Our Ref: MDA/012

20 September 2024

The Permanent Secretary/ Secretary to the Treasury,
Ministry of Finance, Planning & Economic Development,
Plot 2-12, Apollo Kaggwa Road,
P.O Box 8147, Kampala.
finance@finance.go.ug

Dear Sir,

RE: ICPAU TAX AND ECONOMIC POLICY PROPOSALS FOR THE FY 2025/26 BUDGET

Reference is made to your letter reference no. TBD 223/229/02 TC and dated 2nd August 2024, requesting ICPAU to submit tax proposals from our stakeholders for consideration by the Ministry in the preparation of tax policy measures for FY 2025/26.

The Institute of Certified Public Accountants of Uganda (ICPAU) is grateful for the opportunity to provide Tax Policy Proposals for consideration by the Ministry for the FY 2025/26 Budget. We hereby provide our proposals (attached in **Appendix I)**. We have also attached Economic Policy Recommendations deriving from the CPA Economic Forum discussions as part of the accountants' efforts to contribute towards the economy's growth and priorities for the government's budgeting process next FY 2025/26 (attached in **Appendix II)**.

ICPAU is dedicated to serving the public interest by strengthening the accountancy profession and contributing to the growth and development of Uganda's economy.

For any inquiries on the submission, please contact Charles Lutimba on **0774 - 544 774** or email **clutimba@icpau.co.ug**.

CPA Derick Nkajja,
SECRETARY/CEO

Encl/ Appendices I & II

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Appendix I

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

ICPAU TAX POLICY PROPOSALS FOR FY 2025/26 NATIONAL BUDGET

SEPTEMBER 2024

ICPAU TAX POLICY PROPOSALS FOR FY 2025/26 NATIONAL BUDGET

The Paper highlights the Tax Policy Measures proposed by the Institute of Certified Public Accountants of Uganda (ICPAU). We give the Current provisions of the law where applicable, the Challenge(s) arising from the current status, and the Proposed Measure(s).

The Tax Measures enlisted within the Paper are listed below;

A. INCOME TAX ACT

1. Provide for Withholding Tax on Royalty Payments to Resident Persons
2. Reinstate Withholding Tax on Agriculture Supplies
3. Reconsider the PAYE Threshold/ Bands in the Third Schedule to the ITA
4. Review the Total Value of Benefits not Subject to Tax
5. Exempt the Incomes of Cultural Institutions
6. Review the Limitation of Deductible Interest Provision
7. Reconsideration of the Roll-Over Relief under the ITA

B. VAT ACT

8. Repeal Provisions Relating to VAT Withholding
9. Review Provision relating to Supply of Goods or Services by an Employer
10. Reconsider the Calculation of Interest Penalty

C. STAMP DUTY ACT

11. Define an agreement or memorandum of agreement and persons liable to pay stamp duty.

D. TAX PROCEDURES CODE ACT

12. Review the Order of Payment of Tax
13. Review the Tax Collection Period
14. Make Filing of Tax Returns Mandatory for Every NIN Individual above 21 Years
15. Review the Timelines for Implementing New Tax Policy Measures

E. TAX APPEALS TRIBUNAL ACT

16. Review of Timelines for Alternative Dispute Resolution
17. Review of the Alternative Dispute Resolution Regulations, 2023

A. INCOME TAX ACT

1. PROVIDE FOR WITHHOLDING TAX ON ROYALTY PAYMENTS TO RESIDENT PERSONS

Issue	Insert new Section 118I to Provide for Withholding Tax on Royalty Payments to Resident Persons
Current Law	S.117 ITA; S.118 ITA; Part XIII ITA The current law only provides for withholding of tax on interest, professional fees, dividend payments, and payments for winning of betting among others to residents excluding royalties. S.83 imposes a tax on international payments made to a non-resident person who derives any …. royalty … from sources in Uganda. We are aware that there is a growing use and hire of other assets such as patents among resident persons. We believe the tax should be imposed on every Uganda that earns an income. With the status quo, incomes generated by resident persons hiring patents among others have been kept out of the taxman's net.
Challenge(s)	We note that all property incomes as defined in S.20 (1) of the ITA have specific taxing provisions through the withholding tax mechanism except royalty payments made to resident persons.
Proposed Measure(s)	We propose to introduce a provision for withholding tax at a rate of 15% on royalty payments made to resident persons. We thus propose to insert a new S.118I immediately below S.118H to read as follows: ***S.118I. Payment of Royalties to Resident Persons*** ***(1) A resident person who pays a royalty to a resident person shall withhold tax on the gross amount of the payment at the rate prescribed in Part V of the Third Schedule to this Act.***
Justification	To enhance revenue generation.

2. REINSTATE WITHHOLDING TAX ON AGRICULTURE SUPPLIES

Issue	Reinstate Withholding Tax on Agriculture Supplies
Current Law	N/A

Challenge(s)	The agricultural sector remains largely untaxed and contributes very little (less than 1% of total tax revenue) to the overall tax burden in Uganda - statistics from UBOS FY19/20. The Sector also enjoys a multitude of subsidies and tax exemptions, which has limited tax revenue. Cognizant of the fact that agriculture is largely practiced by the rural populace (85% of whom are poor), we also know that supplies in this sector are very huge and there are large-scale commercial farming operations that record significant profits but contribute limited taxes. In 2018/19, when a 1% withholding tax was introduced on agricultural supplies above UGX 1 million, it raised over UGX 32.6 billion (USD 8.6 million) in tax revenue—almost twice that collected in income tax from all agricultural taxpayers. However, the amendment was abolished the following year as the tax became politicized and all efforts to reinstate it have repeatedly failed. In these current trying times where the government is looking to alternative sources of funding to reduce foreign funders and borrowing, thinking domestically will be imperative. We agree that while the Agricultural sector is very crucial to the survival of many Ugandans, a small tax rate of between 1%-2% of the gross amount of payment can contribute towards revenue generation.
Proposed Measure(s)	We propose to 1. insert immediately after section 119 (1)(b), the following: ***Section 119(1)(c) - for Agricultural Supplies*** 2. Delete item (h) under s.119(5) 3. Amend Part VIII ***of the third schedule*** by inserting immediately after clause 1, the following clause and re-numbering the rest accordingly. ***Part VIII of the third schedule -Withholding Tax Rate for Goods and Services Transactions*** ***1) -------*** ***2) The withholding tax rate applicable for supplies under Section 119 (1)(c) is 2%.***
Justification	a. This is an effective way to tax the agriculture sector, and the measure will also see increased formalization of the agricultural sector and bring on board many unregistered taxpayers to the tax register. b. This will generate additional tax revenue for the government.

