifiable revenue leakages, while maintaining those that support Ugandan welfare and economic Objectives.	
	7.1	Exempt VAT supplies as % of total VAT supplies- Revised to : VAT exempt supplies as a % of total VAT supplies
	7.2	Value (and proportion) of VAT exempt supplies by type of supply- Goods, services, imports and exports
	7.3	Proportion of exempt supplies to Total supplies
8.	Narrow deeming provisions	
	8.1.	VAT lost on account of deemed provisions
	8.2	Value of deemed supplies as a % of GDP or; Value of deemed supplies as a % of total VAT
9.	Re-assess registration threshold and rate. -To be tracked by Tax policy department and or URA	
	9.1.	No. of tax payers that filed for VAT and tax paid per turnover bracket.

12 The number of indicators is tentative; it could decrease or increase.

Area measured/Indicator		
10.	Government to exercise more discipline in budgeting for its own consumption and executing that budget accordingly.	
	10.1.	Available MDA budget to pay contractors and suppliers Vs actual payments made to suppliers or contractors in a quarter.
P3. CIT		
11.	Support workforce education/training.	
	11.1	Corporate investments in workforce education and training as % of corporate expenses.
	11.2	Proportion of technical staff handling domestic taxes that have attended the Tax Administration and Revenue Training.
	11.3	No of TPD staff that have attended training in the FY
12.	Rebalance the nominal rate and the incentives, deductions, and depreciation regime.	
	12.1	CIT effective tax rate-1.37
	12.2	Allowable deductions as % of gross income in a year-9.78%
	12.3	There is need to find an additional indicator—Consultant to handle as suggested here: Revenue as a % of gross income (revenue = tax revenue declared)
13.	Review and renegotiate over-generous treaty provisions.	
	13.1	Tax value of approved applications for DTA related exemption/reduction from taxation as percentage of taxable income
	13.2	No. of applications for DTA related exemption/reduction in tax
		Suggestion for an indicator that tracks problematic DTAs overtime.
14.	Strengthen international tax rules and enforcement.	
	14.1	Effective corporate tax rate (foreign firms)
15.	Improve information-sharing domestically and internationally.	
	15.1	Percentage of [outgoing] tax related information requests honoured.
P4. PIT		
16.	Review exemptions and consider alternative approaches.	
	16.1	PIT effective tax rate
		%ge of revenue foregone due to exemptions to GDP or proportion of revenue collected
17.	Address thresholds, bands, and rates.	
	17.1	Number (and proportion) of taxpayers by income bands- tracked by URA
	17.2	Lowest chargeable income threshold per day as % of international poverty line- Tax policy and URA to track- not tracking thresholds per day- To be tracked by Tax policy department
18.	Address weaknesses in rules for taxing rental income.	
	18.1	Effective rental income tax rate
	18.2	Rental income tax revenue as % of sectoral GDP (real estate activities)
	18.3	Active rental income taxpayers as % of total rental income taxpayers (commercial buildings)
	18.4	Active rental income taxpayers as % of total rental income taxpayers (residential buildings)
		Need to have the highlighted merged as there is no information split from URA
P5. Incentives and exemptions		
19.	Establish and publish a Tax Expenditure Governance Framework.	
	19.1	Value (and share to total revenue) of tax expenditures
	19.2	Tax expenditures as % of GDP
P6. Excise duties		
20.	Develop a broader scheme of environmental taxes.	
	20.1	Revenue from environment-related taxes as percentage of total revenue
21.	Rationalise multiple rates.	
	21.1	TBD- BMAU to track changes and reduction in rates.
22.	Consider revised approach to inflation adjustments.	
	22.1	Effective excise duty rates by excisable items- to be tracked by BMAU @ evaluation

Area measured/Indicator		
P7. Extractives industry- To be tracked by BMAU but TPD to revisit indicator		
23.	Fine-tune the framework for taxing the extractives industries.	
	23.1	Average effective tax rate (oil)
	23.2	Average effective tax rate (mining)
	23.3	Resource Governance Index score for Uganda
P8. International trade- BMAU to track sequence of changes, TPD and URA to avail trend.		
24.	Balance the objectives of export promotion, revenue generation, and support to domestic industry.	
	24.1	Effective import duty rates
	24.2	Percent change in value of non-oil exports
	24.3	Percentage change in selected imports vis-à-vis sales and exports of domestically produced commodities
25.	Improve inter-agency coordination and infrastructure- BMAU to track	
	25.1	Time taken to clear imported goods (non-warehoused goods)
	25.2	Time taken to clear exports
	25.3	% Variance in mirror statistics on exports/imports for selected trading partners
P9. Non-tax revenue- Tax policy department to develop an indicator to tracked by BMAU		
26.	Streamline the policy on NTR.	
	26.1	NTR as percent of GDP
	26.2	NTR collected as % of potential NTR
P10. Local government taxes- To be availed by TPD and URA		
27.	Work with local government to strengthen analysis, monitoring, and reporting.	
	27.1	LG own revenue achievement rate
	27.2	Transfers from central government to local governments as % of total LG revenue
	27.3	LG own revenue as % of GDP
	27.4	Active LG taxpayers as % of total number of LG taxpayers
P11. Donor-funded projects		
28.	Review the taxation of donor-funded projects.	
	28.1	Effective duty rate (imports of donor-funded projects)
	28.2	Income tax paid by expatriates for donor funded projects as % of total income tax from non-residents
P12. Digital economy		
29.	Address the impact of the digital economy on the tax base.	
	29.1	Revenue collected from web-based businesses as % of GDP
	29.2	No. of active taxpayers classified as web-based businesses

