CONSTRAINTS AND PROGRESS IN TAX POLICY AND ADMINISTRATION IN UGANDA: STUDY FOR NATIONAL FORUM WORKING GROUP

April 1994

IMPLEMENTING POLICY CHANGE

Contractor Team:

Management Systems International
(lead contractor)

Abt Associates Inc.

Development Alternatives, Inc.

United States Agency for International Development
Bureau for Research and Development
Project #936-5451

- PN-ABT-079 ISN 90901

Constraints and Progress in Tax Policy and Administration in Uganda:

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Eric R. Nelson
Development Alternatives, Inc.

April 1994

Prepared for the U.S. Agency for International Development under contract no. DHR-5451-Q-00-0110-00, Task Order No. 1611-043-3-10: "Uganda National Forum — Phase III"

A

TABLE OF CONTENTS

b

LIST OF TABLES

SECTION ONE

BACKGROUND TO NATIONAL FORUM DIALOGUE ON TAX POLICY AND ADMINISTRATION

This study continues the process of facilitating public and private dialogue on policy begun through the National Forum in 1992. Three of the four working groups established in the Forum (those related to investment promotion, export promotion, and financial sector development) are progressing — with digressions — toward their respective goals, while the working group on tax policy and administration is trapped in acrimony.[1] The reason for this trap is clear: the tax working group concentrated on immediate, instrumental objectives, most of which it was able to meet with ease, but was unable to develop a strategy to address the remaining — less tractable — objectives or to look past these to its medium- and long-term goals. As a result, individual or institutional concerns regarding tax policy and implementation began to overcome the common objective. The working group invited two consultants (one financed by USAID and one by the Uganda Manufacturers Association [UMA]) to investigate the constraints faced by the group, and to indicate possible approaches to get the strategic process back on track.

The goal of this consultancy is to define the goals of a tax regime with which the private manufacturing sector, the Ministry of Finance and Economic Planning, and the general public can agree. On the basis of a common definition and common goals, a relaunch of the working group is possible, while the normal conflicts between taxpayers and the taxation authority can be addressed in another forum. Supporting the relaunch of constructive policy debate, the study looks at a diverse set of manufacturing enterprises to see how the current problems with tax policy affect them, and suggests immediate remedies.

Both public and private sectors agree that the current tax burden in Uganda, at less than 9 percent of GDP, is too low to support the legitimate needs of government, and that the appropriate revenue level for government is approximately twice the current share of GDP. This common goal can provide a vehicle for policy debate. Looking beyond this to a long-term solution (the working group agrees), Uganda must adopt a more stable, broader tax regime with low individual rates. This study will introduce possible ways to arrive at such a regime.

This study is based on extensive interviews with Ugandans on all sides of the tax policy issue, and as such sometimes represents conflicting viewpoints; perhaps to downplay some of these, the study attempts to provide a common ground for discussion among the members of the Tax Policy and Administration Working Group.

Policy is a process. It is not a discrete action, nor is it a series of actions each of which can be programmed in a sequential fashion. Policy is implemented by the reaction of the clerk, policeman or tax agent who implements the rules based upon it; this in the end is what affects private behavior. The recent annual budget process in Uganda has reduced tax policy making to a series of discrete actions, with both the desired incentive structure and the longer-term movement towards the national revenue goals

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[1] The National Forum was supported by three consultants under the USAID project "Implementing Policy Change": Bruce Mazzie, David Gordon, and Michael Bess. The consultancy that supports this report was requested by USAID to address the only issue on which the process supported by these consultants had broken down.

hidden or lost in the "noise." We propose that policy goals or matrices should be considered as indicators of benchmarks passed rather than as indicators of the process of policy reform that they track.

The policy reforms sought in Uganda should reinforce the inclination, when an unexpected change hits the system (such as the price of an important import or export commodity changing significantly or an entrepreneur providing a new product or service), for the behavior of all affected parties to reflect the intent of the strategy.

Strategic management of the policy reform process calls for aiding the Government of Uganda and its agencies (such as the Uganda Revenue Authority [URA]) and the private sector and its agencies to address the constraints raised in this report within this larger process, and it is in this context that the present report is written, so that relevant Ugandans can view these concerns and be able to voice their own in the discussions leading to laws, regulations, and interventions.

The development strategy of the Government of Uganda has as its objectives growth, stabilization (including both internal and external equilibrium), and fiscal self-reliance. The government has established policies to further that strategy. Tax policy addresses the last objective directly, but also plays an important role in growth and stabilization through its impact on the incentive structure facing the private sector. More general policy to achieve these objectives includes (1) an investment promotion policy, (2) export development through export-oriented activities, and (3) a focus on nontraditional agricultural exports both as a way to increase export earnings and as a means of reducing year-to-year fluctuations in export earnings because of individual crop cycles. However, government policies may have unintended effects that — in implementation even when not in design — work against the stated policy goals. Particular "perverse" policies include lack of predictability in the investment incentive system, and a remaining antiexport bias in the tax and customs duty system (after removal of much more bias in the past).

The Ugandan formal manufacturing sector faces several severe constraints caused by location and by the state of development of business and financial infrastructure; these are a given in this analysis except when the fiscal system exacerbates such "environmental" constraints and appropriate countervailing measures should be taken to level the playing field. Some of these industries were established under an import substitution regime that no longer exists, and are in difficulty for that reason. Most, though, face a tax regime that is not proexport as much as it is anti-import-substitution. The tax regime should be neutral in its specific incentive effects, and to the extent that it is not, the policy makers have decided that it should be biased toward the production of ***tradeables*** (goods that generate or save foreign exchange) as against nontradeables. This is a different policy regime than one discouraging import substitution, and the taxation upon import-competing products may serve as either negative or positive protection of their own value added, but (particularly without a transparent system of rebates) will have an antiexport bias because of the direct or indirect import content of export goods.

TAXATION AND INCENTIVES

The current Ugandan government has inherited a narrow revenue base from which even an efficient service would have trouble raising the amounts of revenue sought. As a result, marginal tax rates are high (or worse, capricious, as discussed below), and incentives for avoidance and evasion of taxes are high. A central part of tax administration must be to decrease the incentives for contributing to such loss of revenue.

The tax base is narrow. Taxes on transactions (sales, duties) provide 78 percent of tax revenue. Although revenue from direct taxes has increased greatly since 1990/91, direct taxes provide 13 percent of total revenue (Table 1), compared with 22-23 percent in 1980-1991 for a reference group consisting of all low-income (GDP per capita under US$650 in 1991) countries.[2] The relatively low return from direct taxes is caused by uncalled-for exemptions, by low compliance (in 1990/91, Kampala represented 90 percent of income tax collections), and by the exemption of farmers from income taxation. At the district level this is reversed: direct taxes (particularly the Graduated Personal Tax [GPT] for income up to approximately USh 1.5 million) provide 77 percent of the budgeted resources of Mbarara District, while market and license fees provide 21 percent of income and other income only 2 percent.

TABLE 1

CONCENTRATION AND DEPTH OF TAX SOURCES

	Share of GDP (Percentage)		Share of Revenue (Percentage)	
	1990/1991	1992/1993	1990/1991	1992/1993
Income Tax	0.8	1.5	10.1	13.2
PAYE	0.1	0.4	0.7	3.4
Other	0.8	1.1	9.4	9.7
Customs Duties	3.0	5.0	36.2	42.8
Excise Duty	0.7	0.7	9.1	6.1
Sales Tax	2.2	3.1	26.7	26.8
CTL	0.2	0.3	2.2	2.8
Export & Other	1.3	1.0	15.6	8.3
TOTAL	8.2	11.6	100.0	100.0

Taxes payable to the central government are the responsibility of URA, while local administrations are responsible for the assessment and collection of local taxes. The distribution of tax base between local and national administrations means that those who pay taxes and fees do not perceive benefits received, adding to taxpayer resistance.

The tariff structure cascades, with 0-10 percent on basic goods like pharmaceuticals, agricultural inputs and machinery, and industrial raw materials, and up to 30 percent on final consumer goods. This provides relatively high effective protection on goods produced for the domestic market, although this protection is greatly reduced because of a much greater range in tariffs in previous years.

Tax policy makers seeking a more neutral tax environment want to reduce some of this protection by taxing monopoly rents. These rents are greatly reduced with the more compressed tariff structure.

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[2] Source: World Bank, *World Development Report 1993*. Of the 40 low income countries according to the IBRD definition, data were available for 31 in 1980 and 16 in 1991; China is in neither sample, and excluding Indian data as unrepresentative changes each average by less than 1 percentage point.

Moreover, the greatest deviation from neutrality comes from the poor integration of the tariff structure on normal imports with the preferential tariff structure facing PTA countries. Some of these PTA tariffs are 4-15 percent when the non-PTA tariff is 30 percent, and (more importantly) the tariff on inputs into production for industries obtaining materials from non-PTA sources is 10 percent.

However, these high rates, combined with inept collection methods and overzealous fiscal inspections that violate previously agreed incentive contracts, independently and together promote corruption and contraband in untaxed articles, and discourage the activities they appear to protect based on calculations of effective rates of protection of domestic value added. In summary, the problems are:

- High tax rates and capricious changes in the rates impose heavy burdens on some taxpayers while letting others elude payment. Among taxpayers this encourages tax evasion or collusion with tax collectors to lower the tax imposed, and thus for tax collectors this encourages individual discretion on how to classify revenue.

- High and cascading import tariffs create incentives for smuggling and evasion of customs (through underinvoicing and misspecification). The economic rents to be gained from this far outweigh those to monopoly industries, and represent a pure drain on tax revenue as well as unfair competition for local manufacturers. An informal "tax" imposed by officers of the government (whether customs officers, police, or URA) provides some disincentives to smuggle, but clearly not enough to choke off smuggling; these revenues do not flow to the public coffers and the acknowledged existence of the informal tax reduces respect for government authority.