3. REVIEW THE PAYE THRESHOLD/ BANDS

Issue	PAYE Threshold/ Bands
Current Law	S.6(1) of the Income Tax Act (ITA) prescribes tax rates and thresholds applicable to the chargeable income of individuals as prescribed in Part 1 of the Third Schedule to the Act.
Challenge(s)	We note that: a. The current PAYE threshold of UGX 235,000 per month was last revised in 2012 (about 12 years ago) from UGX 130,000. At an exchange rate of UGX 3,702 to the US dollar, taxation of income thus begins at USD 2.12 per day. This brings low-income earners into the tax net at very low-income levels stifling their capacity to save, invest, and consume as their disposable income shrinks in real terms, which works against the poverty alleviation objectives of the government. The government's DRMS[1] itself recognizes that "*the current personal income tax thresholds start at low levels of income and the progressivity of the rates is steep, which may encourage non-compliance or less-than-full compliance and reduce incentives to work in the formal sector, as well as disproportionately disadvantage employees whose incomes are taxed at source under PAYE*". b. Over the years, inflation has increased considerably and has been made worse by the impact of COVID-19 and the rise in energy prices. The thresholds are not indexed yearly for the cost of living. c. Uganda has the highest tax bracket in the region which makes it uncompetitive as a location for many regional head offices and projects. In the short-term high taxes may increase collections by overburdening a small group but in the long run, it impedes efforts to increase the tax base. A review of our tax bands and rates is long overdue. The government should consider harmonizing our bands with those of our neighbors especially Tanzania which competes with us for critical human resources and investment destination. The current threshold in some of the EAC countries translated in UGX is as below: - Kenya – UGX 621,000 - Tanzania – UGX 402,988

[1] Domestic Revenue Mobilisation Strategy 2019/20 – 2023/24

d. The change in rates from 10 - 20 - 30% is too narrow, which makes the tax burden too high on the people in formal employment. Furthermore, the 3rd band is very wide, applying to annual incomes between UGX 4,920,001 and UGX 120,000,000. This indicates how quickly the brackets climb – UGX 4,920,001 per annum equates to just UGX 13,667 per day or USD 3.69 per day.

Proposed Measure(s)

We propose to:

a. The government should consider ***a review of the PAYE threshold from UGX 235,000 per month to UGX 410,000 per month and the tax bands that have not changed for over 25 years***. This proposal is illustrated in the table below:

Chargeable income	*Rate of Tax*
Not exceeding Ushs. 4,920,000 (410,000 pm)	***Nil***
Exceeding Ushs. 4,920,000 (410,000 pm) but not exceeding Ushs. 7,440,000 (620,000 pm)	***10% of the amount by which chargeable income exceeds Ushs. 4,920,000 (410,000 pm)***
Exceeding Ushs. 7,440,000 (620,000 pm) but not exceeding Ushs. 9,960,000 (830,000 pm)	***Ushs. 120,000 (10,000 pm) plus 20% of the amount by which chargeable income exceeds Ushs. 7,440,000 (620,000 pm)***
Exceeding Ushs. 9,960,000 (830,000 pm)	***Ushs. 300,000 plus 30% of the amount by which chargeable income exceeds Ushs. 9,960,000 (830,000 pm).***

b. ***The elimination of the 40% income tax rate***. This also impedes the ability of its highest earning category to save more and drive local entrepreneurship which would enhance jobs. This tax rate also encourages tax evasion leaving many who earn such amounts to remain informal by under-declaring their earnings. This amount is mainly only collected from those covered by PAYE creating an Inherent injustice in the system.

c. ***The elimination of all kinds of personal income tax exemptions***, particularly those that relate to the official employment income of Members of Parliament (MPs) and now judicial officers. These individuals are Ugandan Citizens and must bear their fair share of the financial burden of administering the country. They should thus not be immune to sharing with other citizens the material burden of financing government, and therefore their payment of a non-discriminatory tax laid generally on all citizens should not be considered a burden for as long as they earn beyond the set thresholds. Taxation on MPs' allowances alone could yield the government about 2.3bn per month (over 25bn annually) which would

	more than compensate for the lost amounts by raising the tax bands.
Justification	• It has been proved that increasing the threshold does not necessarily lead to reduced tax revenue. When the threshold was increased in 2012, PAYE collections increased by 20% from 2011/2012 to 2012/13. Below is the PAYE performance as shown on Page 55 of the MoFPED Background to the Budget 2014/15 Fiscal Year: *(table below)* • Among the many persistent effects of the COVID-19 pandemic have been the loss of income and rising precautionary savings, which have in turn led to a broad-based reduction in private investment and consumption. There is limited effective demand among the population. This proposal will increase the disposable incomes of the majority salary earners which stimulates both savings and investments as a result of increased levels of consumption of goods and services. We are aware that besides income taxes, Uganda's main source of tax revenue is consumption-based taxes. In the short run, it may seem like the government is losing by raising the threshold, however in the long run the proposal will yield double benefits. With expanded PAYE bands, people's disposable income increases resulting in a wider effective demand thereby stimulating production, profitability, and government revenue. The government is likely to reap from the consumption taxes levied on the taxable items as a result of enhanced aggregate demand. • A tax-free threshold is intended to cushion low-income earners and enable them to have disposable income to meet their basic needs. The rise in inflation over the years has made the existing threshold of UGX 235,000 per month have little or no impact on the livelihoods of low-income earners in the country. • This will boost our country's competitiveness and tax collection efforts.

	2011/2012	*2012/2013*	*Increment*	*% Increase*
PAYE UGX Bn	*996.9*	*1,196.5*	*199.6*	*20.0*

4. RECONSIDER THE EMPLOYER-EMPLOYEE BENEFIT AMOUNT NOT SUBJECT TO TAX

Issue	**Reconsideration of the amount of Benefit not subject to Tax**
Current Law	S.19(2)f) of the ITA provides that any benefit granted by the employer to the employee during a month

	whose total value is less than ten thousand shillings is not subjected to tax.
Challenge(s)	We believe that the spirit behind this provision was to provide some relief to the employees where these benefits are given to staff on an equal basis. In 1997 when the ITA came into force, the value of UGX 10,000 was quite significant. However, the purchasing power of UGX 10,000 in 1997 and the UGX 10,000 today are miles apart. This renders this provision in the law practically redundant today.
Proposed Measure(s)	We propose to increase the benefits relief under section 19(2)(f) to UGX 100,000 from UGX 10,000 for the amended S.19(2)(f) to read as follows; *“Any benefit granted by the employer to the employee during a month, where the total value of the benefits provided by the employer to the employee for the month is less than **one hundred thousand shillings**”;*
Justification	a. This will align the purpose of this provision in the law to current economic realities. b. The proposal will also increase the fairness of the tax system and enhance the tax-paying culture in Uganda.

