Executive Summary

During the fiscal year 2018/19, URA was given a net revenue target of UGX 16,358.76 billion grounded on a set of macro-economic assumptions. The net revenue collections outturn for FY 2018/19 were UGX 16,617.65 billion, registering a growth rate of 14.95% (UGX 2,161.53 billion) compared to the previous financial year. This collection was UGX 258.89 billion above the target, posting a performance level of 101.58%.

Domestic taxes net collections during the FY 2018/19 were UGX 9,749.29 billion, registering a performance of 102.80% and UGX 265.59 billion above the target. A growth rate of 17.68% was realized compared to FY 2017/18. The major tax heads that recorded gross surpluses during the year were majorly direct taxes that include; corporation tax; that registered a surplus of UGX 331.37 billion mainly attributed to the transport, storage and communication sub sector as well as the financial intermediaries and PAYE; that registered a surplus of UGX 148.60 billion mainly attributed to the public sector that performed at 127.96% of target.

The net international trade tax collections during the FY 2018/19 were UGX 6,875.41 billion registering a performance of 100.00% and UGX 0.34 billion above the target. A growth rate of 10.85% was realized compared to FY 2017/18. The major tax heads that registered good performance during the financial year were; import duty that performed at 100.71% of the target and VAT on imports that performed at 102.67%.

Net estimated revenue from approved measures was UGX 779.5 billion and a total of UGX 1,095.29 billion were collected during the FY 2018/19 and registering a performance of 140.50%.

Sector revenue performance analysis indicates that the top five sectors during the year were; Wholesale and retail; repair of motor vehicles and motorcycles, Manufacturing, Information and communication, Financial and Insurance activities and Public administration and defense; compulsory social security have been consistent for the last three years generating 75.18% of the total revenue from all the sectors, a slight improvement from 73.98% recorded in FY2017/18. The “Wholesale and retail trade; repair of motor vehicles and motorcycles sector” as before, had the biggest share of (UGX 4,959.27Bn) that is 29.24% of the total revenue contribution. The “Manufacturing” sector followed with a share of 21.79% and the rest of the 19 sectors contributed 48.97% of the total revenue.
The good revenue performance recorded was attributed to the more than projected economic growth. During the FY 2018/19 the economy grew by 6.1% against the projected growth of 6%. The growth in private sector credit, the demand for private sector credit increased to 12% from 6.8% in FY 2017/18. Major sectors that registered growth in private sector credit during the year were; mining and quarrying (44.37%), electricity and water (20.78%), manufacturing (15.25%), trade (13.03%) and business services (13.17%) among others which boosted the level of economic activity and domestic tax collections.

Furthermore, the increase in Uganda’s dry cargo import volumes in shillings by 28.54% during the FY 2018/19 compared to 16.30% last financial year FY 2017/18. The growth in dry cargo import volumes led to the growth in goods that attract VAT on imports by 8.17% and goods that attract import duty by 1.62%. This explains the surplus registered in VAT on imports by UGX 69.25 billion, import duty by 9.57 billion and international trade tax collections by UGX 8.91 billion.

**The administrative initiatives** implemented during the FY 2018/19 include; Tax Register Expansion Program (TREP) and Block Management System (BMS) which led to a growth in the tax register by 12.62% (166,663 new taxpayers). 142 compliance domestic audits were conducted with a total assessment of UGX 158.81 and a recovery of UGX 15.24 billion while the total customs post clearance audits were 282 audits (181 comprehensive and 101 issue) that resulted to UGX 74 billion as agreed. In terms of enforcement interventions, customs generated UGX 78.48 billion, while arrears recoveries led to a recovery of UGX 695.33 billion.

**FY 2019/20 revenue outlook**: The net revenue target for the FY 2019/20 is UGX 20,344.13 billion. URA will implement the various administrative and approved policy measures expected to raise UGX 748 billion and UGX 62.29 billion respectively to contribute to the annual revenue target.
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1. Introduction

Effective revenue mobilization is the driver of the National Development Plan II. In this respect, URA plays a key role in her mandate to collect revenue against set targets. It is therefore of utmost importance to periodically assess revenue collection to target under the different tax heads.

The FY 2018/19 revenue performance report provides a comprehensive assessment of the different tax heads, tax administrative measures, and policy measures and gives reasons for performance.

