

UGANDA'S CASE

**ENHANCING DOMESTIC
RESOURCE MOBILISATION**

QUESTIONS & ISSUES FOR CONSIDERATION

- Uganda recent Growth Performance impressive,
- Tax system undergone fundamental reform compared to other countries
- But Taxes stagnated at about 13% of GDP, hence still well below African average of about 20%.
- Wide Tax gap between Tax Potential and Tax Effort
- Gross Domestic Savings also below African average.
- Apparently, possibility of increasing DRM exists
- Question is why is DRM levels still low?

ISSUES FOR REVIEW

- Structure of the Economy
 - Large agricultural sector and informal sector
 - But Tanzania, Rwanda, Burundi have same structure but better DRM
 - More recently share of Agriculture has dropped but effect on DRM not recognized.
- Recommend further assessment by examining trends in individual tax heads
- Govt expenditures on social sectors, limited expansion of tax base
- Tax exemptions
 - Clear assessment of benefits and costs
 - Increased transparency – Provision in budget act for publication of tax expenditures and submission to parliament to prevent abuse

ISSUES FOR REVIEW

- Competition for investment between countries
 - Detrimental to DRM effort
 - Recommend harmonization between African countries, especially through regional bodies like the EAC.

- Presumptive Tax
 - Informal sector
 - In Uganda, this tax already exists, but implementation has been difficult
 - Can it be a viable source of revenue?

ISSUES FOR REVIEW

■ Property Tax

- At central government level, maybe a bad revenue raiser
- Maybe more appropriate at local government level
- Consideration of the housing deficit in Uganda and how property tax would impact on the objective of increasing available housing units.

OTHER ISSUES FOR REVIEW

- CAPACITY OF REVENUE OFFICERS – TAX ASSESSMENT
 - CORRUPTION
 - HIRING OF INCOMPETENT OFFICIALS
 - Recommend use of benchmarking to set tax collection targets.
- SIMPLIFICATION OF TAX SYSTEM
- WHAT POTENTIAL – NON-TAX REVENUES?
- Oil revenues versus threat to efforts to increase non-oil revenues

OTHER ISSUES FOR REVIEW

- OLIGOPOLISTIC STRUCTURE OF BANKS
- OTHER FINANCIAL SECTOR INSTITUTIONS, CAPITAL MARKETS, PENSION SCHEMES, HEALTH INSURANCE SCHEMES, ETC
- Microfinance – potential to raise private savings?
 - Tier 4 – putting in place the right legislation
- Deepen financial sector – improve DRM effort
- DRM strategy must be supportive of the Government's wider economic development and social policies