5. REVIEW THE LIST OF EXEMPT INCOMES TO INCLUDE THE INCOME OF CULTURAL INSTITUTIONS

Issue	**Exempt the Incomes of Cultural Institutions under the ITA**
N/A	
Challenge(s)	Cultural institutions, like religious institutions, bring people together irrespective of their political divisions, age, tribe, and religious affiliation, which contributes to their unity. These institutions apply the income generated to the social and economic well-being of the respective communities. We also note that the property and assets of these cultural institutions are held in trust for the people and do not confer private benefits to individuals. We believe that exempting these institutions from income tax will encourage other stakeholders—the private sector and development partners—to partner with them to invest in the social services of the respective regions, transforming them into economically productive areas and ultimately growing the tax

	base.
Proposed Measure(s)	We propose that ***<u>the incomes of cultural institutions recognized in the Constitution of Uganda</u> be exempted from tax under S.21 of the Income Tax Act***.
Justification	These cultural institutions play a vital role and are strong pillars in the social and economic development of their respective regions and the country as a whole. In our view, the multiplier effect of exempting cultural institutions from income tax outweighs the tax revenue collected from them, as it allows these institutions to reinvest these incomes within the respective communities.

6. REVIEW THE LIMITATION OF DEDUCTIBLE INTEREST PROVISION

Issue	**Review the Limitation of Deductible Interest Provision in the ITA**
Current Law	S.25(3) of the ITA as amended reads as follows- 'The amount of deductible interest in respect of all debts owed by a taxpayer who is a member of a group, other than a financial institution, micro-finance deposit-taking institution, tier 4 micro-finance institution, or a person carrying on insurance business, shall not exceed thirty percent of the tax earnings before interest, depreciation, and amortization'.
Challenge(s)	The above provision is such that apart from financial institutions, insurance companies, and other entities as provided under S.25(3), all other sectors will have to abide by the 30% cap to claim interest deductibility. This tends to constrain economic growth and development as the economy undertakes massive infrastructure developments and a general big push to all other sectors. It is important to note that this may be contrary to the original thin capitalization rules whose principal objective was to deter arbitrary repatriation of profits in the pretext of loan servicing. The Base Erosion and Profit Shifting (BEPS) Action 4 Recommendation aims to limit base erosion through the use of interest expense to achieve interest deductions, particularly by restricting groups from using intra-group loans to generate interest deductions above the group's actual third-party interest expense. This provision would thus have primarily intended to curb tax avoidance through interest deductions by members of international groups through inter-related lending and not domestic ones.

	Interest capping in the nature premised in this section is likely not to yield the desired goal. Take an example of the following: (i) The Banking sector as of March 2023 comprised 33 financial institutions – 25 commercial banks, 4 microfinance deposit-taking institutions, and 4 credit institutions (as per the Bank of Uganda website accessed on 30 August 2024). The top 10 banks (by assets) controlled over 75% of the market share in 2021 and 80% of the top 10 banks were largely foreign-owned hence the likelihood of repatriation of funds out of the economy in the form of interest payments would equally be detrimental to economic progress especially that the practice cannot be curtailed as the spirit of the current law seems to suggest. (ii) While the preliminary estimates of the Gross Domestic Product (GDP) indicate that the economy grew by 5.3% in the fiscal year 2022/23, and while the services sector continued to be the biggest contributor to the GDP with a share of 42.6% in 2022/23, the financial and insurance activities registered a decline of 1.5% in 2022/23 unlike other sectors that registered growth such as the agriculture, forestry and fishing - 5.0%, manufacturing – 3.9%, among others[2]. (iii) If the clause intended to boost access to loans by ensuring that financial institutions easily access loanable funds from their parent companies to extend cheap credit to the private sector since they would be allowed 100% deductibility of interest from the group, the outcome seems to be contrary. Lack of affordable financing has continued to be a key impediment to doing business in Uganda. Loans are generally short-term with interest rates ranging from 15-24%. In addition to high rates, little liquidity exists for loans of a long period above 5 years. The above demonstrates that any concerted efforts to use the institutions enlisted under this section as drivers of economic progress may only achieve limited success. Even with stronger transfer pricing rules, we are not convinced that transfer pricing would be the most effective way to prevent profit-shifting using high-priced related party debt. When borrowing from a third party, commercial pressures will drive the borrower to try to obtain as low an interest rate as possible – for example, by providing security on a loan if possible. These same pressures do not exist in a related-party context. There are no commercial tensions driving interest rates to a market rate. Indeed, it can be profitable to increase the interest rate on related-party debt – for example, if the value of the interest deduction is higher than the tax cost on

[2] Uganda Bureau of Statistics, 2013, The Preliminary Annual Gross Domestic Product 2022/23

	the resulting interest income. Therefore, introducing the interest cap to all other sectors and only excluding financial institutions and insurance sectors may not yield the desirable goals.
Proposed Measure(s)	We propose the following: a. To amend S.25(3) to read as follows: *The amount of deductible interest in respect of all debts owed by a taxpayer* ***arising from borrowing within a multinational group to which the taxpayer is a member*** *shall not exceed thirty percent of the tax earnings before interest, depreciation, and amortization.* b. To amend S.25(5)(b) to define multi-national group as follows: *In this section-* ***"'Multi-national group' means persons other than individuals with common underlying ownership operating in more than one jurisdiction, including through a permanent establishment."***
Justification	To allow tax deduction on interest payment only on debts contracted within a multinational group without any exception. This will not only re-echo the intentions of thin capitalization but will also affirm the Organization for Economic Cooperation and Development (OECD) objectives under BEPS.