- Widespread duty exemptions and leakages mean actual average tariff rates have bee· ·ow despite high listed rates. Until a 10 percent import duty on inputs was reimposed, ove: ·alf of Uganda's imports were tax free, accounting for around 62 percent of potential revenue; and also PTA import goods have a duty rate less than one-third of the standard rates. Together, these reduce the de facto protection, and provide a difficult environment for industries that pay the 10 percent import duty on their inputs but compete against zero- or PTA- duty rating.

- Rates have been highly unstable. Since the implementation of the simplified structure in 1990/1991, the duty and sales tax rates and exemption schedule have been changed several times. This creates confusion among investors and taxpayers, and gives the impression that the government is not wholly convinced about its own economic policies.

A tax on goods, services, or transactions increases the difference between price to the consumer and the price received by the producer. Increasing the price of a good or service to the user, or decreasing its price to the producer, serves to discourage the market for that good, whether it is a commercial product or an illegal service. A tax imposed on international trade creates an incentive (for those in a position to do so) to produce and trade nontraded goods — for instance, food crops instead of coffee when an export tax existed on coffee. Where there are near substitutes for the good or service, a strong incentive is produced to make income by substituting the untaxed good for the taxed one and making a profit on the revenues that would otherwise have gone to government. The greater the difference, the greater the incentive to devote one's time to this type of activity rather than to activities that create income directly through production and commercialization. The less the difference, the less the incentive to devote resources to such activities, simply to pay the tax instead, and to devote resources to productive activities more likely to contribute to economic growth. If alternative activities are also taxed, there is even less of an incentive to direct time and resources to these activities if they are not economically profitable.

Analysis of the tax and tariff regime done by Maxwell Stamp PLC (1993) found the incentive system had an antiexport bias, encouraging domestic market-oriented activities rather than export activities through its effect on the growth and structure of investment. The tariff rate structure has been greatly compressed in the 1993/1994 budget, which reduces any bias greatly and decreases the discrimination against investment and production in the tradeable sectors. It remains to be seen whether this new regime represents a trend toward opening of the economy or at least toward a stable regime. The policy framework continues to create incentives that foster activities with low or negative value added at world prices through high domestic price distortions. Smuggling in particular is a pure rent-seeking activity representing a transfer from both the formal private sector and government into the pockets of informal operators, with no productive activity.

For the development of Uganda, the policy environment should be economically more efficient, with an incentives structure consistent with the objective of achieving higher rates of economic growth. Taxation policy must be an integral part of that structure. To maintain a stable trade and tax regime, the government must do a comprehensive analysis and careful planning of its trade and taxation policies.

TAX ADMINISTRATION

The government has found it difficult to restore fiscal and monetary discipline which was destroyed in the previous years of mismanagement. Its implementation capacity has been weak, a problem exacerbated by the inconsistent allocation of revenue sources and collection authority between national and local levels. To acquire resources for public use requires the development of the fiscal capability of the government at all levels, from the village to the national level.

Improvement of the tax administrations is not a question of simply restoring Uganda's previous taxation capacity. Revenue collection was once the function of the East African Community, the collapse of which in Uganda coincided with the collapse of responsible government in general and the expulsion of an educated class of civil servants. Also, export agriculture provided the major tax base through the 1960s, and a conscious political decision has been made not to tax (and thereby discourage) the major source of export revenues. Instead of a history of responsible revenue collection to which to return after a period of aberration, Uganda has a fiscal regime with a narrow base, high rates, and the resulting incentive structure encouraging avoidance, evasion, and even fraud among those willing to commit it.

Uganda Revenue Authority

The transfer in 1991 of revenue collection from the Ministry of Finance to an independent Revenue Authority with well-equipped, well-paid agents has undoubtedly reduced corruption that had been caused by low pay. Despite its efforts to create sanctions against fraud and smuggling, URA must face the still high incentives for evasion and for corruption implicit in the system. Other associated steps, such as payment through the banks (currently only UCB), reduce the latitude for "making deals." Although URA has come a long way since its creation to correct the problems of mismanagement and corruption it inherited, most parties agree that it still has some distance to go.

With donor support, URA has greatly increased taxation from existing sources. Although this is commendable when lack of payment is caused by lax behavior (this is generally the case), sometimes efforts to increase tax payments have promoted overzealous fiscal inspections that violate previously agreed upon incentive contracts. Because the formal manufacturing sector keeps the best accounts, and because URA attempts to keep its collection costs low, this has frequently meant increasing tax collections at the manufacturing level. For example, sales tax is not collected on sales under the current administration; it is collected from manufacturers at the factory gate (or importers at the point of entry). When a sales tax was imposed on certain products (dairy products, paint) in the annual budget, the producers were unaware. When URA imposed the tax, it did so retroactively and collected from the manufacturer (the nominated collection agent), not from the tax base, and despite the fact that there were no revenues attributable to that tax base on which to levy taxes.

URA is seeking additional means of taxation of the economy to avoid further pressure on the formal sector. This raises a fundamental problem for strategic management of the revenue process: URA is a highly centralized authority with highly paid, well-equipped agents who are both prepared and equipped to analyze the small formal sector. URA has a strong advantage in its ability to audit and to supervise tax collections; when it is introduced, the Taxpayer Identification Number (TIN) system will augment that capacity.[3] URA lacks the administrative structure and incentives necessary to collect new forms of taxes. By its nature it is also alien to other taxable entities; it has a structure that is appropriate (and perhaps desirable) in smuggling raids but that is problematical when the question becomes one of taxing smaller incomes from trade or from agriculture.

The question then arises whether the URA *can* be organized administratively to become an efficient collector of other revenue sources besides the relatively centralized ones it now collects. If it can be, the question of cost (in terms of a larger staff and intrinsically less centralized control in these other forms of taxation) must be addressed. To look at another model of tax collection that is already tested in Uganda, we consider next the local tax administrations.

Local Tax Administrations

Much local tax administration has been inherited from past administrations, returning to the colonial roots of the system. However, under the National Resistance Movement (NRM) a more responsive system of local tax administration has emerged. Despite problems with its implementation — some of which are serious — this provides a worthwhile model for establishing a responsive local tax administration, and this model is discussed here.

Through two 1987 statutes, the NRM government made the "Resistance Council" (RC) system — which during the guerilla campaign served as an organ of civil order and governance through its assumption of power in 1986 — into a universal governance system. Other aspects of the previous local administrative system were integrated into this system through the Local Governments (Resistance Councils) Statute of 1993.

[3] Some persons interviewed claim the introduction of the TIN will "solve" many tax problems, a view similar to one expressed in 1991 concerning the establishment of URA. Neither measure will solve anything by itself; it must be part of a coherent strategy that addresses the underlying problem. The policy gesture is not sufficient; the procedures for implementation make the policy work or fail.

The first role of the RCs was the maintenance of security and of law and order. However, another part of both the rationale for and the mandate of the RCs is to provide a channel for grassroots democratic participation of all Ugandans outside traditional local political forces. Every Ugandan over the age of 18 is a member of the RC1 of the subparish and can vote for officers of the RC1 Committee as well as stand for office. The RC1 Committees of a parish comprise the RC2. The RC2 committees in a subcounty make up the RC3 council. The system continues through the RC5 (District), which also includes representatives for women, and to the National Resistance Council.

Beside the security and police functions of the RC1s and RC2s in the rural areas, they have important functions in state finance and management. RCs mobilize self-help efforts and resources. They provide for dispute settlement in lieu of the formal judicial system, based on their local knowledge and democratic character (in many cases they are reportedly far more trusted than the formal judicial system, which is removed from the village or urban quarter, relies on lawyers with Western training and motivations, and is costly). They serve a watchdog role with respect to the function of the implementing officers of the local and central governments in the village.

Finally, the RC3 committees are responsible for tax assessment for the GPT. In some areas this is claimed to have improved greatly the *perception* of equity in the assessment exercise, given that the RC3 representatives are more conversant with the local populace and its household economy than are agents from outside. The local administrations (RC3 and below) receive half of all revenues imposed under the GPT so that the citizens can observe the impact of paying taxes.

On the negative side, RCs lack the technical knowledge for assessment of more complicated businesses, and are accused in some areas of seeking underassessments for their electorate. Because the system functions with few resources, local frustration and cynicism have arisen toward the RC system; also, RC1s and RC2s in some parts of the country are relatively inactive.

Assessment of the GPT is done by a committee lodged at the RC3 level. An enumeration committee lists all the households resident in and having assets in the area upon which to base the tax. The assessors then evaluate the level of income likely to be realized from the assets of the household, including land, crops, animals, and to some degree off-farm sources of income. The assessors are unable to evaluate income sources from other jurisdictions, nor can they assess taxes against absent owners of these assets.

GPT fees are set in absolute values rather than as percentages, so they must be revised regularly. Large one-time revisions have led to considerable resistance, even conflict and riots, among taxpayers, and — in response to this popular protest — to reduction of some rates to the detriment of revenue requirements of the government. The GPT creates a trade-off between fairness and democratic participation on the one hand, and realistic resource mobilization on the other. Observers believe the RC system works particularly well in dispute settlement and tax assessment, and is contributing to democratization of the judicial and tax systems at the local level. On balance, it is also considered the most progressive revenue system in East (and possibly Southern) Africa.

Accountability has been a problem for local governments. The perception that corruption is widespread (whether or not true) affects their ability to collect revenues, just as it has that of the central government. The system is also expensive, in that the fees collected are small compared with the effort required for assessment and collection. Privatization of the collection of market fees in the past year has reportedly greatly increased collections while reducing collection costs.[4]

Although problems of credibility and corruption are not unknown to the local system of assessment and collection, these are no worse than those of the central government. The local administration is closer to the bulk of the population's daily activities than are URA agents. It has systems and procedures already in place for tax assessment and collection, so its fixed expenditures are high for a limited tax base; the existing personnel base could be used for greatly expanded collection. It is democratic in control, and it is respected for its speed and equity of conflict resolution. However, it raises little revenue under its current mandate, and it needs mechanisms for accountability to retain or restore its credibility among the electorate. Being purely local, it has no capacity to assess or to levy taxes on income from outside its jurisdiction, or to impose a GPT on income-producing assets owned by outsiders within its jurisdiction.