The assessment focuses on the following;

i. Domestic taxes performance with an extensive analysis of the different tax heads and elements of domestic revenue collection.

ii. International trade revenue performance, with a detailed analysis of the different elements of customs revenue collections. Further analysis is made on Uganda’s trade position with the rest of world and the EAC.

iii. Administrative measures. Focus is on the different initiatives implemented, their desired outcomes and linkages to revenue performance. This includes audit performance, arrears management, and taxpayer register and customs enforcement interventions.


v. Performance of the tax policy measures. Analysis is premised on the revenue generated from the tax policy pronouncements made at the beginning of the FY 2018/19.

vi. Revenue contribution by sectors. Analysis is made based on the top 2000 taxpayers

The revenue collection figures are obtained from the finance division of URA, with additional information extracted from URA databases including the e-tax and e-hub.

The report is structured as follows: section 2 provides a review of the overall revenue performance. Section 3 provides the assessment of domestic revenue performance. International trade revenue collection is analyzed in section 4, followed by an assessment of administrative measures, policy measures, macro-economic performance, and revenue performance by sectors and international trade report.
2. Overall revenue performance

The net revenue collections during the FY 2018/19 were UGX 16,617.65 billion, posting a growth of 14.95% compared to last financial year. However, this was UGX 258.89 billion above the annual target registering a performance of 101.58%. The year to year net revenue collection growth increased by 1.30% percentage points from 13.65% in FY 2017/18 to 14.95% in FY 2018/19.

During the month of June 2019, URA’s net revenue collections were UGX 1,855.22 billion registering a 5.18% growth rate compared to the same month last financial year. However, this was UGX 69.59 billion below the June target. The trend analysis indicate a fluctuating trend in the growth rates in the month of June over the last five year period.

Figure 1: Trend analysis of net revenue growth from 2014/15 to 2018/19

![Figure 1](source)

Figure 2: Trend analysis of net revenue growth in June from 2014/15 to 2018/19

![Figure 2](source)
2. 1 Reasons revenue performance

2. 1.1 Economic growth

During the FY 2018/19, the economy grew by 6.1% against the projected growth of 6%. Major revenue contributing sectors registered positive growth during the year. For example; The Industry sector grew by 12.93% as compared to 6.89% in FY 2017/18 driven by the outstanding performance in Building, Mortgage, Construction and Real Estate that grew by 10.57%, manufacturing by 15.37%, mining and quarrying by 44.37%. Services sector registered an improvement in business and trade sub sectors but performance in transport and communication, personal and household loans, community and social services declined significantly and this is because of the increase in prices of electricity power generation. This also contributed to our estimated revenue surplus of UGX 258.89 billion

Table 1: Macroeconomic assumptions used to project FY 2018/19 revenue target

<table>
<thead>
<tr>
<th></th>
<th>FY 2015/16</th>
<th>FY 2016/17</th>
<th>FY 2017/18</th>
<th>FY 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outturn</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate (UGX per US Dollar)</td>
<td>3,476.60</td>
<td>3,524.10</td>
<td>3,658.72</td>
<td>3,781.15</td>
</tr>
<tr>
<td>Inflation (Headline) (%)</td>
<td>6.6</td>
<td>5.7</td>
<td>3.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Real GDP (MP) growth (%)</td>
<td>4.7</td>
<td>3.9</td>
<td>6.2</td>
<td>6.1</td>
</tr>
<tr>
<td>Growth in Private Sector credit (%)</td>
<td>14.7</td>
<td>4</td>
<td>6.8</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: URA Databases

Figure 3: Trend analysis of net revenue/Tax to GDP ratio from 2014/15 to 2018/19

The average net revenue collections growth over the five year period was at 15.72%. The tax to GDP ratio has increased from 12.84% in FY 2014/15 to 15.11% in FY 2018/19 above the NDP.2 target of 14.90% for FY 2018/19. Over the five year period, the tax to GDP ratio increased by 2.27 percentage
points and specifically, the tax to GDP ratio in FY 2018/19 has grown by 0.78% higher than the IMF target of 0.5%

2.1.2 Growth in private sector credit
During the FY 2018/19, the demand for private sector credit increased to 12% from 6.8% in FY 2017/18. Major sectors that registered growth in private sector credit during the year were; mining and quarrying (44.37%), electricity and water (20.78%), manufacturing (15.25%), trade (13.03%) and business services (13.17%) among others. The increase in private sector credit in these sectors increased the level of economic activities as reflected in their GDP growth rates and hence increase in revenue collected and leading to the surplus.