7. RECONSIDER SECTION 77(4) (A) ROLL-OVER RELIEF

Issue	**Reconsideration of the Roll-Over Relief under the ITA**
Current Law	Section 77(4)(a) provides that: 'For purposes of this section, reorganisation means— (a) a transaction in which a company transfers its assets to another company that is controlled by the transferor or its shareholders following which the stock of the transferee is distributed'
Challenge(s)	The current provision disregards instances where an individual decides to transfer assets to a company to which they are majority shareholders or to which they fully own. While the transferor and transferee are the same in such instances, the current law requires capital gains tax on the transaction. This in practice tends to curtail business growth and expansion. We thus believe adopting the broader term

	'person' instead of 'company' would be ideal since this would cater to all forms of business vehicles as envisaged in the rollover relief mechanism under s.77 and equally consider transfers that may result by persons in the form of individuals and limited liability partnerships among others.
Proposed Measure(s)	We propose to amend Section 77(4)(a) for the clause to read as follows: 'For purposes of this section, reorganisation means— ***"a transaction in which a person transfers assets to another person that is controlled by the transferor or its shareholders following which the stock of the transferee is distributed."***
Justification	a. Where such transactions are protected, there will be an increase in business efficiency thus generating more revenue for the government. b. Also, when such transactions are encouraged, there will be clarity in the law enabling businesses to transform rather than close and restart other names.

B. VAT ACT

8. REPEAL PROVISION RELATING TO VAT WITHHOLDING

Issue	**The Burden of VAT Withholding Agents**
Current Law	In 2018, the VAT Act was amended in S.5 (2) to introduce VAT withholding.
Challenge(s)	The VAT withholding mechanism not only created VAT cash flow challenges for VAT-compliant taxpayers but also extended an administrative cost including system design costs to taxpayers who do not deal in taxable supplies. This in turn increased the cost of doing business especially given that such taxpayers are already designated withholding agents under the income tax.
Proposed Measure(s)	We propose to amend S.5 of the VAT Act by ***repealing*** provisions relating to VAT withholding.
Justification	The introduction of EFRIS has since eliminated the challenges faced by the URA in tracing VAT-registered taxpayers who would charge VAT and not declare it and the URA could hardly trace such transactions. The Income Tax Act was amended to ensure that businesses that purchase from VAT-registered taxpayers

	are issued with EFRIS invoices. The Tax Procedures Code Act also introduced heavy penalties for non-compliance with EFRIS. We therefore believe that the VAT withholding mechanism currently only creates an administrative cost burden to compliant taxpayers without much value addition to the ecosystem of compliance. The resources that URA is currently deploying to monitor compliance with VAT withholding could be better utilized in other areas that add value and contribute to revenue mobilization/compliance.

9. SUPPLY OF GOODS OR SERVICES BY AN EMPLOYER

Issue	**Supply of Goods or Services by an Employer**
Current Law	Section 18(10)- Section 18 of the Principal Act was amended to include the following sub-section: "(10) The supply of goods or services by an employer who is a taxable person to an employee, for no consideration shall be regarded as the supply of goods or services for consideration as part of the person's business activities."
Challenge(s)	a) The supply of goods or services by an employer to an employee at no consideration is now classified as a taxable supply. Accordingly, employers are required to account for VAT on such goods and services. b) Under the VAT law, a taxable supply results from a supply made by a taxable person for consideration as part of their business activities. This denotes a key attribute for there to be a direct or indirect receipt of payment by the supplier in money or kind form. We believe it may be difficult to establish the above elements in an arrangement between an employer and employee, hence compounding on implementation challenges of this clause. c) Also, we believe that the current regime under s.18 of the VAT Act ably covers goods and/or services extended to the employees by employers. d) With the current provision, we believe the authority intends to limit any input claim associated with the goods and/or services that may have been extended to employees by way of gift or in a non-payment transaction.
Proposed Measure(s)	We propose instead, to disallow the input credit for employers hence no loss of government revenue -

	the credit for input VAT on goods and/or services extended to staff should not be claimed. We thus propose that a new subclause 28(5)(f) be introduced that reads as follows: *25(5) A taxable person under this Section shall not qualify for input tax credit in respect of a taxable supply or import of -* ***(f)'...............goods or services by an employer to an employee, for no consideration.'***
Justification	a) All employment-related transactions should remain out of the scope of VAT. It can be contended that with respect to the application to own use provisions in the VAT Act, this amendment was not necessary. b) To ensure that the government and URA are not seen working so hard to collect more taxes from the existing compliant taxpayers.

10. RECONSIDER THE CALCULATION OF THE INTEREST PENALTY ON UNPAID VAT

Issue	**Reconsider the Calculation of Interest Penalty on Unpaid VAT**
Current Law	Section 65(3)- "A person who fails to pay tax imposed under this Act on or before the due date is liable to pay a penal tax on the unpaid tax at a rate specified in the fifth schedule for the tax which is outstanding." Fifth Schedule- "The rate of interest chargeable as penalty shall be 2% per month, compounded."
Challenge(s)	a) We take note that the interest charged on all other tax heads is simple. b) Section 65A (1) provides that the interest due and payable on unpaid tax shall not exceed the aggregate of the principal and penal tax. c) If the interest remains compounded, it means that it will always exceed the principal and penal tax. d) Compounding interest in the circumstances makes VAT a very unhealthy tax to pay thus encouraging illegality.
Proposed Measure(s)	We propose that the Fifth Schedule to the VAT Act be amended to ***adopt simple interest*** as opposed to compound interest. The new provision would read as follows:

	"The rate of interest chargeable as penalty shall be 2% per month, simple."
Justification	a) This will increase taxpayer voluntary compliance because the tax will be easier to understand thereby increasing revenue collection for the government. b) The proposal once adopted will also increase the efficiency of URA.