In summary, the central and local tax administrations appear to be highly complementary; the skills in which the RCs are strong parallel the weak points of URA, and skills in which the RCs are weak (particularly coordination with other jurisdictions, and audit) are strong points of URA. The local tax system uses lower-paid agents and is highly inefficient because it is applied to a shallow tax base; the URA uses high-paid agents and is inefficient because it applies its skills to a narrow tax base. The efficiency of each could be improved by coordination. To do so, however, care must be taken not to destroy the administrative incentives that make each system work. This paper next addresses the potential for replacement of Block Grants (either partially or wholly) with revenue sharing between administrations to maintain the incentives for collection of GPT in a system of national direct (income/graduated) or indirect (Value Added Tax [VAT] or sales tax) taxation.

REVENUE SHARING BETWEEN ADMINISTRATIONS

Revenue is shared according to the remnants of the colonial system, with confirmation by the Local Governments Statute of 1993: the local administration (District or Urban Council) receives income from a series of minor taxes including GPT; property tax; and fees, licenses, and permits. The taxation of incomes and profits is exclusively reserved for the central government.

The revenue of District and Urban Resistance Councils is provided in the same statute, and includes revenue from other sources, rates, GPT, and block and equalization grants from the central government given for specific outlays. The list is given in reverse order from the order published in the Statute to accentuate the following fact: the block and equalization grants are the most important source of local revenue, even under decentralization. However, these grants are only vaguely related to local revenue generation (and that via the national political process) and hence remove the incentive for payment by the taxpayer and collection and audit by the tax authorities, and also fail to provide a rationale for allocation by the central taxation authorities.

Stated simply, and perhaps with some error because of simplification, the system of block grants gives no incentive for local authorities to mobilize taxes beyond their tax base independently of the national tax base, while the national authorities seek to broaden tax revenues without the ability to

[4] Under the Decentralization Act of 1993, some of the market tax collection functions have been privatized, with both an increase in revenue and a decline in personnel costs to obtain that revenue as a result.

identify, assess, and tax local incomes. The central authorities are responsible for financing activities at the local level through the block grant. This is highly inefficient, and encourages both undercollection of taxes and overcompetition for scarce government resources.

An alternative that maintains some incentives for payment on behalf of the taxpayer, strong incentives for collection on behalf of the taxing authority, and a rational allocation of resources would be to merge the two regimes, with local expenditure on local needs related to the revenue raised. That requires a system of revenue sharing to replace the current double (disjointed) system. It would replace in whole or in part the system of block grants, though equalization grants would assume a more important role than previously for transferring revenue from the richer Districts (by way of the central Treasury) to the poorer Districts.

SECTION TWO

GOALS OF THE TAX REGIME

The tax regime should have three major goals: (1) Stability and predictability of application; (2) breadth, depth, and buoyancy of design; and (3) a medium-term time horizon for arriving at these goals.

STABILITY AND PREDICTABILITY IN IMPLEMENTATION

Stability of the tax regime and its predictability require taxes and excises negotiated on a multiyear basis, prior consultation between the tax authorities and the public on rates and coverage, and particularly resistance by both government and the private sector to tax "fads" and emphasis on T/GDP (the share of taxes to GDP) quantitative measures from ignorant outsiders.

Taxes, duties, and excises continue to be a major tax burden borne by the manufacturing sector and by its clients. They have an important impact on demand for the product, and hence on production. Drawbacks affect the competitiveness of exports. To permit an export-oriented strategy for economic growth, these must be set on a multiyear basis. Many decisions are now made in the process of finding the financing for the Annual Budget. Variability has been extraordinary from year to year, as seen in Table 2.

A first step to create such stability is to establish a system of prior consultation on rates and coverage, rather than have these be a "surprise" at the time of the Annual Budget. This was done in 1992/1993 but (apparently because of a breakdown of the management process) was overtaken by events in preparing the budget for 1992/1993. One result of the breakdown of prior coverage was the pharmaceutical company, which overnight found import tariffs restored on its raw materials while the finished pharmaceuticals with which it competed could be imported duty free. URA gives this as an example of how the resolution process works, because this was a human error resulting from the urgency of the budget process and was rectified. The error would have been less likely to occur if proposed budget changes had been discussed among those concerned beforehand.

A second — related — step is to establish a Ministry of Finance ombudsman to correct any unintended effects of laws/regulations quickly. To return to the previous example, the pharmaceutical input duty was rectified in February 1994. Policy makers who come from a background of economic theory consider this (rightly) to be a simple human mistake; for the company affected it meant seven months of lost sales, lost cash flow, lost market share, and (possibly) bankruptcy. An ombudsman would refer errors of fact immediately to the ministry for corrective measures, and errors of law to a tax tribunal for resolution according to the methods and protection of the juridical system.

TABLE 2

ANNUAL CHANGES TO THE TAX REGIME

Budget	Measure	Purpose
1987/1988	- Import duty payable on all industrial raw materials suspended - Import duty on new machinery, plant and equipment waived	Stimulating local production
1988/1989	- Import duty on sugar raised to 255% - Import duty on soap raised to 60%	To protect local production
1989/1990	- Import duty on all imported raw materials	To encourage utilization of local raw materials
	- All zero-rated customs duties raised to 10% - Sales tax introduced on zero-rated and exempt products - Excise duty of 5% introduced on plastics, mattresses, paints, exercise books	Revenue
1990/1991	- Import duty bands reduced to five ranging from 10-50% - Sales tax rates reduced to four (10%, 30%, 70%, 150%) and applied equally to local and imported goods - Excise duties reduced to two (30%, 60%), restricted to 4 subsectors	Liberalization
	- Surtax on imported goods at same rate as excise duty on competing local goods	Revenue, protection
	- Taxes on government imports abolished	
1991/1992	- Uganda Revenue Authority established	Revenue
	- Sales tax rates restructured to six (0%, 10%, 20%, 30%, 40%, 50%, 100%)	Revenue
	- Higher excise duty rate reduced to 50%)	Equity
	- Harmonized commodity description and coding system replaced CCCN	Collection effectiveness
1992/1993	- Import duty on raw materials abolished - Re-exports from bonded warehouses authorized with 2% export levy	Liberalization
	- Protective tariffs imposed for sugar, hoes, cement, leather footwear, rice	Protection
	- Import duties restructured from 6 to 7 (0%, 10%, 20%, 30%, 40%, 50%, 70%)	Protection, revenue
1993/1994	- Protective tariffs eliminated; duties compressed to maximum standard 30%	Liberalization
	- Excise taxes raised - Sales tax - Import duty on raw materials reinstated at 10%	Revenue

A crucial step to reduce the antiexport bias is to assure a working system of duty and tax drawbacks where provided in law. The URA proposal for the VAT (see below) assumes that such a system will be in place, based on existing systems. In fact, no such system is in place. All revenues received by URA must, under law, go directly to the Consolidated Fund; there is no speedy mechanism for recovery of payments from such fund, and so exporters or others owed drawbacks find themselves in the queue of general creditors of the government. This must be changed. In time for the June 1994 Budget the government must assure a mechanism for the rapid crediting or drawback of reimbursable duty and tax payments, if exporters are to continue to function. If necessary an interim measure must be introduced while a comprehensive treatment (discussed below) is debated and introduced.

More generally, the government must reconcile the Investment and Revenue Codes and incentives under these codes. Individual members of URA disagree with the granting of such exemptions and incentives. Their arguments — or parts of these arguments — are supported by the theoretical literature and by evaluations elsewhere. Nevertheless, URA should not be the judge of the government's investment policy. If there are to be limits on the benefits bestowed under the Investment Code, these must be debated openly and decided in such a way that actual and potential investors can understand them. When the regime of incentives and regulations in force were reversed (in the occurrence, special advantages granted under the Budget rather than the Investment Code, so legally the government was correct even while it dissuaded investors), this acted retroactively on investments brought in under previous rules or investments contemplated and defeated the purpose of an investment strategy. The system of incentive-setting through the budget must be replaced with a coherent investment and revenue strategy.

Finally, in this consultancy it was impossible to determine whether a fixed goal has been set of increasing taxation as a share of GDP by 1 percentage point for the next budget. Several respondents claimed this to be so, but policy makers in the MFEP state that this is the outcome of macroeconomic analyses of what is possible. If this is true, somewhere in the chain of command it is being considered as a goal rather than as a measure of progress. Government and the private sector resist using quantitative measures of tax revenues as share of GDP as a *goal*; instead their concern is to use T/GDP as an indicator of *progress* toward a goal.

BREADTH, DEPTH, AND BUOYANCY

Depth of Taxation

Individual taxpayers raised concerns, particularly those who pay a high excise tax burden, and they will continue to do so. The Tax Policy and Administration Working Group should seek ways in which the public and private sector have a common interest and can work together. Three major categories of improvement were found that would affect tax deepening (the fourth major possible goal, tax broadening, is discussed separately). These categories are:

- Eliminate surprises to cash flow;
- Facilitate drawbacks; and
- Improve the incentive structure affecting economic activity.

A mail survey of its members performed by UMA raised several common issues that affect Ugandan manufacturers and that are matters of unintended policy rather than deliberate government policy. Among these are:

- The 1972 Tax Law and its interpretation by URA lead to a situation in which legitimate business costs not directly allocable to production are disallowed. Among the deductions considered taxable income are:

  - Charitable deductions, scholarships. grants, prestigious activities, and so on; these are not allowed as marketing expenses;

  - Capital allowances for dedicated distribution facilities are disallowed, as is depreciation on vehicles exceeding USh 10 million in value;

  - Advertising expenses are disallowed;

  - Legal fees (beyond the pursuit of bad debts) are disallowed; and

  - Computer expenses were not mentioned in 1972 and hence are disallowed in 1994 by URA.

