URA PRESS BRIEF

Celebrating 25 Years Of Developing Uganda Together
1. Introduction:

On 15th September 2016, Uganda Revenue Authority (URA) marks 25 years since inception, having been established by an act of Parliament on 15th September 1991. URA was formed to collect central government revenue and facilitate trade in Uganda. In this press brief, I will be highlighting the major milestones which influenced revenue performance over the 25 years. First, allow me to shortly highlight the background of taxation in Uganda to help us understand and appreciate the journey before 1991.

Uganda taxation dates back to 1900 when Hut and Gun Tax were introduced through the Buganda Agreement. The purpose was for the public to contribute revenue towards maintenance of the Uganda Protectorate. The 1st tax legislation was introduced in 1919 under the local authorities’ ordinance. After independence in 1962, the role of tax administration was passed on to the post-colonial government. In 1964, district councils were responsible for collecting local tax.

Prior to the establishment of URA, tax administration was characterized with a number of challenges such as bureaucratic processes, high domestic tax rates and tariffs on international trade and extensive discretionary powers to the Minister of Finance to grant specific exemptions. Others were too much reliance on international trade taxes especially export taxes that contributed as high as 68% of total revenue in the 1980's and low revenue collections caused by a narrow tax base, which was followed by a low tax to GDP. Administratively, the mechanisms of revenue collection and accountability were quite ineffective. They involved collection of cash in offices and use of one commercial bank as a collection point to the detriment of taxpayers.
To address the aforementioned fiscal and administrative challenges, major tax reforms were introduced in the 90’s among which was the establishment of URA as a semi-autonomous authority on 5 September 1991 by an Act of Parliament (cap 196 of the laws of Uganda). URA, therefore, became independent in terms of the civil service’s rules and regulations. This type of independency allowed flexibility with regard to the organizational structure, staffing, salaries and incentives, procurement and budget. This made it possible for URA to make major organizational and procedural changes needed for modernization. This was all done to improve administrative efficiency and ensure better taxpayer compliance. Below, I discuss 25 years of tax policy formulation, tax administration reforms and modernization programs that have been implemented by URA resulting from operational efficiency and effectiveness of being a semi-autonomous authority.

2.0 URA’s journey as a semi-autonomous organization

Figure 1: Revenue performance before establishment of URA

![Net Revenue in UGX Bns](chart1)

- Net collections
- Tax to GDP
- Growth
3.0 Governance and Management

The organizational structure of revenue agencies is a key element of reforms and modernization programs. Allow me mention the key structural changes that have occurred over the past 25 years.

3.1 URA Governance

Top management during the early 90’s comprised over 60% expatriate staff. You all recall that the first Commissioner General was from Ghana. URA has moved from employing expatriate staff in its top management to employing Ugandan-made Commissioner Generals. The leadership programs like Fired Up for Excellent Leadership (FUEL) for senior management and Getting Equipped and Reinforced (GEAR) for line managers have enabled URA groom in-house leaders.
3.2 Restructuring in 2004

During the period 1996/97-2003/04, URA was faced with administrative challenges of corruption and lack of integrity amongst staff, inefficient and ineffective systems and processes among others. Secondly, tax rate increments were not sustainable and tax administration reforms were inadequate to overhaul the poor revenue performance that was coupled with a stagnant low tax to Gross Domestic Product (GDP) ratio. Further still, URA had 18 levels and 10 departments making the structure so “heavy” at the top with senior management. For example in 2002, URA employed 2,186 staff with a management to staff ratio of 1:40. This structure was based on control and strong authority relations yet movement up the hierarchy was mainly due to seniority.
To strengthen and integrate tax administration, the URA transformation process was initiated in 2004 using four major initiatives: human resource restructuring, business modernization, corporate Image transformation and change management. The aim of the structural reform was to re-align all core business processes and reduce the bureaucracies in reporting and form a flat organization structure. The reforms saw the top heavy structure improve from 11 to five commissioners. Currently, the structure has six levels and seven departments headed by Commissioners leading to a management to staff ratio of 1:100.

3.3 Staff development

People are considered critical because they drive the processes, use systems and also transform other resources into productive outputs. The focus on people in URA during the 25 years aimed at professionalizing its human resource which is in line with our mission of “providing excellent revenue services with purpose and passion”. This has been achieved through implementation of a comprehensive staff development/staff competency enhancement program that provides quality and cost effective training and development to all staff.