C. STAMP DUTY ACT

11. PROVIDE A DEFINITION OF AGREEMENT OR MEMORANDUM OF AGREEMENT AND PERSONS LIABLE TO PAY STAMP DUTY

Issue	**Define agreement or memorandum of agreement and persons liable to pay stamp duty.**
Current Law	Sec. 3(1)(a) of the Stamp Duty ACT of 2014, provides for instruments chargeable with duty in accordance with Schedule 2 to the Act.
Challenge(s)	In the bid to raise revenue, URA issued a notice to the public on 15th June 2023, calling for compliance with Section 3 (1)(a) of the Stamp Duty Act of 2014. The notice explicitly indicated payment for stamp duty on all agreements or memorandum of agreements related to the transfer of property. However, Schedule 2 does not define an agreement or Memorandum of Agreement.
Proposed Measure(s)	We propose the following amendments: a. Amendment of Sec. 2 to define agreement or Memorandum of agreement as follows. ***'Agreement or memorandum of an agreement under hand only and not otherwise especially charged with any duty whether it be the only evidence of a contract of obligatory upon the parties from its being a written instrument'.*** b. Insert new subsection S.3(4) to read as follows: ***Notwithstanding subsection (1) and item 5 of the second schedule, duty is not charged in respect of any of the following instruments;*** • *Agreement, letter, or memorandum of agreement made for or relating to the sale of goods or merchandise.* • *Agreement, letter, or memorandum of agreement made in the form of a tender to the*

	Government for or relating to any loan. • *Agreement made for conveyance of passengers or goods.* • *Agreement or memorandum of agreement being a contract of service.* c. Amend the fifth item on Schedule 2 of the Stamp Duty Act to indicate that; ***"The person responsible for stamping should be the person first executing.'***
Justification	To provide clarity on the following: 1) The definition of an agreement or memorandum of agreement to minimize ambiguity. There is a need to clarify whether every agreement entered into, a promise made, or a contract signed, should attract stamp duty. 2) Who is liable to pay stamp duty and whether non-payment renders the agreement null and void? 3) The agency that has the mandate to collect stamp duty as a non-tax revenue and stamp the agreements.

D. TAX PROCEDURES CODE ACT

12. REVIEW THE ORDER OF PAYMENT OF TAX

Issue	**Review the Order of Payment of Tax**
Current Law	S.38 (1) of the TCPA provides that when a taxpayer is liable for penal tax and interest in relation to tax liability and they make a payment that is less than the total amount of tax, penal tax, and interest due, the amount paid is applied in the following order - principal tax, penal tax, interest. S.40C of the TCPA further guides that any interest and penalty outstanding as at 30th June 2020 be waived.
Challenge(s)	While the TCPA provides for how payments should be applied against tax liabilities, in practice the Authority does not apply this guidance. Even when the Tax Appeals Tribunal ruled on the matter and provided some recommendations, URA has not put these into consideration having appealed in the High Court.

	This has led to the accumulation of interest on taxpayers' ledgers that should not have arisen if the correct application of the law had been done.
Proposed Measure(s)	We propose that S.38 of the TCPA be amended to include a new sub-section 38(2) stating that; ***For the avoidance of doubt, any payment by a taxpayer shall be applied to the principal tax first until it is fully paid up.***
Justification	This will provide clarity to the application of the order of payment of tax and avoid the unnecessary accumulation of interest on taxpayers' ledgers.

13. REVIEW THE TAX COLLECTION PERIOD

Issue	**Review the Tax Collection Period**
Current Law	**Introduce Section 40(3)**
Challenge(s)	a. Section 113(2) of the Income Tax Act provides that Applications for refund should be made within 5 years. This provision is in line with Section 15(1)(c) of the Tax Procedures Code Act which requires a taxpayer to retain the accounts and records for 5 years after the end of the tax period to which it relates or other period as specified by law. Losses period on the other hand was capped at 7 years. We believe that there is a need to align these to tax collection such that any tax assessed, or declared but is not collected within 5 years from the date of assessment of return filing, should forwarded to the minister of finance for remission on consideration that the cost of recovery may be too high or URA is unable to collect the said tax. This will improve the efficiency of URA and get them to account for the efforts in revenue recovery. In accounting, we write off bad debts, and this follows the same principle. Please note that this does not stop URA from raising an assessment where fraud was detected in a period beyond 5 years. If proven, a new assessment will be raised giving a lease of life of 5 years to be collected or written off if it cannot be collected. b. Today, it is a custom that URA asks taxpayers to provide accounts or records as far back as 13 years!
Proposed Measure(s)	We propose the following: a. Introduce Section 40(3) to read as follows:

	Section 40(3)(a) "Where tax assessed remains unpaid for more than seven years from the date of assessment other than through court process or fraud, the said tax is deemed remitted. ***Section 40(3)(b) The Commissioner shall prepare a list of taxes deemed remitted in 40(3)(a) above and forward them to the Minister to be presented before Parliament for approval."*** *b.* Rename the rest of the clauses.
Justification	a. The above proposal is in harmony with the provisions on keeping accounts and other records for 5 years and would increase taxpayer voluntary compliance and efficiency in tax administration by URA. b. The provision will encourage tax administration to recover due tax within a short period and minimise businesses being closed for assessments that were issued when business was thriving.

14. MAKE FILING OF TAX RETURNS MANDATORY FOR EVERY NIN INDIVIDUAL ABOVE 21 YEARS

Issue	**Low Tax to GDP Ratio (Expand the Tax Base)**
Current Law	S.92A and S.93 of the ITA provide for the furnishing of a return of income and also list those persons who may not furnish a return of income.
Challenge(s)	The current requirements for furnishing a return of income constrain the administration of tax and the expansion of Uganda's tax base in several ways; a. Several would-be taxpayers are exempted and nothing is known about their income sources and whether their status has changed or not to warranty continuous enjoyment of the exemption. b. There is no conclusive collection of income/ expenditure data to assess possible areas for tax expansion. c. Most Ugandans have taken it for granted when it comes to income record keeping because there is no obligation.
Proposed Measure(s)	We propose the following: *Amend S.92A and S.93 of the ITA to remove the exclusions for the filing of a return and* ***make it mandatory for every holder of the NIN above 21 years to file a return***.

Justification	a. Ensure that everyone who lives or earns a living from Uganda is a taxpayer and that income earned or derived can be duly assessed for tax purposes. b. The resources and tools to assess the information furnished in a return are already in place and the administration of tax will greatly improve to expand the tax base.

15. <u>REVIEW OF TIMELINES FOR IMPLEMENTING NEW TAX POLICY MEASURES</u>

Issue	**Review of Timelines for Implementing New Tax Policy Measures**
Current Law	N/A
Challenge(s)	We appreciate the improvement from what used to be "from midnight tonight" to the current approach where the tax bills come our 3 months to the end of the financial year. This has brought some level of transparency. We note however that as businesses automate, including Uganda Revenue Authority, systems and processes also require time to be adjusted, to train staff, to communicate to stakeholders including suppliers and clients, to adjust prices where required, to adjust training materials, and to incorporate the impact of the new tax laws into business budgets and cashflows.
Proposed Measure(s)	We recommend *a review of the timelines for implementing new tax policy measures to* ***at least 6 months from the date of enacting and gazetting the said policy***.
Justification	This will improve business confidence and allow taxpayers to comply willingly without any struggles. Recall that the FY2024/25 Tax Amendment Acts came in more than 2 weeks into the new financial year yet transactions were already going on based on the old laws, and later URA's compliance was based on the new laws that had taken a while to be gazetted. This proposal would cure some of these challenges and ease tax administration and compliance.