Figure 4: Access to private sector credit (%)

Source: BOU Databases

2.1.3 Increase in import volumes
Uganda's dry cargo import volumes in shillings grew by 28.54% during the FY 2018/19 compared to 16.30% in financial year FY 2017/18. The growth in import volumes led to the growth in goods that attract VAT on imports by 8.17%, goods that attract import duty by 1.62%. This explains the surplus registered in VAT on imports by UGX 69.25 billion, surplus import duty by 9.57 billion and international trade tax collections by UGX 8.91 billion.

2.1.4 Increase in tax yield
The major import items that registered increase in tax yield during the FY 2018/19 compared to last year include; worn clothing (UGX 42.25 billion), cigarettes (UGX 29.27 billion), motor vehicles (UGX 28.36 billion), Foot wear (UGX 27.00 billion) among others. This enhanced international trade tax revenue collections leading to a surplus of UGX 8.91 billion.
Table 2: Top Customs Tax Yielding Items (Bn)

<table>
<thead>
<tr>
<th>Item</th>
<th>FY 17/18</th>
<th>FY 18/19</th>
<th>Increase in Tax Yield (UGX Bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worn clothing (UGX Bn)</td>
<td>220.48</td>
<td>262.73</td>
<td>42.25</td>
</tr>
<tr>
<td>Cigarettes (UGX Bn)</td>
<td>44.16</td>
<td>73.43</td>
<td>29.27</td>
</tr>
<tr>
<td>Motor Vehicles (UGX Bn)</td>
<td>112.83</td>
<td>141.19</td>
<td>28.36</td>
</tr>
<tr>
<td>Foot wear (UGX Bn)</td>
<td>96.31</td>
<td>123.31</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: URA Databases

2.1.4 Good Performance in Tax Policy Measures

During the budget speech for the fiscal year 2018/19, several new tax policy measures were proposed for implementation to facilitate the achievement of the identified result areas. The proposed tax policy measures were majorly under; Income tax, Local Excise Duty, VAT, Customs-NTR, Customs, CET Adjustments and Excise-Customs. Key among the tax policies measures introduced under the Local Excise Duty; daily levy of UGX 200 on Over the Top services (social media access) and levy of 1% on mobile money transactions.

Net estimated revenue from approved measures was UGX 779.5 billion and a total of UGX 1,095.29 billion were collected during the financial year and registering a performance of 140.50%. Generally, the tax policies from the different tax heads had an average achievement at 111.82%.

Generally, the tax policies from the different tax heads had an average achievement at 111.82%.

Table 3: Summary Performance of the Tax Policy Measures

<table>
<thead>
<tr>
<th>Tax head</th>
<th>FY 2018/19 Target</th>
<th>FY 2018/19 Outturn</th>
<th>Achievement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax (UGX Bn)</td>
<td>65.80</td>
<td>70.73</td>
<td>107.49%</td>
</tr>
<tr>
<td>Excise duty (UGX Bn)</td>
<td>669.7</td>
<td>761.09</td>
<td>113.65%</td>
</tr>
<tr>
<td>Value Added Tax (UGX Bn)</td>
<td>85.00</td>
<td>135.03</td>
<td>158.85%</td>
</tr>
<tr>
<td>Non-Tax revenue (UGX Bn)</td>
<td>-111.00</td>
<td>1.90</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Customs (UGX Bn)</td>
<td>70.00</td>
<td>126.55</td>
<td>180.80%</td>
</tr>
<tr>
<td>Total (UGX Bn)</td>
<td>779.5</td>
<td>1,095.29</td>
<td>140.50%</td>
</tr>
</tbody>
</table>

Source: URA Databases
3. Domestic taxes performance

The gross domestic taxes collections during the month of June 2019 were UGX 1,321.85 billion, a contribution of 13.12% to the cumulative domestic collections of UGX 10,074.12 billion collected during the FY2018/19. The domestic collections were UGX 49.59 billion above target in June 2019, posting a performance of 103.90%. This contributed to a cumulative surplus of UGX 326.33 billion in period July to June FY 2018/19, with a performance of 103.35%. Compared to the previous financial year, a growth in revenue of UGX 147.10 billion (12.52%) and UGX 1,625.20 billion (19.24%) were achieved in June 2019 and July – June 2018/19 respectively.