1.2 Performance indicators relating to tax administration interventions.

A total of [65][13] indicators have been proposed to be used in tracking the implementation of interventions aimed at reforming tax administration. The indicators are presented in Table 1.2 below, in the non-shaded cells just below the grey-shaded area that presents the interventions as provided in the DRMS.

13 The number of indicators is tentative; it could decrease or increase.

Table 1.2: Performance Indicators for Interventions for Tax Administration

Area measured/Indicator		
A1. Governance		
1.	Review the URA structure and consider reorganisation to promote integration- Tracked by URA.	
1.1	1.1	Leadership effectiveness index
2.	Expand the range of measures for assessing URA's performance to reduce reliance on collection targets.	
	2.1	Tax compliance gap (uncollected revenue as % of revenue potential)
	2.2	Growth in active taxpayer population
	2.3	On-time filing and (payment) rates
	2.4	Proportion of tax arrears collected
	2.5	Tax effort
3.	Strengthen the oversight function of the URA Board and the Minister.	
	3.1	Proportion of URA Board tax-related resolutions implemented by URA
	3.2	No. of formal meetings between URA Board and Minister of Finance
4.	Separate Internal Audit and Staff Compliance functions to enhance dedicated attention given to corruption and staff integrity issues.	
	4.1	Public perceptions of corruption among tax officials (% respondents saying "most" or "all" of tax officials are corrupt)- Achieved through a study
	4.2	Proportion of URA jobs applicants that passed ethics test
	4.3	Proportion of URA jobs applicants that passed ethics test
5.	Establish a separate Taxpayers' Ombudsman to investigate service-related complaints.	
	5.1	No. of taxpayer complaints received relating to mistakes, omissions, and oversights in tax administration, undue delays, poor or misleading information, unfair treatment, and staff behaviour at URA
	5.2	Revised to: Proportion of complaints resolved from those received in a FY
A2. Lifting the Human Resource Capacity at URA		
6.	Conduct an independent staffing review.- Achieved through a qualitative study by BMAU or TPD one off	
	6.1	Taxpayer/technical staff ratio by tax group
	6.2	Revenue per URA staff (by tax group)
7.	Implement a comprehensive training strategy and develop a URA tax training academy.	
	7.1	Proportion of technical staff that attained technical training in taxation
		Additional indicator required for existence of training academy
8.	Review the URA performance management and reward system.- BMAU to conduct a survey, seeking alignment of skills to work done, leadership,	
	8.1	Staff attrition rate
	8.2	Proportion of URA staff indicating they are motivated/satisfied in employee satisfaction survey
A3. Data Management and Analytics, ICT		
9.	Prioritise a data quality improvement strategy and develop processes to maintain data quality.	
	9.1	Percentage of data records that are complete. - To include completeness, accuracy, Registration Vs declaration.
10.	Empower URA to access relevant third-party data.	
	10.1	PAYE filers as a %ge of total NSSF contributors employers
	10.2	Active TINs (rental income tax) as % of active NWSC non-domestic clients
	10.3	Active TINs (income tax) as % of active UMEME commercial clients
	10.4	Active TINs as % of potential taxpayers identified from overall third-party data
11.	Develop a cross-government policy framework for data sharing and management.	
	11.1	No. of cross-government data sharing initiatives made in a year.
12.	Create a formal data skills development plan.	
	12.1	No of staff trained in data analytics (proportion)
13.	Design and implement a medium-term ICT strategy.	