E. TAX APPEALS TRIBUNAL ACT

16. REVIEW OF TIMELINES FOR ALTERNATIVE DISPUTE RESOLUTION

Issue	Review of Timelines for Alternative Dispute Resolution
Current Law	In 2021, in a bid to quicken the process of resolution of tax disputes, the Tax Procedures Code Act was amended by introducing an Alternative Dispute Resolution (ADR) mechanism in line with Regulations set by the Minister. The ADR Regulations provide that the process of resolving tax disputes through the ADR does not affect the timelines within which a taxpayer should apply to TAT (i.e. 30 days from the date of receiving the objection decision).
Challenge(s)	In practice, URA is rarely able to review the ADR application and conclude on it prior to the expiry of the TAT timelines of 30 days from the date of the objection decision. This has led to taxpayers making dual applications to ADR and TAT in a bid to resolve the dispute through ADR and at the same time not lose out on the opportunity to apply to TAT in case the ADR outcome is not positive. This dual application is not an efficient process as the taxpayer incurs more costs while URA and TAT resources are also made to address the same matter.
Proposed Measure(s)	We recommend that s.16 of TAT be amended by inserting the words 'other than an application arising from ADR' immediately after the word 'decision' and also introducing a new subsection (2) immediately after the current subsection (1) and re-number the rest, for the amendment to read as follows: ***Section 16(1) -*** Application for review of a taxation decision An application to a tribunal for review of a taxation decision ***other than an application arising from ADR***, shall – (a) be in writing in the prescribed form; (b) include a statement of the reasons for the application; and (c) be lodged with the tribunal within thirty days after the person making the application has been served with notice of the decision

	16(2) - An application to a tribunal for review of a taxation decision arising from ***ADR*** shall comply with the provisions under (1)(a) and (b) above and shall be lodged with the tribunal within thirty days from the date the person making the application is served with the ADR report.
Justification	a. This will help to avoid the duplication costs incurred when taxpayers make dual applications to ADR and TAT. b. This also proposal aligns with the purpose for which ADR was set up.

17. REVIEW OF THE ALTERNATIVE DISPUTE RESOLUTION REGULATIONS, 2023

Regulation 4(1)	**Current Provision** Regulation 4(1) provides that: "A taxpayer who is dissatisfied with a tax decision of the Commissioner may, within seven days after being served with the tax decision, apply to the Commissioner for resolution of the dispute using the alternative dispute resolution procedure." **Our Observations:** • 7 days are very few for a taxpayer to prepare and submit evidence challenging the objection decision by applying an alternative dispute resolution procedure. • There is confusion for the taxpayers as to when to start counting the days as whether when they receive an email or a physical copy of the letter of the tax decision has been delivered to them. A taxpayer who chooses to apply for the alternative dispute resolution procedure should be able to freeze the time within which to apply to the Tax Appeals Tribunal for review of the objection decision. **Our Proposal:** We recommend that Regulation 4(1) be amended by extending the number of days to 30 days to read as follows: ***"A taxpayer who is dissatisfied with a tax decision of the Commissioner may, within 30 days after being served with the tax decision, apply to the Commissioner for resolution of the dispute using the alternative dispute resolution procedure.*** ***For the avoidance of doubt, a taxpayer is served with a tax decision when the tax decision is***

	delivered to the taxpayer or their representative in person or when a tax decision is sent by registered mail or email to the taxpayer's known address.
Regulations 4(3)	**Current Provision** Regulation 4(3): "Where an alternative dispute resolution procedure is commenced between the taxpayer and the Commissioner, the time within which the taxpayer is required to file an Application with the Tribunal, or a suit with a court shall not be affected by the alternative dispute resolution procedure." **Our Observations:** • In practice and to avoid any inconvenience to the taxpayer, the taxpayer has to file for both the Alternative Dispute resolution procedure and to the Tribunal so as not to lose out on the right to file in the Tribunal to challenge the objection decision if the Alternative Dispute resolution procedure is not completed within 30 days within which they have to apply to Tribunal. • Therefore, there is a need to harmonise and streamline the Alternative dispute resolution procedure before the Tribunal in resolving the tax dispute. • This will strengthen the importance of Alternative dispute resolution procedures and increase taxpayer's confidence in the process. **Our Proposal:** We recommend the following at Regulation 4(3) to be re-drafted as follows **Regulation 4(3):** *"Where an alternative dispute resolution procedure is commenced between the taxpayer and the Commissioner,* ***an application to the tribunal or suit with the court, for review of a taxation decision arising from ADR, shall be lodged with the tribunal or court within fifteen days from the date the taxpayer is served with the ADR report."***
Regulation 4(4)	**Regulation 4(4):** "For the avoidance of doubt, the alternative dispute resolution procedure under these Regulations shall not have any effect or negate the rights of the Commissioner or taxpayer to file an application with or the suit with the court or have an effect on the rules and procedures of the Tribunal or court." The implication of the above clause is to the effect that a taxpayer ends up pursuing both the alternative dispute resolution procedure and TAT at the same time against two different departments of Government

	which is challenging for both parties involved and brings confusion in resolving the dispute. **<u>Our Proposal:</u>** ***Repeal Regulation 4(4)*** From the above proposals, this regulation becomes redundant.
Introduce Regulation 8(7)	**Introduce Regulation 8(7)** **<u>Our Observations:</u>** • There is a need to provide the number of days within which a decision on the Alternative Dispute Resolution application should be made. • Regulation 12 only provides when both parties reach a settlement agreement but does not provide for the timelines within which a settlement agreement or contrary decision should be made. In practice, the Alternative Dispute resolution process goes on for several months with minimal efforts from URA and the taxpayer to conclude it which ties up a lot of revenue in dispute and also creates uncertainty indefinitely for the taxpayer as to the status of the tax liability in question. **<u>Our Proposal:</u>** Introduce Regulation 8(7) to read as below: ***"The outcome of the meeting referred to under Regulation 7 above shall be communicated in writing to the taxpayer. For the avoidance of doubt, the timelines and schedule of ADR proceedings referred to under 7(c) shall not exceed 60 days from the date of application of ADR".*** The proposal will increase government revenue and improve the efficiency of the Alternative dispute resolution procedure.
Introduce Regulation 9(1)(f)	**Introduce Regulation 9(1)(f)** The proposal will improve the efficiency of the Alternative dispute resolution procedure and Tax administration by enhancing its efforts to settle matters under the Alternative Dispute Resolution procedure. **<u>Our Proposal:</u>** Introduce new Regulation 9(1)(f)) to read as follows: ***"Where the sixty (60) day timeline required to resolve the dispute under alternative dispute resolution has elapsed before the dispute is concluded".***