  These call for an overhaul of the 1972 Tax Law to make it conform both to modern technology and to modern practice.

- Frequently Ugandan products pay taxes while a competing product enters the country tax free or at a PTA tariff that is less than even on the inputs for the Ugandan manufacturer.

- During periods of high taxation, recorded "exports" increase dramatically but management suspects strongly the product does not leave the country. Higher taxation also leads to consumers trading "down" to smaller units despite a higher unit cost.

- URA or MFEP do not communicate new tax rules and no interpretation is issued, yet URA enforces them retroactively.

- Assessments are never finalized so URA continues to challenge tax liability.

- No authority independent of URA exists for complaints and adjudication.

Revenue Mobilization and Breadth of Taxation

As noted in the 1993 *Background to the Budget*, the ability of the government to mobilize revenues depends upon more than per capita income. The report discusses the availability of "tax handles" (page 34):

> The presence of large retail establishments, large manufacturing units and a high percentage of the labor force in formal employment considerably enhances the taxable capacity of the economy. The structure of the economy is therefore an influential factor.

The report continues:

> The presence of a large, predominantly small-holder agriculture sector obviously reduces the taxable capacity of the economy, particularly if a large percentage of the economic activity is of a nonmonetary nature. If the structure of other sectors of the economy is also

biased towards small scale activity, with a large percentage of the labor force being self-employed, the problems are obviously compounded. At the other end of the scale, the presence of a large mining sector in the economy will significantly boost its taxable capacity.

The given in this analysis is the institutional and administrative structure responsible for tax collection. The existing centralized tax system is well adapted for efficient collection of taxes from the formal, often urban, sector. The report notes (correctly) that it is less well adapted for the collection of other taxes. Other countries have less difficulty taxing smallholder agriculture, though the degree of monetization of the rural sector may be greater than is currently the case in Uganda.

In Uganda, villages have little trouble assessing sources of tax, and applying these taxes and in enforcing them to finance local self-help activities, through the RC1 and RC2. However, the tax imposed (in cash or in labor) is currently a minor proportion of total government revenue. Various trade and property taxes are collected effectively at the level of the RC3 and RC5, though the cost of administration of this system is high compared with the small revenue.

This local assessment and enforcement is not presented as a cure for Uganda's revenue problems. Tax riots have occurred at the local level, and local authorities remain cautious.[5] Anyone who has witnessed an enforcement drive in a Ugandan village, with the entry roads sealed off, the delinquent taxpayers arrested and arraigned, the families following the detainees with crops or small livestock to sell at the market to settle the tax arrears, must be touched by the spectacle. It is more painful when one watches this procession arrive at the small, illiquid local market that will have great difficulty absorbing the quantities of produce being "dumped" to raise the necessary tax fees, so taxpayers are twice-punished in selling assets to pay taxes. This latter problem is gradually being reduced as monetary deepening occurs — that is, as demand for holding money balances (M_2) as a share of total assets increases rapidly (*Background*, pp. 21, 24), but presumably will continue whenever those with tax liabilities must sell their working capital assets simultaneously rather than in an orderly market.

Background notes that other African countries with low levels of per capita income and relative large agricultural sectors achieve much higher ratios of revenue to GDP than Uganda is currently achieving, and notes that:

> Most of the 'quick' measures for boosting the economy's revenue effort have already been implemented. In 1986/1987 the ratio of revenue to GDP was 5.1 percent. More importantly, however, the ratio of revenue to GDP excluding export taxes on coffee, which we were subsequently to lose, was only 3.4 percent of GDP. Since 1986/1987, this ratio has been increasing to approximately 8 percent of GDP (1992/1993). . . . [F]urther gains will be more gradual, relying on an expansion of the direct tax base, improved administration of the taxation of imported goods and developing a broad based tax on consumption.

[5] Opinion is divided whether it was the tax, the size of the tax increase in one jump, poor communication with the public to permit it to anticipate tax increases, or a combination of these that was responsible for the protests.

Two Approaches to Broader Taxation

Here we consider two "nonquick" approaches to broadening taxation that fit with revenue mobilization in other countries: direct taxation of income from whatever source (and hence presumably agriculture in Uganda), and the VAT that is proposed as an alternative for the existing sales tax.

Indirect Taxation — The VAT

The principal source of indirect tax revenue is currently customs duties, which provide nearly half of government revenue. This is followed by the sales tax, which provides more than a quarter of revenues. Excise duties and the Commercial Transaction Levy (CTL) together account for a little under a tenth of revenues. Export taxes (mainly on coffee) have been virtually eliminated. Although indirect taxes provide in this way the vast bulk of government revenue, there is still some scope for broadening the indirect tax base and deepening collection. In particular, the government is considering the introduction of a value added tax (VAT) to replace the sales tax, with a goal of having it in place within two years.

The possibility of instituting a VAT has been considered by the Ministry of Finance and Economic Planning, by URA, and by the IMF, which has provided a team of consultants to assist the government. The view of URA has been given in a recent paper titled *Towards VAT*. Conceptually, a VAT is in the interest of manufacturers now subject to the sales tax, of the government, and of the country. The VAT when implemented — if implemented correctly — will reduce the tax burden on formal sector manufacturing firms by broadening the tax base extensively. It will reduce or even eliminate the current unpredictable element to sales taxation, which is sprung on modern sector manufacturing firms near to or during annual budget preparation. The VAT will reduce the rewards to smuggling and to other informal sector or small-scale activities which compete with established or potential manufacturing enterprises in Uganda. It will transform the "tax and regulatory wall" faced by small manufacturers who wish to enlarge their production but fear detection by tax authorities into a smooth ramp and in this way will encourage the growth of small manufacturing firms. Considering the ends of the VAT, it should be supported wholeheartedly by UMA and by the formal private sector in general.

The means by which the authors of *Towards VAT* intend to arrive at this end are largely unstated in the paper. This is its weakness, since it should represent the major concern of both those potentially subject to the tax and to policy makers. In practice, arriving at these ends represents the most difficult challenge to both formulation and implementation of appropriate policy towards indirect taxation in Uganda, and current experience with sales taxation is disturbing in its implication for the process. Uganda probably can implement a VAT within two years, but to do so would create severe problems that could destroy the process and harm the participants.

The Tax Policy and Administration Working Group should endeavor to assure adequate participation by the private sector in the VAT design process; a step-by-step programmed approach over three-to-five years (not two years as proposed both in the document and in discussion with MFEP policy makers and spokesmen for URA); and establishment and implementation of education or training programs at several levels — assessors and collectors in the local public sector, administrators and enforcers at the national level, and among various branches of the private sector including trade — as a precondition to putting a VAT into force.

Discussion of the ends of the VAT and why such a tax is useful for Uganda follows. The author also provides an overview of problems that current experience shows will become obstacles — possibly insurmountable — for its implementation if done in haste. These are presented not as criticisms of the VAT in Uganda, but as issues requiring debate in the political arena, and between potential payees of a VAT and the government to assure its successful and equitable implementation, if that is the course chosen.

The Goal of Instituting a VAT. It is useful to begin with a brief description of the VAT in a country where many producers and traders are not registered for tax payment. The VAT is well described elsewhere so this will be brief. A VAT is ultimately a sales tax, paid by the final consumer whether that consumer pays retail price or — because of a privileged position in the distribution chain — has preferential access to goods or materials. It is paid at each level of the production process, with a credit against the VAT on sales by the company for purchases made to produce those sales. Unlike a final sales tax, it does not discriminate between formal and informal sector suppliers. For instance, if the VAT is 10 percent, a purchaser should see no difference between buying materials from a registered provider for 110 Ush and a similar quantity from an unregistered provider for 100 USh, because 10 USh of the price of the former provider — but none of the price of the latter — will be credited to the VAT on sales.

Similarly, if final retailers are not registered for the VAT (for instance they are small sellers in the market), VAT will have been paid by them when they purchased the goods for sale or for contribution to the services they offer, so while tax is foregone, it is only the tax on the (normally quite small) value added by these sellers or service providers, not that on the total value of goods and services. Only providers who escape the formal chain completely escape taxation under VAT.

Imports can be taxed through the VAT at the point of entry. If Kenya zero-bases its exports (meaning there is no tax on the export), the Ugandan VAT compensates. In this way the VAT does not discriminate against domestic inputs into production when they compete with imported inputs, nor do domestic producers of import-substituting goods compete "unfairly" against imports. In most countries exports are zero-based, and all VAT paid on inputs is refunded to the exporter.

The VAT has several important advantages over the existing system of sales taxes.

- It has a broader tax base and imposes a lower rate (given as 10-15 percent in *Towards VAT*, 17-18 percent in an interview with URA). This imposes a less onerous burden on domestic manufacturing industry and reduces the incentive to evade the tax.

- The system of crediting taxes paid on inputs reduces the strong incentives toward "informal" acquisition of such inputs and the bias of the current tax system in favor of businesses which can evade these taxes (particularly small businesses and those willing to bribe enforcement agencies). This assures fairer competition between formal sector manufacturers, informal sector operators, assemblers of imported parts, and direct importers.

- Partial capture of taxes that are due at stages where they can be avoided or where they are too expensive to collect permits integration of small enterprises into the same subsector as formal sector firms, and taxation of most of the value added on items that are partially distributed through traditional market channels.

- A VAT system is less susceptible than sales taxes to abrupt changes in rates or coverage through the process of the annual budget, because rates are more rigid and revenues are more predictable in advance. This may remove rate-setting to the level of political debate.

- A VAT can be tuned to the tax systems of neighbors, particularly Kenya, to reduce the economic benefits to smuggling and to provide an openly acknowledged vehicle (tax base) to recapture taxes rebated by other countries.