URA has continuously built capacity of staff and harnessed knowledge to enhance innovations without necessarily engaging external consultants. For example, on job trainings (OJTs) are carried out and staff have attained knowledge in specialized trainings. Such programs include; Fired Up for Excellent Leadership (FUEL) for senior management, Getting Equipped and Reinforced (GEAR) for all the Managers, Post Graduate Diploma in Tax and Revenue Administration (PODITRA), Post Graduate Diploma in Tax Investigations (PODITI), Petroleum and Oil Revenue Management and Auditing the Telecom Sector among others. The competency programs have imparted knowledge, skills and attitudes that has enabled staff perform their duties competently. Notably, during FY 2015/16, URA received the African Tax Administration Forum award of best innovation in the Staff Development category.

As a “client-focused and responsive organization that attracts and nurtures talent and innovation to deliver a great customer experience in an enjoyable environment”, a talent management framework, an attractive remuneration and benefit scheme were implemented. The existence of staff development initiatives, performance-based governance structures and a well-established operational foundation have resulted into talent, loyalty and committed staff. Currently, 80% of our staff exit at retirement age while others exit after serving for more than seven years.
URA was ranked three times in a row as the best employer of choice in Uganda in the years 2012, 2013 and 2014 for good salary commensurate with the work at hand, opportunities for growth, job security and strength of the brand.

- **2007**-Staff welfare was enhanced through creation of URA- Retirement Benefit Scheme
- **2009**-URA SACCO scheme created to encourage staff saving and reduce on staff indebtedness
- **2015**- Comprehensive medical insurance implemented

### 3.4 Staff outreach

Staff outreach is an indicator of the tax authority's size and its ability to serve all taxpayers – potential and registered. URA employed 1,945 staff in 1991/92 and currently employees 2,394 staff. The total tax register as at the end of FY 2015/16 stood at 902,339 out of which 72,988 are non-individual and 829,351 are individual taxpayers. Uganda has a population of about 36 million and a labour force of about 15 million. The international benchmark for effective tax administration outreach is around 1,000 people per tax administrator while that of Uganda is sixteen times higher at 16,163. This implies that our staff outreach is below recommended levels but efforts are being made in collaboration with the central government to increase the number of staff so that we can effectively serve our taxpayers in all regions of the country.

### 4. Policy changes

We all do observe that an existing tax system affects the standard of living in different ways for different groups of the population and business decisions in the private sector. Therefore, Uganda has taken various reforms to improve tax policy, simplify tax systems and reduce performance obstacles and inefficiencies in tax administration. The dominant tax policy reforms during the last 25 years have been related to tax rates and thresholds leading to harmonization of tax laws and rationalization of tax rates and tariffs within the region. Below are some of the key tax policy reforms.
5. Administrative measures

5.1 Enhanced process management and systems

To increase domestic revenue collections, in 2009 Uganda Revenue Authority (URA) focused more on making further improvements in tax administration, building a culture of tax compliance and enhancing public confidence through improved service delivery than making tax rates adjustments. In this regard, URA implemented modern systems and procedures, ranging from introduction of e-tax, fast customs clearance of...
goods, export information services, taxpayer’s education services, and introduction of social media platforms for easier communication and faster handling of complaints.

As a result, URA has been transformed into a client-centric organization that is highly automated with a lot of self service products. 90% of our processes have been re-engineered and automated during the 25 years. The reengineered processes resulted into transparency and enabled free and smooth flow of operations. This has helped URA unearth hidden revenue and improved its public image. Based on a Client Service Survey that was carried out in 2015/16, 80.29% of the taxpayers considered the image of URA to have improved significantly. Key reengineered process include among others:

5.2 Implementation of electronic methods

The path of service is the path of success. URA has made great strides in improving service delivery. The focus has been on providing a service so that revenue is only an outcome. Accordingly, we introduced electronic methods (e.g. e-registration, e-filing, e-declaration of customs transactions and e-payment) in 2010 to offer personalised services to taxpayers. With our taxpayer-centric Portal (https://ura.go.ug), we provide 24/7 electronic service delivery, anytime, anywhere with quick & high quality e-services and greater degree of transparency to taxpayers. Secondly, most of the borders provide 24/7 services including Entebbe airport. This has resulted into reduction in service turnaround time with minimal physical interaction with the Department and reduction in taxpayer’s visit to URA Offices by more than 90%.