Introduce Regulation 9(3)	**Introduce Regulation 9(3)** The proposal will improve the efficiency of the Alternative dispute resolution procedure and Tax administration by enhancing its efforts to settle matters under the Alternative Dispute Resolution procedure. **Our Proposal:** Introduce new Regulation 9(3) to read as follows: ***"Upon termination of ADR proceedings under 9(1)(f), the Commissioner shall be deemed to have made a decision to allow the application for alternative dispute resolution procedure."*** ***"Upon termination of ADR proceeding under Regulation 9, a notice of termination shall be sent to the taxpayer and the matter be referred to the Tribunal or Court as the case may be".***

Appendix II

INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA

ICPAU ECONOMIC POLICY RECOMMENDATIONS FOR FY 2025/26 NATIONAL BUDGET

The Institute of Certified Public Accountants of Uganda (ICPAU) successfully held its 12th CPA Economic Forum (the Forum) from 3 – 5 July 2024 under the theme: "Enhancing the Productive Sectors for Sustainable Development". The Forum took place at the Imperial Resort Beach Hotel, Entebbe. The productive sectors are positioned as the drivers of sustainable socio-economic transformation in Uganda. Through the National Development Plans, the government has continuously emphasized these productive sectors; agriculture, industry, tourism, and services owing to their proven ability to increase household incomes and generate employment opportunities. Approaches to develop and harness the potential of these sectors were considered and discussed at the 12th CPA Economic Forum.

From the theme, 9 topics were selected for discussion, namely:

1. Public Debt Management and its impact on the Economy
2. Impact of Corruption and Fraud on the Economy
3. Leveraging Uganda's Night Economy
4. Contribution of the Transport Infrastructure to Economic Development
5. Nature and Health: Taking Advantage of our Natural Environment
6. Nurturing the Manufacturing Sector for Sustainable Development
7. Global and Regional Geo-politics: Market Access for Goods and Services
8. Vocational Education: Empowering the Youth for Socioeconomic Development
9. The impact of Tax Policies and Practices on Domestic Revenue mobilization

We submit our Economic Policy Recommendations deriving from the Forum discussions on each of the topics as part of the accountants' efforts to contribute towards the economy's growth and priorities for the government's budgeting process next FY 2025/26.

ICPAU ECONOMIC POLICY RECOMMENDATIONS FOR FY 2025/26 NATIONAL BUDGET

Public Debt Management and its Impact on the Economy

Challenge(s)

- The Ministry of Finance reports that the nominal debt-to-GDP ratio recorded at the end of June 2023 was 46.9 percent[1]. On the other hand, the Office of the Auditor General reports the figure at about 52% of GDP. Therefore, the credibility of the information reported on the country's public debt has been challenging.
- The government has continued to contract debt that is not being utilized but is accumulating interest for reasons such as non-readiness - projects and programs for which preliminary preparations and processes are not yet complete or the lack of counterpart funding on projects, so funds lie idle on government accounts while accumulating interest.
- Interest payments alone consume over 6% of the tax revenue collections, crowding expenditure on other key service delivery outcomes.
- The fiscal deficit has been expanding – an assessment carried out in May 2024 indicated diminished debt affordability and financing options as the IMF also warned not to contract any more debt. This has pushed the cost of borrowing to about 60% of the borrowing, especially for domestic debt (and while the government is borrowing locally from commercial banks, many of these banks are foreign-owned thus leading to profit repatriation).

Proposed Policy Recommendations

To ensure that the country's debt to GDP remains below 50% and gradually reduce the fiscal deficit to 3% by FY2029/30 as envisaged in the National Budget Strategy FY 2025/26, we propose the following recommendations:

1. The government should harmonize the statistics on debt by having one agency responsible for debt tracking and sharing verified data to the other agencies to maintain similar measurement parameters.
2. The government should address the deficit in structural policies – if industrialization has been highlighted as one of the key growth areas in the first year of implementing the Fourth National Development Plan (NDP IV), then deliberate policy to build an industrial base and opportunities for value addition particularly for agro-industrialization should be put in place.
3. The government needs to suppress a number of its non-essential expenditures to reduce on its debt burden and allow for optimal operations.

[1] The National Budget Strategy FY 2025-26

• The consequences of debt financing – especially domestic debt – are that interest rates go high and lending to the private sector goes down hence suffocating domestic businesses, encroachment on foreign reserves in a bid to service the foreign debt which reduces the country's cushion against any contingencies, inflationary pressures and exchange rate vulnerability.	

Impact of Corruption and Fraud on the Economy

Challenge(s)	Proposed Policy Recommendations
A 2021 study conducted by the Inspectorate of Government revealed that the country was losing over 10 trillion annually, which equates to about 40% of lost tax revenue out of the collected 25 trillion for FY 2022/23. The channels of these losses included among others non-declaration/under-declaration in taxes, poor procurement practices (including overpricing, under-delivery, unfinished contracts, etc), inflated payroll, and other non-existent activities. This has led to numerous negative consequences such as the diversion of resources from public good to personal use, the provision of poor-quality public services, and distortion of planned development.	1. A call for more stringent regulation – invoking the authority of the regulatory arms of government. 2. Consider process re-engineering of government processes to ensure they become safeguards/ controls themselves to minimize corruption and also safeguard some of the officers holding public offices. 3. Professionalization efforts of cadres in the public sector should be fast-tracked. Professional bodies such as ICPAU should be utilized in recruitment processes to ensure competent and morally upright individuals get employed by the government of Uganda, and that these bodies can monitor and regulate their members. 4. Expedite the process of taking on fraud matters and the political will to fight corruption needs to be consistent to lead to meaningful system improvements.

Leveraging Uganda's Night Time Economy

Challenge(s)	Proposed Policy Recommendations
While the night-time economy is a significant contributor to the national economy and has been recognized as an untapped opportunity to generate incomes, particularly for SMEs, it has not been incorporated to a bigger extent into national	1. Recognize, organize, and streamline the nighttime economy to contribute to economic development. This calls for appropriate policies/frameworks to regulate and support the sustainable growth of the night economy.