The domestic revenue collection to target in the period is depicted in figure 5 below.

**Figure 5: Gross domestic revenue collection to target (UGX Billions)**

![Gross domestic revenue collection to target (UGX Billions)](source)

*Source: URA Databases*

The trend analysis for June 2019, indicate a consistent growth in absolute revenue figures albeit year to year fluctuations. The highest gross domestic revenue growth was UGX 241.26 billion, attained in FY 2014/15. This translated into a significant growth of 41.62%.

**Figure 6: Trend analysis of gross domestic revenue growth from June 2014/15 to 2018/19**

![Trend analysis of gross domestic revenue growth from June 2014/15 to 2018/19](source)

*Source: URA Databases*
In terms of the trend analysis for the period July to June for the last five years, the gross domestic taxes revenue collections have consistently grown albeit fluctuating growth rates. The peak of the growth has been in the FY 2018/19 at 19.24% as reflected in Figure 7 below.

**Figure 7: Trend analysis of gross domestic revenue growth for July to June**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue in billions</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>July-June 2014/15</td>
<td>5,553.97</td>
<td>18.00%</td>
</tr>
<tr>
<td>July-June 2015/16</td>
<td>6,594.95</td>
<td>18.74%</td>
</tr>
<tr>
<td>July-June 2016/17</td>
<td>7,480.40</td>
<td>13.43%</td>
</tr>
<tr>
<td>July-June 2017/18</td>
<td>8,448.92</td>
<td>12.95%</td>
</tr>
<tr>
<td>July-June 2018/19</td>
<td>10,074.12</td>
<td>19.24%</td>
</tr>
</tbody>
</table>

*Source: URA Databases*
3.1 Direct domestic taxes performance

In June 2019, UGX 936.98 billion was collected in direct domestic taxes, registering a performance of 109.23%. A surplus of UGX 79.17 billion was posted and a growth of UGX 121.94 billion (14.96%) compared to the same month last financial year. Major surpluses were registered in; corporation tax collections (UGX 136.44 billion), PAYE (UGX 15.82 billion) and rental income tax (UGX 0.30 billion) whereas significant shortfalls were registered in withholding tax (UGX 56.72 billion), treasury bills (UGX 9.73 billion), tax on bank interest (UGX 3.58 billion), presumptive tax (UGX 2.06 billion), and casino tax (UGX 1.63 billion).

Cumulatively, UGX 5,511.68 billion were collected in direct domestic taxes in the period July to June 2018/19. A performance of 106.49% was posted and a surplus of UGX 336.12 billion. Compared to the same period last financial year, a growth in direct domestic taxes of 841.00 billion (18.01%) was registered. Major surpluses were registered in Corporation tax (UGX 331.37 billion) and PAYE (UGX 148.60 billion). On the other hand, deficits were registered in Withholding tax (UGX 62.62 billion), Tax on Bank interest (UGX 33.82 billion), Treasury bills (BOU) (UGX 17.80 billion). Presumptive tax (UGX 9.02 billion), Casino tax (UGX 6.68 billion) and Rental tax (UGX 5.21 billion). Detailed justification of direct taxes performance is provided in Table 1.

Based on the trend analysis of the last five years, direct domestic taxes collections have continuously increased. However, the growth rates have been fluctuating over the period as depicted in Figure 8 below

Figure 8: Trend analysis of direct domestic taxes collection: July- June

Source: URA Databases

The growth in direct domestic taxes collections is largely influenced and matched by a growth in PAYE collections as depicted in figure 9 below.
Figure 9: Trend analysis of direct domestic tax type collections (UGX Billions):

<table>
<thead>
<tr>
<th>Year</th>
<th>PAYE</th>
<th>Corporation</th>
<th>Withholding tax</th>
<th>Rental Income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>1613.24</td>
<td>714.77</td>
<td>546.86</td>
<td>27.65</td>
</tr>
<tr>
<td>2015/16</td>
<td>1803.53</td>
<td>732.16</td>
<td>699.34</td>
<td>55.03</td>
</tr>
<tr>
<td>2016/17</td>
<td>2114.99</td>
<td>764.27</td>
<td>677.93</td>
<td>71.74</td>
</tr>
<tr>
<td>2017/18</td>
<td>2396.11</td>
<td>884.80</td>
<td>754.29</td>
<td>88.75</td>
</tr>
<tr>
<td>2018/19</td>
<td>2811.30</td>
<td>1167.75</td>
<td>846.66</td>
<td>115.23</td>
</tr>
</tbody>
</table>
Table 4: Direct domestic tax head performance for FY 2018/19