In 1999/2000, seven banks were authorized to handle URA Payments including Uganda commercial bank. Various e-service payment method have been implemented ranging from PayWay to MTN mobile payment, Mobile App and banks (currently 21 banks) to further reduce turnaround time for the taxpayers and hence increase their efficiency and profitability.

5.3 Single points of services

In a bid to reduce the cost of doing business: single points known as One Stop Shops that take services closer to our esteemed clients and expand the tax register were created in a collaboration known as the Taxpayer Registration Enhancement Program. Other players in this are the municipal authorities and Uganda Registration Services Bureau. Additionally, One stop Border Posts (OSBPs) which enable Government border agencies of two given countries to operate under one roof and are involved in clearance of goods have been
established. Four namely Busia, Malaba, Mutukula and Mirama Hills are functional. Two are being constructed.

The other is the **Electronic Single Window**, which enables all parties involved in trade and transport to lodge standardized information and documents at a single point to fulfill all import, export, and transit-related regulatory requirements. As a result, transparency in the supply chain has been created, and revenue has greatly increased.

### 5.4 Tax administration model

The tax administration models have evolved over time. In 1991, URA adopted a model based on tax types and created departments along those lines such as indirect taxes department, direct taxes department etc. This later changed to a functional approach and as a result tax administration was organized along functions such as auditing, enforcement etc.

Given the heterogeneity nature of taxpayers in terms of size and nature of business done and the different challenges it posed for tax administration, URA adopted a taxpayer model that segmented its taxpayers along their revenue potential. Currently, taxpayers’ segments range from large taxpayers, medium taxpayers, and small taxpayers to public sector taxpayers etc. The criteria used to segment taxpayers range from turnover, tax payment trends to the nature of business (i.e. the economic sectors in which businesses operate). Tax segmentation has helped us provide services and tax education according to their specific needs. We have seen the number of taxpayers in each segment and revenue contribution increase from year to year.

### 5.5 Cost of revenue collection

The cost of revenue collection measured as the ratio of recurrent operating costs to net revenue collected is an indicator of the efficiency gauging institutional set-ups, scope of activities, performance measurement systems and strategic intervention implemented. Our cost of revenue collection has been reducing since 1991. Currently, it is at 1.94% as at FY 2015/16. This has been as a result of efficient tax administration and huge investment in modernisation initiatives that have borne fruit in terms of increased revenue. For example, the introduction of the Single Customs Territory (SCT) procedure reduced clearance time from 18 days to 4-6 days from Mombasa to Malaba/Busia. In addition, border compliance controls of fuel products have also been improved. The rolling out of ASYCUDA World, a customs management system and e-valuation database
improved the efficiency and effectiveness of customs management. Real-time reports from both ASYCUDA World, e-tax and e-hub- a data warehouse are used to facilitate decision-making. Nonintrusive inspection by use of scanners has enhanced the capacity of the customs department to recover taxes from concealed goods and counter the importation of restricted or prohibited goods.

5.6 Definition of Strategic direction using Balanced Scorecard and Business Model

The URA corporate plan was first developed in 2002. In 2008, URA adopted the Balance Score Card (BSC) framework with the aim of: aligning the Strategy to the Corporate Vision, Mission and Objectives; improving internal and external communications; and monitoring organization performance against strategic goals. The Balanced Scorecard (BSC) was fused with Business model (BM) in FY 2015/16 to develop the URA Corporate Plan 2016-2020 under the theme; “Cultivate taxpaying culture through provision of reliable services, leadership development and building strategic partnerships”. URA has defined the business model to clearly map-out the critical elements that the organization has to focus on to realize her strategic directions. These elements include; client segments, value proposition, channels, client relationships, revenue streams, key resources, Key activities, cost structures, key partners. While the URA business model defines how URA creates, delivers and captures value, the balanced scorecard operationalizes the elements in the Business Model by laying out what shall be done, when & how. The Balance Scorecard further details the initiatives per strategic objective, the corresponding measures as well as expected targets for the planning period.

URA’s planning, budgeting and procurement functions have been integrated thus improving prioritization, resource allocation and reducing duplications and hence optimizing financial resources. URA was the first international and African institution to be recognized for excellent strategy execution by the Balanced Scorecard Institute, USA and was given an accolade for excellence in strategy execution in 2013.

