



Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

“What are the most important questions around tax policy and design ? Where could evidence research help?”

Profile:



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- A bachelor of Statistics , Masters in Quantitative Economics holder . Pursuing Masters in Institutional Management and Leadership.
- 23 years experience in tax administration in Uganda.
- Head of Uganda Delegation to the East Africa Revenue Authorities Technical Forum.
- Chief editor of the EAC regional comparative report.
- Advisor at the Africa Tax Administration Forum on Africa Tax Outlook.
- Member of Board and researcher at the ICTD. Researcher with UNIWider.
- TADAT Assessor and Short term expert with the IMF on TADAT.



Introduction

- Taxes are necessary evils. Painful to majority of us yet we need the public services (Roads, hospitals etc)
- People complain about them, and try to dodge them when they can.
- Businesses also react to taxes, both in how they organize their activities and, perhaps, in where they carry them out.
- How people and businesses react in turn affects the level and structure of taxation and consequently policy design and implementation.



Key Lions to policy design

a) Taxation of Ecommerce/ Technology

The global economic landscape is constantly changing due to developments in Information and communication technology.

Outcome:

- Integration of national economies and markets.

Enabled by:

- Affordable technology.
- Improved business processes.
- Massive innovation in all business sectors.

Current tax rules:

- Ineffective and provide opportunities for tax avoidance.

Administrative frame work:

- Very weak regulation of the sector by both URA and other government agencies

JAN
2018

INTERNET USE

BASED ON REPORTED INTERNET USER DATA, AND ACTIVE USE OF INTERNET-POWERED MOBILE SERVICES



TOTAL NUMBER
OF ACTIVE
INTERNET USERS



we
are
social

19.00
MILLION

INTERNET USERS AS A
PERCENTAGE OF THE
TOTAL POPULATION



44%

TOTAL NUMBER
OF ACTIVE MOBILE
INTERNET USERS



we
are
social

17.64
MILLION

MOBILE INTERNET USERS
AS A PERCENTAGE OF
THE TOTAL POPULATION



40%

Key Lions to policy design...



b) **Property Taxation: Visible sector with an invisible revenue impact**



- Uganda is a real property economy: The richer one becomes the more property he/she owns.
- Business proceeds are quickly channeled into real estate sector (land and buildings)
- The real estate sector is one of the safest fields of investment in Uganda and has continued to grow at an average of 5.6% over the last 4 years
- The existence of untaxed property developments (more often accompanied by untaxed rental income), creates strong informal incentives to invest in high end property.
- Property taxation seems viable option that is full of potential.
- But the collection of property taxes is hampered by huge technical challenges:
 - » Streets have no names nor are the properties numbered.
 - » There are no property registers updated
 - » lack of professional property valuers.
 - » The large property owners are usually influential people who, in most cases have vested interests and the power to lobby to ensure that they do not pay taxes on their property.

Key Lions to policy design...



c) Taxation and Trade Liberalisation: Agenda 2063-AU

- Trade liberalization has been and continues to be an important part in Africa's policy agenda.
- The intention is to strengthen Africa's place in global trade: **This is a nice idea!**
- However, the creation of free trade areas (free movement of people, capital, goods and services) poses significant revenue loss
- Similarly, trade liberalisation campaigns seek to cut back the region's trade reliance on non-member states which in turn reduces the revenue.
- For many countries like Uganda, over 40% of the revenue to meet her fiscal needs are derived from international trade taxes.
- How then do we strike a balance between revenue loss and the perceived trade effects?

Key Lions to policy design...



c) International Taxation issues

Illicit Financial Flow as especially as they apply to natural resources, Mergers and Acquisitions

- It was estimated that at least US\$21 to US\$32 trillion in private wealth escaped tax by being invested in offshore secrecy jurisdictions
- Cumulative capital flight from Africa amounted to US\$ 854 billion (1970s and 2008)
- In Uganda, its estimated that illicit financial flows account for **3% of GDP**



The role of Research

- Effective decision-making requires good advice, and that depends on informed use of evidence both in developing policy and in evaluating its effect once implemented. Research is thus a huge solution.
- However, quite often, the link between researchers and policy makers is very weak.
- Sometimes research fails to have an impact on policy because of problems associated with timeliness, presentation, or manner of communication.
- At times, academic research is focused more on abstract or theoretical issues, not on practical, policy-relevant questions.
- Sometimes (probably quite often) policy-makers do not even see research findings.



Bridging the Research-policy making gap

- **Collaborative Initiation and Execution of Research Projects**
- Research is likely to be taken up more enthusiastically within tax administrations, and impact on policy, if it is
 - (a) they are closely involved in design and execution and/ or.
 - (b) undertaken at the initiative of tax administration staff
- This implies, among other things:
 - The use of simple, non-technical language in discussing, designing and reporting back on research.
 - Tax administrations need to assign staff to be responsible for engagement with external researchers, for doing research, and for liaising between researchers and other tax administration personnel. The staff deputed for this task need to be allocated sufficient time and other resources.
 - The tax administration personnel selected to participate research should be appropriately qualified, experienced and motivated.



The URA Research Collaborations

International Growth Centre (IGC)

- Since 2014: an experiment on Fiscal Capacity and Tax Revenues: Piloting a new strategy to close the compliance gap in VAT and improve audit efficiency.
- Results and recommendations are now being piloted

International Centre for tax and development (ICTD)

- Since 2015(now 3 studies are completed, 3 are in progress.
- Results have greatly been implemented.



The URA Research Collaborations

United Nations University- World Institute for Development Economic Research (UNU-WIDER)

- Since 2017, 3 studies in progress and tax benefit microsimulation model

Economic Policy Research Centre (EPRC) 2018

- Just released a VAT gap study.
- We have been relying on an outdated VAT gap from a study done in 2014 by IMF



Thank you!