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>PAYE</td>
<td>318.11</td>
<td>15.82</td>
<td>19.75%</td>
<td>2,811.30</td>
<td>148.60</td>
<td>17.33%</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Withholding Tax</td>
<td>95.74</td>
<td>56.72</td>
<td>-27.59%</td>
<td>846.66</td>
<td>(62.62)</td>
<td>12.25%</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Corporation Tax</td>
<td>431.80</td>
<td>136.44</td>
<td>22.28%</td>
<td>1,167.75</td>
<td>331.37</td>
<td>31.98%</td>
</tr>
<tr>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Presumptive tax</td>
<td>1.10</td>
<td>(2.06)</td>
<td>52.85%</td>
<td>7.21</td>
<td>(9.02)</td>
<td>35.47%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rental income tax</td>
<td>35.81</td>
<td>0.30</td>
<td>29.34%</td>
<td>115.23</td>
<td>(5.21)</td>
<td>29.84%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Tax on Bank Interest</td>
<td>7.48</td>
<td>(3.58)</td>
<td>32.38%</td>
<td>74.08</td>
<td>(33.82)</td>
<td>-7.67%</td>
</tr>
<tr>
<td></td>
<td>Treasury Bills (BOU)</td>
<td>33.33</td>
<td>(9.73)</td>
<td>80.48%</td>
<td>402.27</td>
<td>(17.80)</td>
<td>6.76%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Casino tax</td>
<td>1.91</td>
<td>(1.63)</td>
<td>-14.65%</td>
<td>27.90</td>
<td>(6.68)</td>
<td>-4.52%</td>
</tr>
</tbody>
</table>

FY 2018/19, Reasons for performance:

- arrears recovery initiatives which yielded UGX 109.79 billion from PAYE, boosted collections in the period. For example payments on assessments raised from audits on MTN (3.23Billion), China International Water (3.71Billion) and Apollo Hotel (0.422Billion).
- This performance was also supported by an increase in wage bill for public servants mainly due to Government Directive for science cadres that boosted Public Sector PAYE collections leading to a surplus of UGX 176.83 billion.
- The improvements in the Integrated Financial Management System (IFMS) that resulted into timely payment of salaries.
- Bonus payments during the FY 2018/19, especially in the month of July-2018. The major contributors include: Airtel (1.098Billion), Huawei (1.630Billion), Bank of Africa (1.075Billion), Total E & P (1.94Billion).

This was affected by low tax remittance especially from withholding tax on government, Dividends and Foreign transactions which contributed a combined deficit of UGX 124.84 billion. The low performance on dividends can be explained by decline in profitability of key companies like Bujagali Energy ltd, Hariss international by UGX 14.5 billion and UGX 57.49billion respectively.

The growth in the economy by 6.1% compared to 6.0% registered in FY 2017/18. There was also increase in demand for private sector credit to 12% from 6.8% in FY 2017/18. This signifies increase in business activities which improved most company’s profitability affecting corporation tax revenue collections positively.

- Administrative effort to recover Arrears that amounted to UGX 144.46 billion from corporation tax, boosted collections during the year.

The shift from presumptive to income tax regime (taxpayers that were initially filing under presumptive tax are now filing under the income tax regime) affected presumptive tax.

Several individuals have opted to switch to corporation tax as opposed to rental tax.

There is a persistent decline in fixed deposits to the banks which has affected interest at maturity consequently leading to realizing low tax on bank interest than projected.

The performance was affected by lower returns on investments in treasury bills in the FY than earlier projected.

- The performance is attributable to the closure of 18 gaming companies which did not met the requirements and obligations of the licensing board for example Goal Sports Ltd, Lucky sports betting Ltd which previous contributed 0.12 billion and 0.07 billion in the FY 2017/18.
- Reduction in payments as a result of the minister affirming the position that licenses are not going to be renewed for example Top Bet Sports Ltd and Kings investment Ltd reduced their contribution by 1.4 billion and 1.09 billion respectively among others.
3.2 Indirect domestic taxes performance

June 2019

Indirect domestic taxes collections for June 2019 were UGX 330.70 billion against a target of UGX 360.56 billion and hence registering a performance of 94.33%. These collections were UGX 19.86 billion below target however they represent a growth rate of 10.27% (UGX 30.81 billion) compared to the same month in the previous financial year.