- The VAT permits rebating all taxes throughout the chain on items that are ultimately exported, even when inputs into these items are taxed, so export to neighboring countries of items for which Uganda is currently not competitive becomes possible, and the range is widened of potential global exports with domestic value added.

This list of benefits does not imply that the VAT does not impose costs on business and on society, however:

- The paperwork requirements of the VAT are considerable if the credit system is to work. The cumbersome VAT system imposes an additional financial compliance cost on the taxable base.

- VAT enforcement (including repression of fraud) imposes an expensive financial and social burden on business even in regions where the VAT is well established such as the European Union. The system imposes an additional financial cost on the tax administration that reduces the effective yield of the tax, and creates conflict within local society between enforcers and payers.

- The VAT encourages a black economy in imports and in services; this is an important and growing phenomenon in most states of the European Union, and is particularly a problem for revenue authorities in Italy. The incentives to a "black economy" can be reduced by keeping rates low, but this conflicts with government needs for collection.

The macroeconomic impact of the black economy can be reduced through additional investigation and suppression, at the cost of social conflict. Even then the competition at the level of the firm between those who pay VAT and those who evade VAT (which is fairly easy to do on services) creates a burden for law-abiding firms. The discussion in *Towards VAT* regarding development of a "tax culture" in Uganda is overly optimistic, given the failure to develop such a culture (or the erosion of such a culture) elsewhere where the VAT has been introduced.

Despite these costs, the VAT is better for Ugandan manufacturers than the system of sales taxes. The costs can — must — be addressed in the design and implementation of a VAT. *Towards VAT* minimizes these costs, incorrectly. These costs must be openly debated and means found to alleviate them.

Design and Implementation Issues Concerning a VAT. *Towards VAT* considers three options for implementing the VAT, with the benefits and costs of each.

- A gradual extension of the current Sales Tax system;

- A complete substitution for the current Sales Tax and CTL systems; or

- A pilot exercise for the complete overhaul of the tax administrative systems within URA.

Without coming to a conclusion, it supports the first of these because of the many features that are essential elements in a VAT system, and that are gradually being introduced into the Sales Tax processes such as:

- Sales Tax Credits;
- Document transactions such as government Delivery Notes
- Development of information concerning Input-Output ratios;
- Cross Auditing or comparison of seller and purchaser records; and
- Control of Sales Tax Free Exports.

Thus "creeping VAT" has already started" (p. 5).

Considering the direction of creeping VAT, the author suggests that two years is insufficient for implementation of a VAT based on the Sales Tax and CTL.

- For want of a clear policy, Sales Tax is collected at source rather than at the point close to use, and treated as a production tax rather than a sales tax. URA has considered production liable for tax and not considered the true base, which is the consumer:

  — Paint and dairy producers were assessed retroactively for product sold after imposition of the sales tax for which they had — through ignorance — not collected tax on behalf of the government.

  — No administration currently exists to collect taxes at any other level in the sales chain; these must be developed from nil, which will take time and effort.

  — Hence we are not partway there as claimed, and attempts to build a system based on current administration will tighten controls on producers without taxing value added elsewhere. It is possible to suspect that it would lead simply to a worsening of the current sales tax regime.

- A new administrative apparatus is called for to assess, to collect, and to enforce the tax at each level in the chain of production and sales. Development of this apparatus calls for:

  — Training at the local level in assessment and enforcement.

  — Transfer of the sales tax to the trade level — with drawbacks for sales taxes paid at earlier levels to avoid cascading taxation — as a first step in implementing a VAT; only when problems have been identified and solved with a true sales tax should the system move forward.

  — Local revenue administrations must be reformed and restaffed to accomplish this role; they are currently overworked and insufficiently trained to undertake this new activity.

- Rate-setting procedures must be established in the legislative arena, including the development of any required mechanisms to translate political will into administrative regulation. The debate over the simplicity of a single rate compared with the desire of many to have a progressive tax structure promises to be a long and lively one, if experience in other countries is an indication. For example, although the outcome of any debate cannot be foretold, it will almost certainly be decided to exempt primary foodstuffs from taxation.

The outcome concerning the VAT level for processed foodstuffs (such as dairy products) is less easy to predict. This is a political choice as much as a technical choice.

- The system must be monitored and discussed among all parties until it is found sufficiently robust to permit moving to a full VAT.

- The public — both consumers and all intermediaries — must be educated in the VAT, and simple means of tax accounting must be introduced for small economic agents to make the coverage as equal as possible.

The tax must be administered at all levels, from primary production through manufacture to retail sales. URA is not designed or equipped administratively to monitor and collect at the wholesale or retail level. A local tax administration already exists to collect market fees, and is currently an inefficient mechanism for the low revenue base. Therefore, URA should begin now to bridge the gap to local administrations. URA should support, motivate, supervise, and audit local authorities, while local authorities should implement the VAT. As a step toward the VAT we recommend shifting enforcement of the sales tax to that level, using manufacturers' invoices as control documents until a true VAT is introduced, and reducing the tax rate as the revenue base is enlarged.

In summary, the report *Towards VAT* gives good coverage of the benefits of introducing a VAT in Uganda. These benefits are considerable (particularly for Ugandan manufacturers faced with the current tax system) and a VAT should be encouraged. The report has two major flaws, however. First, it neglects to give adequate weight to the costs of such a system. Second, it gives little attention to the potential for derailing the system through inadequate attention to the means for its design and implementation. Based on the three years it has taken URA to get to its current level of efficiency, it appears improbable that a VAT can be introduced within the two-year time horizon mentioned in the document, even with full and immediate attention to the issues raised in this analysis. Early attention to these issues is essential, with the timetable to be developed through discussion.

Direct Taxation

Taxes must be on income flows, stocks of wealth, or transactions. It is acknowledged that it is difficult to tax agricultural wealth, and that there exist incentive reasons (besides reasons of equity and cost of enforcement) not to tax agricultural transactions. The ministry and URA should investigate direct taxation of incomes.

Wealth Taxes. Wealth is difficult to assess, and certain types of wealth are easy to conceal. Wealth may not produce income or be difficult to liquidate to pay taxes (such as non-income-producing property, historic properties, or many personal assets), or may have social costs when such liquidation is undertaken (such as the liquidation of a family business to pay taxes on its value). This consultancy was not intended to identify significant sources of wealth taxation. Nevertheless, the March 30 meeting of the National Forum Tax Policy and Administration Working Group noted that agricultural property, which currently escapes taxation on its production, also largely escapes taxation on its value (including land and livestock in particular).

The Working Group also noted correctly that the GPT is a hybrid tax, in that it is assessed not on money income (which is difficult to determine) but on potential income, which is a measure of income flows related to productive wealth (land and livestock in particular). Thus a form of wealth taxation already exists within the RC system, and this could be extended upwards to include larger holdings. The TIN system could serve to identify holdings of absent landlords. Although a certain progression is thus possible, through centralized accounts with URA, it is probably advisable to keep wealth or property taxes low. Introduction of a national property tax can be contemplated in the same way as the merger of the income and graduated personal taxes, discussed next. It would serve the goal of broadening the tax base and permitting a lower level of taxation of each component of taxation.

One member of the Tax Policy Working Group noted the desirability of certain tax sources being kept wholly local, to encourage local initiatives for local development. Once absentee owners can be identified through the TIN, the property tax might serve as such a vehicle for local initiative, given the experience of other countries in which local development activities have a direct influence on property values within the administrative jurisdiction. Alternatively, the difficulty of differentiating it from income taxation under the Graduated Tax may suggest that revenue sharing should be extended under both systems. The choice is ultimately a political one to be made after open debate, and neither the financial economics nor the microeconomics of incentive structures for collection prefer one version significantly over the other. This issue was not investigated closely during this consultancy.

Income and Graduated Personal Tax. The argument for merging the central government's income tax (including Pay as You Earn, or PAYE) and the local governments' GPT has already been introduced above. It is summarized in the following points:

- Agriculture accounts for 55 percent of GDP and yet pays virtually no taxation, while manufacturing (4 percent of GDP) taxes provide directly or indirectly 45 percent of government revenues.

- A political decision has been made not to tax agricultural production and export; for the most part this decision will remove prior disincentives to export production, but removes what historically has been the major source of revenue for government.

- A tax system should be broad and equitable, whereas current taxes fall disproportionately on certain types of income and discourage such activity; that is, they are biased against that activity.

- URA lacks the organization to assess rural income, and for it to establish this organization would be costly and probably ineffective.

- The RC system already assesses individuals' income for local services; while this system is under considerable stress, it is better adapted than any central body to assessing and taxing local income.

- The Ministry of Local Government has developed revenue sharing proposals, and this ministry should be a full partner in the budget debate.

On the basis of these arguments, the goal might be considered of integrating the GPT and the Income Tax, using the registration system already developed and in place for the Graduated Tax.

Current local collection methods do not maintain the incentives to identify and tax incomes above the current ceiling for the GPT. Integration of the two systems requires that there be an incentive for local authorities to maintain their current vigilance both in taxation and in assuring equity in collection and repression of fraud. This requires that incentives be maintained above the current maximum for the GPT. In Annex A, a rough calculation shows that the GPT is roughly 10 percent of income when the ceiling rate of USh 80,000 is first reached. If this 10 percent rate were maintained on higher incomes, tax collections would more than double. The additional revenues (which would probably exceed this doubling) from local assessors identifying income sources liable for the current income tax but currently not so identified must be added to this.

For this to work, the tax integration must be combined with a system of revenue sharing so that the local benefits of paying taxes remain tangible and so the local authorities retain the incentives to assess and tax fairly.

Local populations would have to be educated extensively to avoid larger versions of current arrest raids for nonpayment of GPT, and to permit farmers to sell produce in an orderly fashion so they get the maximum benefit of market prices for their goods.