5.7 Benchmarking

Uganda Revenue Authority has evolved over time to become an authority that elevates transparency, excellence and integrity. We have hosted delegations from over 15 revenue authorities and 10 government bodies in Africa to learn from Uganda Revenue Authority’s rich experience. Example of revenue authorities include; Bangladesh, Cameroon, DRC, Rwanda, Ethiopia, Ghana, Kenya, Lesotho, Liberian, Malawi, Mozambique Southern Sudan, Zambia, Zimbabwe and Tanzania among others.
Some of the areas of interest to the visiting teams have included contribution of automation to efficient revenue collection, minimizing the cost of revenue administration through functional structures, the modernization reforms, strategy execution, customs curriculum and procedures, taxpayer service management and education. This has made us a model of best practice in revenue service and innovation.

5.8 Stakeholder partnerships

URA has implemented various initiatives aimed at fostering partnerships in order to improve productivity of our tax system and ensure sustainable progress in the areas critical to revenue mobilization. We have signed numerous MOUs during the 25 years with various local and international government agencies to aid Information exchange, provide technical assistance and financial support.

Within Uganda, we have MOUs with institutions such as Kampala Capital City Authority, National Bureau of Standards (UNBS), Bank of Uganda, Uganda Bureau of Statistics and Atomic Energy Council (AEC). Others are Financial Intelligence Authority, Ministry of Trade, National Drug Authority, Uganda Manufacturers’ Association, Public Procurement and Disposal of Assets Authority, Uganda Communications Commission, National Social Security Fund and the Institute of Certified Public Accountants.

Outside Uganda, URA has MOUs with other EAC revenue agencies (Rwanda, Burundi, Kenya and Tanzania), South Sudan, South Africa, General Administration of China Customs of the People’s Republic of China, The Korea Customs Service, Dubai Customs and United States of America and development partners including the Department for International Development, KfW and Trade Mark East Africa.

6. Revenue performance

6.1 Net Revenue growth

The policy and administrative reforms implemented during the 25 years have manifested through sustainable revenue collections growth and enabled URA attain its overarching goal of fully financing the Uganda national budget. By end of Financial Year 2015/16, revenue that previously funded approximately 48% of the national budget at the beginning of 2001/02 was in position to support 64% of the national budget. This signified a growth of 11 trillion (UGX 0.18 trillion to UGX 11.23 trillion) during the 25 years. This resulted into a tax to GDP ratio growth from 6.97% in FY 1991/92 to 12.87% in FY 2015/16 with our target being 16% by the year 2020.
6.2 Non-Tax Revenue (NTR)

As you are all aware, all government collections from Ministries, Departments and Agencies (MDAs) are currently collected by URA. As a result of efficiency registered in e-tax, the Ministry of Finance instructed all Non-Tax Revenue (NTR) originally collected by MDAs to be collected by URA. The collections of NTR and Other Non-Tax Revenue (ONTR) have steadily grown as shown in the graph below. NTR Collections grew from UGX 3.65 billion to UGX 444 billion during the 25 years.
7. Conclusion

I take this opportunity to thank the different management teams and board of directors that have been part of this journey. I thank the government of Uganda, ministries, departments and agencies for the overwhelming support in terms of the implementation of policies to increase tax rates, broaden the tax base and improve the efficiency of revenue administration.

My appreciations go to the regional (EAC) and international institutions (African Tax Administration Forum and World Customs Organization) and developmental partners for their continuous commitment in terms of
financial support and technical assistance. Special thanks go to Government of Uganda, China and Netherlands government, DFID, DANIDA, KFW, IMF, JICA, TMEA, SIDA and the World Bank.

I want to commend you the media for continuously championing tax education matters most effectively in your different media houses/platforms and thus providing a better understanding of this information to the public. Your commitment to the URA partnership is commendable.

Lastly, I thank the public for the role it has played in the growth of the economy. I thank all the loyal taxpayers, who have consistently remitted their taxes and embraced voluntary compliance as part of their civic duty. Taxpayers have been a driving force for the different innovation and systems implemented by URA. Let us continue to work together to ensure Uganda is not dependent on foreign aid.

Developing Uganda Together.

For God and My Country.

Doris Akol
Commissioner General.