

# Experts tip govt on taxes

By Edward Kayiwa

There is need to curb corruption, increase enforcement in tax collection and expand the tax book, experts have advised the Government.

According to Ramathan Goobi, an economics researcher and consultant, Uganda has less than one million taxpayers, who are expected to contribute 97.3% of the sh15 trillion domestic revenue in 2017/18.

He said the Government should, therefore, cast the tax net wider to include idle sectors such as construction, agribusiness and industry, whose tax contribution is still relatively small compared to their potential.

"When you look at research on the structure of the economy, it says Uganda's economy is driven by service and industry as the fastest growing sectors, followed by construction and agriculture. But when you analyse who is in industry and who is paying the taxes, you realise that the answers are hard to get," he said during presentation of a research paper by the Civil Society Budget Advocacy Group (CSBAG) at Hotel Africana in Kampala on Thursday.

Uganda's tax base remains small and Uganda Revenue Authority (URA) is grappling with measures to widen it in light of decreasing donor funds.

Data from the Uganda Bureau of Statistics (UBOS) indicates that industry has been the fastest growing sector at 25% since the 1990s, followed by construction at 23% and agriculture at 22%.



Traders going about their business in downtown Kampala. Despite Uganda's economy making some gains, the tax-to-GDP ratio is still low

Goobi urged the Government to ask critical questions on the nature of the country's construction and industry sectors and devise ways of getting more tax revenue from them. He noted that there is a lot of untaxed idle land and no incentives to compel the owners to develop it.

"If you look at construction, it is mostly dominated by building of residential houses, yet in Uganda we don't pay property tax. The industry sector is also dominated by mining and quarrying, which we do not give enough attention," he said.

In its medium term strategy, URA plans to collect 75% of all tax revenue from domestic sources by 2022.

Currently, local mobilisation accounts for approximately 55% of tax revenue, with almost 930,000 registered taxpayers.

"The few who fall in this category are overtaxed at 30%, which is one of the highest

rates in the world, while majority of the people are not paying," Goobi said.

The 2014 Uganda Bureau of Statistics (UBOS) data estimated Uganda's informal sector at 52.4% of the \$25b (sh90 trillion) GDP.

Musa Mayanja, a researcher at the Economic Policy Research Centre, said Government is currently engaged in a number of infrastructure projects that are capital-intensive and need reliable sources of funding.

"Uganda leads the East African Community in having the biggest number of unregistered firms, something that has reduced the tax base. Therefore, we need to tighten that space and collect more," Mayanja said.

Sophie Nampewo, a CSBAG budget policy specialist, said the Government must strike a balance between taxing the various sectors and allowing them to grow.

Although Uganda's GDP is projected to grow at 5.5%

through June 2018, fighting the illicit flow of funds by multinationals is a matter that Fred Muhumuza, an economics consultant, believes should be given due attention.

According to Muhumuza, implementation of the Organisation for Economic Co-operation and Development's (OECD's) tax treaties will help to increase Uganda's tax collections.

"Many of these organisations are exploiting gaps and mismatches in tax rules to artificially shift profits to places of little or no activity so that they can avoid paying taxes here," he said.

Muhumuza said about 25% of returns for multinationals are ferried out of the country, which must be addressed to improve tax collection.

He said Uganda's revenue mobilisation challenge is highlighted by a relatively low tax-to-GDP ratio, despite modernisation to boost collections.