Finally, much local revenue comes from Block and Equalization grants. Returning to the question of the incentive structure, block grants favor lobbying through the political mechanism to increase their amounts, rather than increasing local effort. The sums received are independent of local willingness to contribute. Under revenue sharing, block grants would be reduced in importance except as a measure to redistribute income from wealthier districts to poorer ones through the central government and its share of revenues. This would strengthen incentives to collect taxes and to use the proceeds wisely under the control of the RC system.

Revenue Buoyancy

Changes in government revenues may be closely related to variations in economic activity, or they may be unrelated to these variations. Apart from changes in revenue because of tax deepening or broadening, if a given revenue base grows at a faster rate than GDP when GDP rises, or declines more rapidly when it falls, this revenue is considered buoyant. Tax buoyancy can be a major source of growth in the T/GDP ratio as recovery and growth continue in Uganda, but this will not necessarily happen. It is necessary to have an incentive framework within the tax system that permits this growth. An example of a buoyant revenue source is a progressive income tax, where economic growth pushes taxpayers into higher tax brackets; a flat rate tax is nonbuoyant in that tax revenues will rise only as fast as income and not more (except for poorer households and firms entering the tax rolls); and a flat tax will not rise with income at all. A buoyant tax increases revenue without appreciable additional cost in terms of new administrations or new collection effort.

At higher levels of income, the GPT is a flat tax, with revenues peaking at 80,000 USh per taxpayer. More important, in conceptual terms the personal income tax, which restores tax buoyancy at higher incomes, is imposed through a different administration, so that potential tax liability that might be identified by the local administration does not normally get forwarded to the central administration responsible for the tax. The combined taxes thus fail to achieve the buoyancy of which they are capable in theory. Similarly, market fees are collected through a relatively expensive local administration, but revenues collected by this system will remain flat as national income increases. The VAT has the potential for restoring buoyancy to the system, for although expenditures rise less rapidly than does income, expenditures on necessities (untaxed under most VAT regimes) are the major source of the lag while expenditure on items that are taxable under a VAT do rise more rapidly. But for it to do so, the system must be in place to tax retail sales.

In summary, the parallel operation of local and central tax administrations forfeits much of the buoyancy of both the systems of direct and indirect taxation. Coordination or merger of the two regimes would create a relatively "painless" buoyancy in the system, whereby the continuing rehabilitation and growth of the Ugandan economy would lead to even higher growth in tax revenues from existing sources.

MEDIUM-TERM TIME HORIZON FOR RESOLUTION

Despite the strong pressure to find measures to increase tax revenues by 1 percent of GDP for the next budget and probably for subsequent budgets, broadening the tax base as called for here requires investment in new administrations, new methods, and new procedures. A five-year time horizon is probably called for.

During this time URA must adapt itself to serve more as trainer, auditor, and central bookkeeper for local tax authorities. Local tax authorities must be upgraded, and their integration with URA (for instance, calling on URA's greater ability to appraise ongoing enterprises to differentiate profits from revenue) must be improved.

Immediate Steps

Immediate steps call for devolving collection of the existing sales tax to the local level, with the active backstopping of URA. By collecting tax on smuggled goods as well as local goods at point of sale, a substantial increase in tax revenue would occur immediately. This experience will lay the groundwork for subsequent establishment of the VAT, which cannot be implemented using the current organization of URA.

This should be associated with changes in enforcement of the sales tax. For instance, the retroactive collection of the sales tax from the factory should be stopped as of the current budget, and steps taken to improve enforcement through the local authorities at the point of sale.

A second immediate step is the establishment of the system of arbitration and conflict resolution, both to resolve existing problems raised earlier, and to anticipate new problems that will arise as the system is broadened. The two steps called for are establishment of the tax tribunal called for in the 1993/1994 budget, and the empowerment of an ombudsman to resolve issues of fact quickly. These would reduce conflict between the public and private sectors in the five-year process now being undertaken.

Multiyear Strategic Management of the Process of Reform

The current Tax Policy Working Group appears to be a good forum for developing a multiyear strategy. The process must involve all the concerned groups: tax authorities, local government, people's representatives, private sector, and donors.

The tax authorities, though they are apparently driven by the immediate and important revenue needs of the government, are in a position to assist in the development of better information management and audit capability for the system. They should consult extensively with the other groups (particularly the private sector) on the modification of existing taxes, to address the many issues raised in the Working Group meeting of March 30 (minutes in Annex B).

The tax authorities should also sensitize themselves to the needs of the private sector that are not evident to an economic analyst. Particular problems have been caused by:

- The problems of cash flow in a landlocked country with an underdeveloped financial system, which can transform apparently minor problems into crises threatening the existence of firms.
- The need for multiyear planning involving major changes in tax or duty rates or systems, avoiding major "shocks" in the annual budget exercise.
- The need to recognize that private voluntary business organizations (UMA, Importers and Exporters Association, others) have a dual mandate: to present the legitimate position of their membership as a whole in policy debate, and to maintain their credibility among their members who finance their operations. The two often conflict, and public sector members of the Working Group must understand that representing the particular needs of individual members does not "taint" the work of the organization.

Local government is not yet represented in the Working Group, despite the actions already taken for decentralization of many functions and the extensive work already done by the Ministry of Local Government on revenue sharing. The working groups should be enlarged to represent this point of view.

Merger of tax systems poses a threat to the integrity of the RC system, which is already under tension from other sources (extensive use of volunteer labor, conflicts on taxation and on local projects, among others). It is essential to involve people's representatives in the process.

The Ugandan private sector must continue to improve its analytical capability, so in policy discussions with the Ministry of Finance it can put forward arguments based on facts, and both sides can agree on these facts. UMACIS is already working in this direction, and its work should continue. Other private sector organizations should be encouraged to improve the analytical content of their lobbying to government.

Once again, this does not mean that the private sector should hold the public interest above the private interest of each individual or firm. Rather, for the advancement of medium-term strategic objectives in taxation, the representatives of the sector must clearly differentiate the two roles so that their arguments will be differentiated in the policy debate. Examples of mixed motives for representation that should be admitted into the debate include the issue of Ugandan firms competing against imports subsidized (directly or through subsidies into Kenyan manufactures, such as butter) by the European Union have not been properly addressed in policy discussions, nor have those of the hoe company that can no longer export its produce because of the problems discussed earlier concerning the Consolidated Fund. These should be addressed through a Ugandan public-private forum.

For the foreseeable future, donor involvement in the tax policy process is inevitable. The Ugandan private and public sectors must reach better agreement on a medium-term strategy that they can "sell" to the donor community — for example the IMF concerning the strategy for raising tax revenues as a percentage of GDP, in case the strategy calls for a tradeoff sacrificing current increases for future growth. The donors must be kept informed about the process to maintain their own comfort level about the assistance currently provided and the eventual ability of the Government of Uganda to mobilize domestic savings for domestic public investment and expenditure.

One means of approach for the committee would be to develop different scenarios of impact. For instance, the argument has been made by the high excise tax firms that a lower tax rate now would lead to higher revenue growth in the future. Preliminary statistical tests done under this consultancy provide limited confirmation of this for some industries. It is in the interest of the private institutions to develop this argument in an analytical sense, and to put forward the implications for multiyear tax programming of such a strategy, compared with the existing taxation. Similarly, it is necessary to work out alternative scenarios (looking past the next budget) for plans to increase direct and indirect taxation.

ANNEX A

POTENTIAL IMPACT OF INTEGRATING GRADUATED AND INCOME TAXES

In this annex at attempt is made to quantify the additional revenues which could be raised by the Government of Uganda if the income and graduated personal taxes were integrated and the role of identification and assessment of taxpayers devolved upon the local tax authorities. Only an approximate calculation is possible, since the income categories used for the Uganda household surveys are virtually useless for analysis:

- First, using the data from Central Uganda (which includes Kampala, and is presumably the richer part of the country), 54 percent of households are in the lowest of the twelve expenditure groups (Figure 1). This is not extraordinary, and is similar to many nearly-log-normal income distributions. For analysis, however, one would want to have a more even sample size by expenditure group.

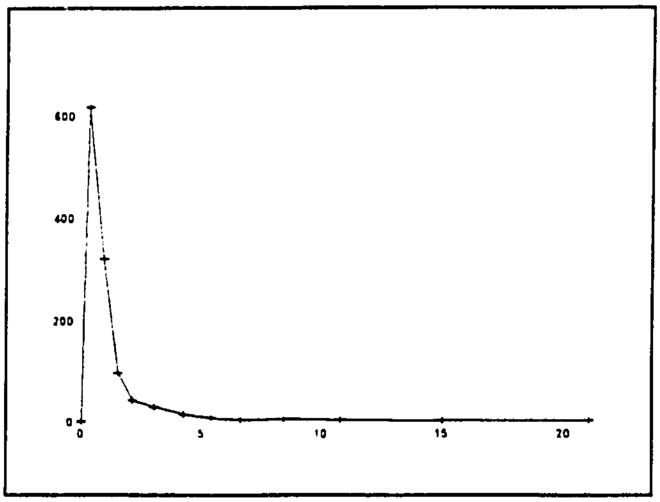

Figure 1

- In particular, the income categories used for the Uganda household surveys are virtually useless for analysis. Graduated Personal Taxes (GPT) are completely unrelated to categories used in the household surveys. This is a misfit between survey design for the socioeconomic survey and the fiscal needs of the government. For example, the lowest categories of the 12 included in the household surveys account for 82 percent.

- The household surveys performed in Uganda do not specify the wage-earners who are subject to GPT. If the number of wage earners per household is constant at all income classes, it is possible to do an approximation, and this approximation is given here using the simplifying assumption that there is one qualified taxpayer per household.

- The income and expenditure categories chosen for the household surveys are totally unrelated to the graduated tax. This can be seen in the table on the next page, where the first 28 income categories (for the current Graduated Tax) correspond to the first category (of 12) for the household survey and the remaining 8 categories below the maximum GPT rate are part of the second household category.