The year to year revenue trend, for the last 5 years, has been improving but with fluctuating growth rates as shown in figure 10 below.

Figure 10: Trend analysis of indirect domestic taxes collection (UGX Billions): June

Cumulatively, indirect domestic taxes collections for the FY 2018/19 were UGX 3,871.48 billion against a target of UGX 3,944.43 billion. This represents a performance of 98.15% which implied a deficit of UGX 72.95 billion. However, the year to year collections have registered growth of 21.41% (UGX 682.76 billion).

Year to year revenue trend during the July to June period for the last 5 years displays growing revenue trend with fluctuating growth rates as shown in the figure below.
A detailed analysis of indirect domestic taxes performance is provided below.

### 3.2.1 VAT Performance

VAT collections for the month of June 2019 were UGX 228.43 billion against a target of UGX 222.54 billion. This represented a 102.65% performance hence a surplus of UGX 5.89 billion. This performance also registered a growth of 8.84% (UGX 18.56 billion) registered compared to the same month last year.

Cumulatively, VAT collections for the FY 2018/19 were UGX 2,554.45 billion against a target of UGX 2,477.13 billion. This represented a 103.12% performance hence a surplus of UGX 77.32 billion. This performance also registered a growth of 14.30% (UGX 319.54 billion) compared to the period last financial year.

#### 3.2.1.1 Manufacturing sector

VAT collections in the manufacturing sector in FY 2018/19 were UGX 530.55 billion against a target of UGX 569.73 billion. This represents a shortfall of UGX 39.18 billion and a performance of 93.12%. Despite the shortfall, a growth rate of 7.23% (UGX 35.78 billion) was registered compared to the same period last year. The shortfall in the sector was attributed to deficits in beer (UGX 48.52 billion), cement (UGX...
10.32 billion), bottled water (UGX 22.92 billion), sugar (UGX 52.53 billion), milk (UGX 1.10 billion) and cigarettes (UGX 6.29 billion), as shown in figure 12 below.

Figure 12: Collections to target in the manufacturing sector in FY 2018/19

![Graph showing collections to target in the manufacturing sector in FY 2018/19](image)

Source: URA data bases

The FY 2018/19 VAT in manufacturing sector performance was attributed to:

a. Drop in sugar price per kilogram from an average of UGX 4,500 in July 2018 to less than UGX 3,200 in June 2019 leading to a deficit of UGX 52.53 billion.

b. A deficit of UGX 48.52 billion deficit was registered in beer sub-sector, which was attributed to the newly introduced policy of levying 30% or UGX 650 per liter, whichever is higher, on opaque beer. This policy consequently led to indefinite
closure of Chibuku beer production line by Nile Breweries. Also beer sales dropped by 7.8% from 460 million litres in FY 2017/18 to 423 million litres in FY 2018/19. The drop in sales is attributed to an increase in the price of some of the products i.e. Senator beer, from UGX 2,000 to UGX 2,200 and Eagle beer from UGX 2,000 to UGX 2,200.

c. A deficit of UGX 22.92 billion registered under bottled water and was attributed to entry of many producers of bottled water, from 33 companies in July 2018 to 58 companies by the end of the FY 2018/19. This resulted into stiff competition from the many new market entrants which did cause drop in prices i.e. the 600ml bottle average cost dropped from UGX 1,000 to UGX 500.

d. A deficit in cement sub-sector by UGX 10.32 billion due to decline in production and sales by 6.41% and 13.49% respectively mainly due to stiff competition from the new player like Simba Cement (National Cement Company (U) Ltd) whose prices are much lower at UGX 27,500, while Kampala Cement is UGX 29,000, Tororo cement is UGX 30,000 and Hima Cement is UGX 29,000.

e. A drop in the year to year sales of cigarettes by 17.44% as a result of the aggressive campaign by the Ministry of Health and World Health Organisation against tobacco consumption to fight cancer and heart related complications.