Area measured/Indicator		
	13.1	Percentage of URA internal ICT-related key performance indicators achieved
14.	Review options available and based on a proper assessment of costs, benefits, and needs, upgrade or invest in a new eTax system.	
	14.1	TBD- to be achieved through a study
15.	Standardise key government systems to improve integration.	
	15.1	TBD
A4. Taxpayer registration		
16.	Regularly detect and de-register "inactive taxpayers to cleanse the taxpayer register.	
	16.1	No. of inactive taxpayers identified and deregistered as percent of total registered taxpayers
17.	Expand the use of the biometric National ID for registration.	
	17.1	Percentage of personal TINs linked to NINs
18.	Improve URA access to external data to identify potential taxpayers.- Consider Dropping from this section taken to A10	
	18.1	No. of new potential taxpayers identified from external data
19.	Adopt a simple and fully online registration system for those with internet access.- Taken to section 4	
	19.1	TBD
20.	Enforce registration as a qualifying requirement for professions and key trades.	
	20.1	No. of new taxpayers registered as a qualifying requirement for professions and key trades
21.	Promote political messaging supportive of a "civic duty to register."	
	21.1	Voluntary registrations as % of new registrations
A5. Taxpayer Education, Services, and Communication		
22 to 24.	Produce clear, comprehensive, and easy-to-navigate tax guides for taxpayers (22); Make online services more user-friendly and intuitive (23); Regularly conduct taxpayer perception surveys (24).To be conducted after 2 years through a survey	
	23.1	Tax administration competence perceptions index
	23.2	Tax compliance costs as % of tax paid
A6. Timely and Accurate Filing		
25.	Introduce measures to strengthen the effectiveness of self-assessment.- Needs assessment in light e- tax system developed in 14	
	25.1	Penalties collected for non-filing and late filing of returns
26.	Adopt monitoring of inaccurate reporting as part of URA's routine work.	
	26.1	Additional revenue identified from audit of returns for inaccurate reporting as percent of total tax collected from large taxpayers and high net worth individuals
	26.2	Revised to: Additional revenue identified from audit of returns for inaccurate reporting as a %ge of total tax collected.
27.	Work more closely with relevant regulators to improve filing compliance.	
	27.1	No. of taxpayers denied renewal of licences due to failure to meet their tax obligations as percent of total number of non-filers identified.
	27.2	Tax returns filing rates by tax type (CIT, PIT, VAT, PAYE)
28.	Address infrastructure constraints by offering points for connection across the country.	
	28.1	No. (and percentage) of returns filed through URA sponsored connection points
A7. Timely Payment		
29.	Prioritise strategies to reverse the current arrears and audit trends.	
	29.1	Total tax arrears at start of fiscal year
	29.2	Annual arrears recovery as a percentage of revenue collected
30.	Investigate options for enhancing the use of electronic payment methods, including mobile money.	
	30.1	Distribution of payments by payment method
31.	Streamline tax debt collection and improve transparency.	
	31.1	Tax arrears collected as % of total outstanding tax arrears

Area measured/Indicator		
	31.2	Tax arrears written off as % of uncollectible tax arrears
32.	Prepare management reports on a regular basis to allow for better-informed tax collection policies.	
	32.1	No. of reports on the status of tax arrears discussed by MoFPED top management
A8. Audit, Investigations & Enforcement		
33.	Consider the adoption of real-time digital sales and production monitoring systems. To be achieved through impact evaluation by BMAU	
	33.1	Percent increase in revenue collected of LED paid by firms
	33.2	%ge increase in revenue collected for VAT
34.	Strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk-targeting, and increasing the number of "mass audits."	
	34.1	Tax audits conducted by type
	34.2	Tax audit turnaround time (Desk, Comprehensive and mass audits)- break down into tax types
	34.3	Tax audit yield
35.	Bring the entire audit and payment process online.	
	35.1	Online tax audits as % of total tax audits conducted
36.	Promote audit process integration across taxpayer offices at URA.	
	36.1	No. of joint tax audits conducted in a year (involving VAT, income taxes, excise taxes and customs)
37.	Include reports on audit activities and outcomes as an integral aspect of reports to MFPED.	
	37.1	No. of reports on tax audit activities discussed by MoFPED top management
38.	Prioritise information from internal risk assessment indicators when initiating cases.	
	38.1	No. of tax audit or investigation cases initiated based on information from internal risk assessment indicators
39.	Implement the Automatic Exchange of Information and common reporting standards for tax purposes.	
	39.1	No. of tax evasion cases detected
	39.2	No. of new taxpayers identified through tax investigations
40.	Enhance resources to equip scientific laboratories and investigations personnel.	
	40.1	%ge of URA budget to scientific laboratories
	40.2	Level of equipment of laboratory and or staff trained in this area.
41.	Intensify penalties for non-compliance and increase the number of tax investigations.	
	41.1	Tax investigations and related enforcements conducted
42.	Publicise the results of enforcement initiatives.	
	42.1	No. of media reports on results of URA tax enforcement initiatives
A9. Dispute resolution		
44,45.	Facilitate TAT to expeditiously deal with cases by increasing staff numbers and training; Provide adequate funding for TAT to cover infrastructure and resource constraints.	
	44.1	No. (and value) of tax objections and appeals
	44.2	No of cases per TAT staff under TAT
45.	Improve the perception of OAU and TAT among the public.	
	45.1	Proportion of taxpayers that perceive the OAU and TAT to be fair and independent
A10. Processing of tax refunds		
46.	Develop a plan to streamline the management of offsets and refunds, including automatic cross-matching of taxpayer declarations.	
	46.1	No of backlog tax refund claims and offsets
	46.2	Turnaround time for settling of tax refund claims and off sets.

Plot 2 -10 Apollo Kaggwa Road
P. O. Box 8147, Kampala - Uganda
www.finance.go.ug