- Finally, of course, there is some error introduced into the calculation by the use of averages of the endpoints to calculate income for each income class (this is reduced but not eliminated by using geometric means for each cell because the income distribution appears generally log-normal (Figure 1)), and an arbitrary choice of average for the open-ended top income category. This introduces an important error into the particular numbers derived, but since the error is the same whether the graduated tax is extended or not to higher incomes, the effect on the percentage change will be relatively minor.

As a result of all of these, the "average" calculated is only indicative. With these caveats, however, the results are still robust. Table 3 below indicates that continuing a GPT-cum-income tax rate of 10 percent above the GPT maximum of USh 820,000 would *more than double* GPT revenues.

TABLE 1

REVENUE GAINS FROM MERGING INCOME AND GRADUATED TAXES

Income Class	Graduated Tax		Tax Rate		Class in Survey:		Tax Revenues	
	Now	Revised	Now	Rev.	No. HHs (Central)	Income (USh bill)	Now	Revised
0 - 24,000	2,000		16.67%					
24,000 - 40,000	3,000		9.38%					
40,000 - 60,000	4,000		8.00%					
60,000 - 70,000	5,000		7.69%					
70,000 - 90,000	6,000		7.50%					
90,000 - 110,000	7,000		7.00%					
110,000 - 120,000	8,000		6.96%					
120,000 - 140,000	9,000		6.92%					
140,000 - 160,000	10,000		6.67%					
160,000 - 180,000	11,000		6.47%					
180,000 - 200,000	12,000		6.32%					
200,000 - 220,000	13,000		6.19%					
220,000 - 240,000	14,000		6.09%					
240,000 - 260,000	15,000		6.00%					
260,000 - 280,000	16,000	same	5.93%	same	616,684	105,091	9,631	9,631
280,000 - 300,000	17,000		5.86%					
300,000 - 320,000	18,000		5.81%					
320,000 - 340,000	19,000		5.76%					
340,000 - 360,000	20,000		5.71%					
360,000 - 380,000	21,000		5.68%					
380,000 - 400,000	23,000		5.90%					
400,000 - 420,000	25,000		6.10%					
420,000 - 460,000	27,000		6.14%					
460,000 - 500,000	30,000		6.25%					
500,000 - 580,000	35,000		6.48%					
580,000 - 600,000	40,000		6.78%					
600,000 - 620,000	42,000		6.89%					
620,000 - 640,000	44,000		6.98%					
640,000 - 660,000	46,000		7.08%					
660,000 - 680,000	48,000		7.16%					
680,000 - 700,000	50,000		7.25%					
700,000 - 720,000	55,000		7.75%					
720,000 - 740,000	60,000		8.22%					
740,000 - 760,000	65,000		8.67%		319,328	261,856	21,680	23,221
760,000 - 780,000	70,000		9.09%					
780,000 - 820,000	75,000		9.38%					
820,000 - 850,000	80,000	80,000	9.70%	9.76%				
850,000 -1,000,000	80,000	88,000	8.84%	9.78%				
1,000,000- 1,800,000	80,000	108,000	6.96%	9.82%				
1,800,000- 2,400,000	80,000	178,000	3.81%	9.89%	95,828	172,490	7,666	17,057
2,400,000- 3,600,000	80,000	238,000	2.67%	9.92%	40,613	97,471	3,249	9,666
3,600,000- 4,800,000	80,000	358,000	1.90%	9.94%	27,769	99,968	2,222	9,941
4,800,000- 6,000,000	80,000	478,000	1.48%	9.96%	13,314	63,907	1,065	6,364
6,000,000- 7,200,000	80,000	598,000	1.21%	9.97%	7,539	45,234	603	4,508
7,200,000- 9,600,000	80,000	718,000	0.95%	9.97%	2,912	20,966	233	2,091
9,600,000-12,000,000	80,000	958,000	0.74%	9.98%	5,089	48,854	407	4,875
12,000,000-18,000,000	80,000	1,198,000	0.53%	9.98%	3,268	39,216	261	3,915
18,000,000-24,000,000	80,000	1,798,000	0.38%	9.99%	2,006	36,108	160	3,607
24,000,000+	80,000	2,398,000	0.33%	9.99%	1,710	41,040	137	4,101
TOTAL:					1,136,060	1,032,203	47,315	98,978

This is a floor, since the major purpose of integrating the GPT and the income tax would be to identify sources of income for the income tax and to collect it locally more efficiently than is possible with the current administrative organization of URA. The major gains, which cannot be quantified, would come from this identification of taxpayers subject to income tax who are not currently taxed at all, part of whose income escapes taxation because it is from rural enterprises while the taxpayer is urban, or because the source of income is under-appraised. These latter sources would account for most of the gains of integrating the income and graduated personal tax systems.

ANNEX B

MEETING OF THE NATIONAL FORUM TAX POLICY AND ADMINISTRATION WORKING GROUP

SHERATON KAMPALA HOTEL, WEDNESDAY MARCH 30, 1994.

Present

1. Mr. Sam Rutega, Chairman UDC and Chairman of meeting
2. Dr. Sam Nahamya, NRM Secretariat
3. Mr. Gordon R Millar, UgachickPuoltry Breeders
4. Mr. Bruno Komakech, USAID/Uganda
5. Mr. Keith Muhakanizi, MFEP
6. Dr. William Kalema, UMACIS
7. Mr. A Mears, Managing Director, Stanbic Bank
8. Mr. Moses Bekabye, MFEP, Tax Policy Working Group
9. Mr. Joseph Enyonu-Enyabu, URA, Tax Policy Working Group
10. Mr. Lawrence Byensi,Uganda investment Authority
11. Dr. Simon Kagugube, Ship Toothbrush Factory, Tax Policy Working Group
12. Mr. Fred Zake, UMACIS, Tax Policy Working Group
13. Capt. Mike Mukula, Chairman, Importers & Exports Association
14. Mr. Julius Mukasa, Uganda Small Scale Industries
15. Mr. Daniel Martin, Trade Commissioner, French Embassy
16. Mr. Francis Mangeni, UMACIS
17. Mr. Emmanuel Buringuriza, UMACIS
18. Mr. Justine Okeny, Managing Director, VITAFOAM
19. Mr. George Sutton, Manging Director, Uganda Breweries
20. Mr. Arnold Lessard, UIA
21. Mr. Allister Moon, MFEP, Member, Tax Policy Working Group
22. Dr. Eric R Nelson, Consultant, USAID and UMA

Minutes

The Chairman of the National Forum, Mr. Sam Rutega, briefly outlined the background of the National Forum and the purpose of the meeting which is to draw on outside recommendations on means to restore momentum to the process of collaboration on reform of tax policy and administration. Reforms may be oriented to the upcoming budget and to succeeding budgets. He introduced the consultant, Dr. Eric R Nelson, who presented his findings. The information presented in the charts used is attached. The meeting discussed each finding as it was raised. These minutes cover the presentation and the discussion.

Stability and Predictability

Achievement of these requires fixing tax rates on a multiyear basis, and consultation before budgets and the determination of tax policy and rates. An arbitrator for speedy resolution of disputes is necessary to reconcile disagreements between tax authorities and payers so that points of law will be referred to tax tribunals, and points of fact to the relevant government departments. Some of the unpredictability arises from cash flow problems confronting Ugandan tax payers but poorly acknowledged by tax authorities, such as the desire to postpone tax liability until the good has been produced and sold to generate the cash flow for payment.

The drawbacks and incentive regimes need to be streamlined. This may involve revising the Investment and Revenue Codes.

Drawbacks

The aim should be to encourage remission of duties. Various possibilities to resolve current problems related to drawbacks and the role of the Consolidated Fund were investigated. A promissory note, bearing interest, and which may be drawn on the Central Bank, could be issued to the payer. Alternatively, tax liability could be postponed as is done in Kenya where it may be delayed for nine months.

The system of holding inventories in bond is working well though there is strong pressure against those from the private sector.

It is necessary to streamline the drawback system and facilitate the procedure.

URA may make book entries to credit a payer for the tax liability of the succeeding month, and this could be taken as operating expenses of URA. URA, not the Ministry of Finance and Economic Planning, would be responsible for refunding the payments after which URA can duly claim re-imbursement or operating credit from the Consolidated Fund.

Government plans to resume the system of consultations which existed under the defunct EAC where fiscal and monetary policies will be harmonized in East Africa. This may reduce the incentive to smuggle, in cross-border trade.

A private sector representative expressed concern about lack of access for Uganda products to the Kenya market under existing rules. A representative from the Ministry of Finance and Economic Planning responded that government would take up such cases if they were properly documented and it was agreed that manufacturers document such cases if a proper remedial system existed.

Breadth and Depth

Breadth refers to ability to collect tax from diverse potential tax sources, and depth to efficiency and the impact of the system at collecting existing taxes. To broaden the existing tax base requires collectors to reach rural areas to identify taxable persons and income sources. These are already identified by the local administration but the local tax system collects relatively little revenue from this administration; URA lacks the administrative capacity to do this.

URA is considering the use of local administrations as service agents to collect taxes within their jurisdictions, for a commission, since URA has insufficient staff to do the job. Associations such as for Engineers, Accountants, and Taxi Operators, could be considered as in Ghana, but in Uganda at present, these are dispersed and weak.

A number of problems were pointed out relating to depth.

- Tax education is necessary to inform payers on uses to which their tax revenue are applied so as to encourage them to pay purposefully.

- It is not cost effective for URA to collect taxes in the rural areas where existing local administrations are more appropriate.

- URA is currently running tax education programmes on radio and TV to that end.

- Paper work in completing relevant forms is formidable. For those with non-complicated tax affairs, simplified forms and procedure are called for. For the rest, private accounting firms should be called upon to simplify their resolution.

- URA accepts only UCB drafts to the exclusion of other available banks in tax payment procedures, and then it takes at least seven working days to obtain URA clearance of the goods. So both demurrage fees (for the goods) and interest (for the funds) are incurred. This inconvenient procedure requires payers with accounts elsewhere to carry enormous amounts of cash to URA, which is risky. A URA representative said the decision to use only UCB can be changed if other banks showed interest.

