



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



URA out performs its 2014/15 half year revenue performance

FY 2016/17 CSO BUDGET ADVOCACY ROADMAP

In its FY 2015/16 half year revenue performance report of the 21 sectors, URA reported to have collected Shs5.5 trillion posting a 20.64 per cent growth in tax revenue compared to the same period last financial year.



New tax measures introduced at the beginning of this financial year on small businesses such as salons, garages, and taxis, among others generated Shs 169.5bn in the six months to December 2015. Photo Credit frankrohrig.com

While releasing the half year revenue performance report this month, URA Commissioner General, Ms. Doris Akol, stated the Shs 47b surplus registered in the last six months (July-December 2015) is a much better performance compared to the same period the previous financial year.

This news comes after a disappointing first quarter (July-September 2015) performance where URA collected Shs2.46 trillion short of the Shs2.5 trillion target over the same period. This according to URA was due to poor performance of domestic taxes i.e. sales of locally manufactured beer, the One Network Area (ONA) and reduced Value Added Tax (VAT). However, whereas URA posted a Shs 36bn in the FY 2015/16 1st quarter, deficit the country's Uganda's tax revenue grew at a faster rate between July and September than counterparts in the East African region. Uganda's revenues collections grew by 18 per cent compared to Kenya's 10.7, Tanzania's 14.6 and Rwanda's seven per cent.

disappointing quarter one performance, URA notes that part of the factors to explain the good performance is efficient administrative measures which have simplified the processes and consequently the turnaround time. Additionally, improved profitability in the financial sector, Tax Register Expansion Programme initiative also continued to bring on board more taxpayers from the informal sector into tax register despite the funding constraints. Enforcement interventions through audit are the other good news that boosted the half year revenue performance.

Registering new tax payers is another factor. Government targets to add 500,000 new taxpayers to the register this financial year and in collaboration with the Kampala Capital City Authority and the Uganda Registration Services Bureau 40,000 new taxpayers were added to this register between July and September 2015.

The major items that registered growth in VAT on importation include: telephone equipment, good transport vehicles, warm clothing and cement, rice, rolled iron, lubricants and cement. Customs compliance interventions like anti-smuggling, stronger controls in warehousing, monitoring at the borders and increased intelligence, as well as improved relations with the taxpayers through continuous interactions have resulted in improved compliance.

URA also reported an impressive performance of the new tax measures introduced at the beginning of this financial year on small businesses such as salons, garages, and taxis, among others which generated Shs 169.5bn in the six months to December 2015.

Factors affecting performance: URA is still struggling with a narrow tax base whereby for this period only 3 sectors (*wholesale and retail, information and communication*

, and manufacturing) out of the 21 sectors contributed 65 per cent of the money collected.

The other challenges faced is under-declaration, where URA recovered Shs 6.84bn in the last half. Non-compliance to Income Tax Act 1997 is also another challenge faced by URA, for example, the Auditor General's report for the financial year 2014/15 reports that seventeen MDAs did not comply with The Income Tax Act 1997 (as amended) in respect to taxes amounting to UGX .9, 503,156,971 and USD. 1,358,070. The non-compliance was due to non-deduction of taxes worth UGX.2, 193,568,652 and non-remittance of tax worth UGX 7,021,037,238 and USD 1,358,070. This directly impacts on collections by the Uganda Revenue Authority. The biggest culprits include Ministry of Local Government-DLSP (Ushs 1,402,225,167), Water and Sanitation Development Facility South West (Ushs 2,887,064,477) and 19 Uganda Management Institute (Ushs 1,185,688,797)

Under-valuation and outright smuggling, increase in capital investments affected electricity, water and manufacturing sectors' revenue collections in this period rare part of the other challenges Furthermore, non-renewal of licenses in the oil and gas sector also impacted negatively on the Pay As You Earn and Value Added Tax remittances received in the half year period.

Regardless of the above mentioned challenges and the apprehension about the upcoming general election next month, URA is optimistic that it will achieve the FY 2015/16 target and even surpass it. This financial year, URA is expected to collect Shs 13.1 trillion – compared to last year's Shs 11.3 trillion – and Akol is optimistic they will beat the target. For the six months to June 2016, URA set a target of Shs 6.1 trillion

Table 1: Comparison of revenue collection performance

Collection period	Q1		Half year	
	FY 2014/15	FY 2015/16	2014/15	2015/16
collections (Trillion)	Ushs2.8	Ushs 2.46	4.568	Shs5.5

For the half year performance, URA mentioned that at least 10 of the 21 sectors in the country contributed 91 per cent of the revenue. The top five sectors according to URA include; wholesale and retail trade (including repair of motor vehicles and motorcycles), manufacturing, Information and Communication Technology, financial and insurance activities and construction. With the top 3 sectors of wholesale and retail, manufacturing and ICT contributing more than 65 per cent of the total net collections in this period.

Apart from the manufacturing and construction sector, there has been a general decrease in the revenue share of the top five sectors in the last six months compared to the same period last financial year.

Contributors to good performance: Despite a

Period	Activity
December 2015	Strategic CSO retreat to review the National Budget Framework Paper FY 2016/17
December 2015	Parliament Engagement to present CSO position on the National Budget Framework Paper FY 2016/17
February 2016	Q&A session with Ministry of Finance, Planning and Economic Development.
February 2016	Joint strategic meeting with Parliament Budget Office and Clerks
March 2016	Conduct 9 Thematic Group meetings. <ol style="list-style-type: none"> 1. Education, 2. Health 3. Water And Environment 4. Social Development 5. Works And Transport 6. Accountability 7. Tourism Trade And Industry 8. Justice Law And Order 9. Agriculture
March 2016	Strategic CSO retreat to review the Ministerial Policy Statements FY 2016/17
March 2016	Validation meeting on the CSO Position to the Ministerial Policy Statements FY 2016/17
March 2016	Parliament Engagement to present CSO position on the Ministerial Policy Statements FY 2016/17
March 2016	CSO Pre budget dialogue
April 2016	Strategic retreat to review the Tax bills FY 2016/17
April 2016	Parliament Engagement to present CSO position on the Tax bills FY 2016/17
May – June 2016	Budget Countdown Media Campaign
June 2016	Budget listening in conferences at National and Local levels