Challenge(s)	Proposed Policy Recommendations
development. A lot of activity carried out in the nighttime economy is highly unregulated and untaxed. This leaves the benefits of this part of the economy like employment opportunities and additional tax revenue being foregone.	2. Consider continuing government/ public services throughout the night for purposes of efficiency and not lose out on night time.

Contribution of the Transport Infrastructure to Economic Development

Challenge(s)	Proposed Policy Recommendations
Transport infrastructure has a direct impact on economic development as production costs, access to markets, economic activity stimulation, redistribution of economic opportunities across regions and social groups, etc are all dependent on the quality and quantity of the infrastructure. However, the stock of infrastructure (quantity and quality) has remained a big challenge. The cost of the poor infrastructure ranges from deteriorating health resulting from potholes and excessive dust, motor vehicle maintenance costs due to breakdowns, delays in accessing markets, and security concerns due to the slowdown of vehicles especially at night.	1. Leverage technology to enable monitoring and maintenance of existing infrastructure – consider multipurpose infrastructure/ multi-model integration of transport infrastructure. 2. Embrace new financing models including public-private partnerships to finance infrastructure development – given that the funding would be readily available and utilize the capacities of the private sector. 3. Incorporate transport and logistics into the mandatory studies/topics at higher institutions of learning.

Nature and Health: Taking Advantage of Our Natural Environment

Challenge(s)	Proposed Policy Recommendations
For sustainable economic growth and development to take place, any economy requires a productive and healthy workforce. There have been increased absences from work due to illness and productive workforce mortality due to health challenges, especially from environmental factors like poor air quality.	Encourage the government to embrace environmental, Social, and Governance Reporting by accounting officers to allow for reporting on the effect of government activities on the environment and well-being of the citizenry hence ensuring the sustainability of these activities.

Nurturing the Manufacturing Sector for Sustainable Development	
Challenge(s) Uganda's manufacturing sector contributes about 25.2% of the country's GDP.	**Proposed Policy Recommendations** 1. Put in place sustainability laws, and policy frameworks regarding waste management and investment in recycling. The waste composition during the wet months was 88.5% organic waste, 3.8% soft plastic, 2.8% hard plastics, 2.2% paper, 0.9% glass, 0.7% textiles and leather, 0.2% metals, and 1.0% others while during the dry months, organics accounted for 94.8%, 2.4% soft plastics, 1.0% hard plastics, 0.7% papers, 0.3% textile and leather, 0.1% metals and 0.3% others. This waste can be used in industry for the manufacture of different products. Green financing funds should be made available to encourage recycling manufacturing industries. 2. Investment in Primary Industries in critical areas like agro-processing. Export-promoting industrialization should be undertaken while encouraging the Buy-Uganda Build-Uganda (BUBU) agenda for the locally available manufactured goods.
Global and Regional Geo-Politics: Market Access for Goods and Services	
Challenge(s) Whereas access to a market might be granted through legal frameworks such as trade agreements, treaties, and protocols, entry might be prevented by geo-political factors. These lead to a reduced or no external market for the locally produced products despite the industrialization efforts. Political tensions affect trade relations and the movement of goods and services across borders even where regional cooperation agreements exist.	**Proposed Policy Recommendations** 1. Strengthening trade among African countries through the Africa Continental Free Trade Area Initiatives. 2. Technological self-reliance especially in areas of intelligence and national security. 3. Public policy planning should incorporate geopolitical risks 4. Introduce geostrategic study courses and incorporate geo-political study units in management courses, especially for public servants like foreign affairs and embassies' staff.

Vocational Education: Empowering the Youth for Socioeconomic Development

Challenge(s)	Proposed Policy Recommendations
According to the household Census for 2024, Uganda generally has a young population with 50.5% of the population between the ages of 0-17 years, while 22.7% are youths between 18-30 years of age. This has led to the production of a large number of graduates without employable skills given the limited number of available jobs. To counter this, Technical Vocational Education and Training (TVET) can be taken on fully or in complement to academic education and has been thought of as one solution to reduce the problem of unemployability through the creation of job creators. Additionally, the industrialization agenda is highly dependent on a steady supply of labor with the prerequisite technical skills to run the machines.	1. Fast track the discussions on the TVET Policy Bill, 2029 that seeks to establish a TVET Council for purposes of regulation of TVET providers and also provide quality assurance and assessment mechanisms. 2. Operationalization of the skills development fund in the BTVET Act of 2008 for the skills levy to take shape. This will avail funds for equipment, training materials, and reskilling trainers. 3. Develop a TVET Qualification Framework to foster mobility of the workforce and promote career growth and lifelong learning. 4. Establish TVET institutions across the country. The available data indicates that 41 districts lack a TVET institution and 200 constituencies lack a Skills Development Centre (SDC). 5. Engage the private sector to encourage employers to foster an employee-led dual TVET training system. 6. Establish a TVET University to produce the requisite TVET skills (Technologists, TVET Experts, and TVET Specialists) and align the TVET curriculum with the secondary education curriculum.

The Impact of Tax Policies and Practices on Domestic Revenue Mobilisation

Challenge (s)	Proposed Policy Recommendations
Except for debt and foreign grants/donations, the major source of internal funding for the national budget is tax revenue with a very negligible contribution of the Non-Tax Revenue (NTR). The composition of the tax revenue for the financial year 2023/24 was 22.3% from VAT, 28.2% from PAYE, and the balance from the rest of the tax heads.	1. Transparency in tax policy development – review existing tax systems and undertake research to understand the effect of the different tax policies on the facets of the economy (tax incentives, tax holidays, and exemptions for non-essential sectors).

However, the total contribution of the tax revenue to the total budget was only 75% of the budget. The Key suppressors of domestic revenue mobilization are: a. Low spending power by citizens b. Growth of domestic arrears c. High level of business informality d. Complex tax structures, policies, and associated ambiguities e. Government over-crowding of the private sector in borrowing/accessing finance.	2. Publish tax policy explanatory notes to ensure correct interpretation of the laws and enhance compliance. 3. Tax administration capacity building to improve compliance and enforcement efforts. 4. Improve taxpayer engagement to enhance transparency in tax administration. 5. Collaboration between agencies to enhance the role of MDAs in complementing revenue mobilization efforts.