A clearance system to facilitate use of the other banks is necessary and a service charge could be levied. Also other banks have to set up forgery-proof systems and show initiative if called upon to be collection avenues.

Some corrupt URA officers unduly exploit ignorance of some payers regarding their tax liability. Some payers collude with URA officers who can be influenced by bribes.
There is need for an internal policing system. Some employees of URA have been subjected to new disciplinary procedures. A URA representative indicated that URA has made good progress in the area of employees' discipline.

A working dispute resolution system is urgently needed. Concern was expressed that the same authority, namely URA, performs the roles of investigation, prosecution and adjudication of tax disputes, and also enforces the decisions. Tax rate disputes have been wholly resolved without problem, but after a delay of 7 months which can bankrupt the firms so affected.
The tax arbitration system should be introduced to expedite restitution when there is no disagreement on questions of law.

The tax tribunals which the 1993/94 budget required to be established must be put into effect the soonest possible. Currently it appears that the authority supposed to establish the tribunals is unaware of the responsibility to do so. There is lack of required knowledge on the institution and administration of the tribunals.

Cash Flow Problems

Due to obstacles to cash flow, the private sector experiences liquidity problems which are not widely appreciated by theoreticians who do policy analysis in the Ministry of Finance and Economic Planning. Cash flow problems are exacerbated by the weak financial system. high interest rates, and the need for large inventories of inputs by local producers due to distant suppliers and erratic transport.

Government has been slow to pay under contracts and imports a lot from foreign suppliers. Government could solve liquidity problems of local producers by buying more from them.

A number of matters were raised concerning the role, operations and costs of SGS (Societe Generale de Surveillance), the import verification contractor.

The inspection fees are in effect a tax. The post inspection fee at 3% is on the high side, though a pre-inspection fee at 0.8% is reasonable if that were to be the only cost. However, SGS procedures are lengthy, and these increase storage costs and hold up cash.URA often does not respect SGS pre-inspection and requires post-inspection also. Further, the quality of service offered is poor.

The SGS monopoly should be ended and alternative contractors encouraged to bid. Alternatively or additionally, pre-clearance could be required on shipments above a certain value with random URA post-shipment audit inspections for free; shipments with a lower value would be post-inspected by URA for a 3% fee; and shippers from countries without resident inspectors (e.g. Burundi).

It was resolved that, on the expenditure side, government should, as was previously agreed, promptly pay on contracts; and that, on the income side, government should delay collection of taxes as for instance exists under the bonded warehouses and payment- in- installments systems. A MFEP representative noted that the worst problems were on the expenditure side of the budget,, not the revenue side: on the expenditure side government should endeavor to pay promptly on its contracts; on the income side, government should delay collection of taxes to make tax liabilities correspond more closely to the revenue generated by the activity, as for instance exists under the bonded warehouses and payment-in-instalment systems. The group acknowledged cash flow problems of government itself but stressed the need for rationality and predictability in tax administration.

URA should accept tax payment by cheque from credit-worthy payers from the private sector for whom there is no fear of their absconding from jurisdiction and who face heavy penal sanctions for issuing a cheque which bounces.

Broadening the Tax Base

The private sector and government agree that tax revenues must increase significantly - perhaps double - as a share of GDP. They are also in a general agreement that this cannot be achieved by measures to deepen tax collection: new tax bases must be found and brought into the revenue system.

Currently some sectors are over-taxed relative to others in a bid by government to raise the revenue to adequately finance public spending, yet the ratio of tax revenue to the GDP remains very low. Government seeks to raise this ratio and has been proceeding on a short term basis. The manufacturing sector comprises about 4% of the GDP yet it accounts for 40% of tax revenue. Suddenly changing and high tax rates imposed to meet huge tax revenue quotas set in annual budgets, do not conduce to good planning. The manufacturing sector is specifically targeted due to ease of collection, for the payers in the sector are identifiable and keep accounts. It was felt that both the government revenue crisis and the stress on the manufacturing sector could be alleviated by broadening the tax base. Other possible tax handles include more taxation on the agricultural sector and, on personal income and wealth. URA is not organized to assess or to tax to se sources efficiently. Local tax administrations, while not free of their own problems, have developed a system of assessment, collection and adjudication through the system of Resistance Councils; this system has the general support of the public, though sudden changes have been protested. Tax broadening should be coupled with an integration of graduated tax and income tax under appropriate revenue sharing schemes to maintain local incentives to pay taxes and to assess and collect taxes fairly above the current ceiling on the graduated tax.

Agricultural and Wealth Tax

The consultant did not offer any proposals for taxing agriculture. In the general debate some of the issues relating to tax collection from the agricultural sector were seen to include the following:

- Agriculture is mainly informal and non-monetized. Incomes are earned in different districts where economic activities are carried out. The catchment point is hard to set because agricultural production is an involved process. (Agricultural sales were taxed through withholding tax in the 1992/93 budget until a protest to the political authority was upheld.)It is, consequently, difficult to determine the specific taxable income and therefore assessment of the proper tax is problematic.

- However, a tax on agricultural wealth could work, for this sector could be taxed more appropriately using local authorities who already have the capacity to identify the wealth. In this regard it should be noted that the existing graduated tax is not only tax on income but also on wealth.

- Agricultural taxation should begin with the available , identifiable payers, such as organized and large scale farming, taxed at a low initial rate.

Direct taxation has the broadest potential base and the least negative incentive effects on particular forms of economic activity while the integration of the graduated tax with the income tax (enforced by the local authorities and trained, supervised and audited by URA would assure income sources from other jurisdictions are counted) will achieve this, local assessors now lack the skills to assess properly the legitimate costs of producing income once production units get larger and more complex. At this point the subjective nature of graduated tax assessment become a real economic and financial burden. Farm gate sales are also difficult to monitor.

VAT

URA and MFEP are investigating with IMF assistance the introduction of a value added tax (VAT) to replace the current sales tax and CTL. When implemented, it will broaden the tax on consumer purchases greatly and permit a lower rate, which will reduce the sales tax burden on the formal private sector and will reduce incentives to smuggle. However, the administration of the sales tax (imposed by URA at the factory gate) gives the private sector concern that VAT will fail for administrative reasons.

The proposed VAT should be implemented more cautiously and adequate infrastructure should first be put in place. The existing local administrations should be strengthened

Revenue Sharing

It is necessary to devise proper alternatives to the block grant system which does not properly take into account the need to give local administrations incentive to collect taxes. Such an alternative would be for the local administrations to retain a percentage of the revenue they collect, which can then be used on tangible projects which local payers can see and appreciate the use to which tax revenue is put. More importantly, local administrations should retain revenue from certain specific taxes, for which they should not account to the central government but only use in the local area.

Next Steps Agreed Upon

The members of the meeting agreed on the following steps to follow up on this meeting:

- The Independent Tax Tribunal provided in the 1993/4 Budget must be established within the MFEP, not URA, immediately.
- Immediate steps to begin to decentralize revenue collection should be undertaken. The necessary institutions should be developed with special care to resolve the problems of corruption in local taxation.
- The core working group should develop the ideas presented into a form where they may be presented to the government. The target for this is May 1.
- The government cannot avoid the secrecy required in the budget law, but can accept to review the ideas submitted by outside groups. The Group will work together to reduce the range covered by secrecy in the future.

ANNEX C

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ANNEX D

PERSONS INTERVIEWED

Ellyne, Mark J.	Resident Representative, International Monetary Fund
Kaboyo, Kenneth P.M.	General Manager, Associated Industries and member, UMA Economic Sub-Committee
Kazibwe, A.	Chief Accountant, Dairy Corporation
Kettle, J.E.	Managing Director, B.A.T. Uganda 1984 Ltd., and member, UMA Economic Sub-committee
Kinston, Ivor H.	Managing Director, International Distillers Uganda Ltd., and member, UMA Economic Sub-committee
Kitabire, Damoni	Ag. Commissioner, Macro-economic Policy Department, MFEP.
Larbi-Siaw, E.O.	Commissioner General, Uganda Revenue Authority
Lessard, Arnold	Deputy Executive Director, Uganda Investment Authority
Lloyd, Malcolm	Commissioner, Customs and Excises, Uganda Revenue Authority
Lwamafa, Jimmy R.	Under Secretary/Administration, Ministry of Local Government
Moon, Allister	Chief Technical Advisor, UNDP/IBRD Enhancing Economic Planning and Policy Capacity Project, MFEP
Mugerwa, George W.	Commissioner, Tax Policy Unit, MFEP, and Member, Board of Directors, UIA
Muhakanizi, Keith J.	Economic Advisor to the Minister, MFEP
Nahamya, Samuel	Director of Economic Affairs, National Resistance Movement Secretariat
Neergaard, Frode	Attaché (Development), Royal Danish Embassy
Obidegwu, Chukwuma	Resident Economist, IBRD
Ochieng, Erisa O.	Director, Export Policy Analysis and Development Unit, MFEP
Opwonya, Jackson	Finance/Administrative Executive, Chillington Tool Co. (U) Ltd.
Ruchogoza, J.L.	Ministry of Local Government
Rutega, Samuel B.	Chairman, Uganda Development Corporation Ltd. and member, National Forum Tax Policy and Administration Working Group
Sutton, George B.	Managing Director, Uganda Breweries Ltd.
Tulya-Muhika, Sam	Chairman, Uganda Revenue Authority

41

Tumubweinee, Manzi	Chairman and Managing Director, Manzextra Ltd., and member, Board of Directors, UIA
Tumusiime-Mutebile, Emmanuel	Permanent Secretary and Secretary to the Treasury, MFEP
Wain, Dennis F.	General Manager, Chillington Tool Co. (U) Ltd.
Zake, Justin	Commissioner Management Services, Uganda Revenue Authority