3.2.1.2 Service sector

VAT collections from the service sector in FY 2018/19 were UGX 584.13 billion against a target of UGX 640.59 billion. This represented a shortfall of UGX 56.45 billion hence a performance of 91.19%. The year to year growth rate for the fiscal year was 0.89% implying that revenue increased by UGX 5.14 billion compared to FY 2017/18.

The Service sector VAT performance was mainly affected by deficits in phone talk time (UGX 29.68 billion), Insurance & financial services (UGX 14.04 billion), electricity (UGX 9.82 billion) and agriculture (UGX 3.27 billion) as shown in figure 13 below.
The reasons for VAT collections performance in the service sector during the FY 2018/19 were;

a. Suspension of over 760,000 subscribers by the telecom companies on instruction by UCC during the FY 2018/19 caused a deficit of UGX 29.68 billion in Phone talk time. These were the clients that did not validate their registration details for clearer administration by the authorities. Competition amongst the key mobile telecom companies MTN, Airtel that provided promotional packages at reduced rates to their clients like; data with OTT bundles, talk-time bundles and sms bundles among others.

b. The policy of “cash and carry” introduced by the Insurance Regulatory Authority in FY 2018/19 where insurance can only be under-written when cash is paid. This led to a deficit of UGX 14.04 billion. This affected the big companies that only release funding at the beginning of financial years or quarterly yet their insurance obligations fall in between these periods.

c. Monitoring of water levels by the Directorate of Water Development (DWD) that should not exceed certain water quantities in a specified time frame which limits the electricity generation leading to a deficit of UGX 9.82 billion in the electricity subsector.
It is also imperative to note that some electricity subsector players fall under deemed VAT i.e Kalpataru PTL and KEC international and this affected collections from this sub-sector.

3.2.1.3 Other key sectors

The VAT collections in the other key sectors in FY 2018/19 were UGX 620.69 billion against a target of UGX 666.12 billion. This performance presented a shortfall of UGX 45.43 billion hence a performance of 93.18%. Despite the shortfall, there was growth of 1.37% (UGX 8.37 billion) compared to FY 2017/18.

The other key sectors registered deficits in construction (UGX 17.06 billion), wholesale & retail trade (UGX 16.07 billion), hotels & restaurants (UGX 7.68 billion), real estate activities (UGX 8.97 billion) and mining & quarrying (UGX 3.12 billion).

The revenue collection to target of the other key sectors is depicted in the figure below.

Figure 14: Collections to target in the other key sectors in FY 2018/19

Source: URA data bases

The FY 2018/19 VAT performance in other key sectors was attributed to the following factors;

a. Ongoing and completed large construction projects such as the new Nile Bridge, Karuma Hydropower electricity plant and Isimba dam projects that led to reduced
remittance because of increased input VAT compared to same period last financial year. This led to a deficit of UGX 17.06 billion under construction.

b. Government policy implications such as BUBU policy that requires government agencies to deal with service providers that produce with considerable local content. The local manufactureres and traders have not yet adjusted to take advantage of the BUBU policy as seen in the increasing levels of imports by 29.57% leading to a deficit of UGX 16.07 billion in whole sale and retail trade.

c. Real estates deficit of UGX 8.97 billion was attributed to reduction in number of quality tenants that have prefered to construct own premises i.e URA, UNBS, DFCU and Uganda Police.

3.2.2 Local Excise Duty performance

In June 2019, Local Excise Duty (LED) collections were UGX 102.27 billion against a target of UGX 128.03 billion. The LED performance was at 79.88% implying a shortfall of UGX 25.76 billion. Despite the shortfall, a growth rate of 13.61% (UGX 12.26 billion) was registered compared to June 2018.

Cumulatively, Local Excise Duty (LED) collections during the FY 2018/19 were UGX 1,317.03 billion against a target of UGX 1,467.31 billion. This performance was at 89.76% implying a shortfall of UGX 150.27 billion. Despite the shortfall, a growth rate of 38.07% (UGX 363.12 billion) was registered, compared to FY 2017/18. The LED performance was majorly affected by the OTT which has performed at 17.44% posting a deficit of UGX 234.48 billion.
The performance of LED subsectors in FY 2018/19 is explained in detail below.

a. The use of alternative access to social media using Virtual Private Networks (VPNs) which are free of OTT daily access charges thus registering a high avoidance rate and hence a huge deficit of UGX 234.48 billion in Over the Top tax (OTT) that performed at 17.44%. Also, the option for clients to forego access to social media...
due to inability to afford the UGX 200 for a one day’s access, while using their smartphones for other purposes i.e. making/recieving calls and transacting with other apps.

b. A shortfall of UGX 17.67 billion on spirits due to kaveera ban for Spirits. The year to year production and sales of spirits declined by 15.87% and 27.76% respectively, between FY 2017/18 and FY 2018/19 because some of the spirits producers did not install the bottling production lines as a requirement to shift from kaveera spirits.

c. Decline in production and sales as depicted in Table 2 below. Beer sales and production declined by 7.91% and 9.84% in FY 2018/19 compared FY 2017/18 leading to deficit of UGX 28.38 billion in beer sub-sector.

Trends of production and sales of excisable products in the last 5 Fiscal years is provided in the table below.
Table 5: Excisable sales and production trends analysis: July to June

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beer (liters)</td>
<td>537,146,288</td>
<td>562,048,657</td>
<td>687,586,686</td>
<td>466,113,981</td>
<td>420,264,645</td>
<td>-45,849,336</td>
</tr>
<tr>
<td>Cigarette Industry (milles)</td>
<td>2,407,196</td>
<td>1,592,198</td>
<td>701,672</td>
<td>1,022,980</td>
<td>1,268,020</td>
<td>245,040</td>
</tr>
<tr>
<td>Soft Drinks Industry (Liters)</td>
<td>2,315,424,546</td>
<td>1,741,947,000</td>
<td>1,726,568,556</td>
<td>653,288,686</td>
<td>690,524,368</td>
<td>37,235,682</td>
</tr>
<tr>
<td>Spirits (Liters)</td>
<td>975,037,692</td>
<td>177,672,856</td>
<td>200,080,239</td>
<td>106,391,245</td>
<td>89,506,157</td>
<td>-16,885,088</td>
</tr>
<tr>
<td>Sugar (Tons)</td>
<td>1,038,336</td>
<td>931,574</td>
<td>394,859</td>
<td>485,545</td>
<td>422,387</td>
<td>-63,158</td>
</tr>
<tr>
<td>Water (Liters)</td>
<td>366,655,981</td>
<td>414,945,484</td>
<td>443,094,389</td>
<td>271,606,302</td>
<td>279,442,882</td>
<td>7,836,580</td>
</tr>
<tr>
<td>Cement (Tons)</td>
<td>4,790,411</td>
<td>4,919,034</td>
<td>5,489,098</td>
<td>3,801,080</td>
<td>3,557,296</td>
<td>-243,784</td>
</tr>
<tr>
<td>Cosmetics (Liters/kgs)</td>
<td>292,867,691</td>
<td>301,931,503</td>
<td>262,059,993</td>
<td>25,144,798</td>
<td>82,557,073</td>
<td>57,412,275</td>
</tr>
<tr>
<td>Sweets and Chocolates(kgs)</td>
<td>3,828,266</td>
<td>1,270,837</td>
<td>2,334,463</td>
<td>2,514</td>
<td>-2,331,949</td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>291</td>
<td>3,322</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beer (liters)</td>
<td>543,364,417</td>
<td>562,030,676</td>
<td>688,655,052</td>
<td>460,193,104</td>
<td>423,811,216</td>
<td>-36,381,887</td>
</tr>
<tr>
<td>Cigarette Industry (milles)</td>
<td>2,602,071</td>
<td>1,767,913</td>
<td>711,932</td>
<td>325,580</td>
<td>268,800</td>
<td>-56,780</td>
</tr>
<tr>
<td>Soft Drinks Industry (Liters)</td>
<td>1,311,246,913</td>
<td>1,658,165,590</td>
<td>1,704,833,678</td>
<td>623,642,566</td>
<td>593,148,305</td>
<td>-30,494,261</td>
</tr>
<tr>
<td>Spirits (Liters)</td>
<td>140,394,029</td>
<td>175,511,936</td>
<td>194,061,343</td>
<td>107,320,433</td>
<td>77,525,197</td>
<td>-29,795,236</td>
</tr>
<tr>
<td>Sugar (Tons)</td>
<td>1,106,746</td>
<td>961,939</td>
<td>438,148</td>
<td>402,798</td>
<td>317,850</td>
<td>-84,948</td>
</tr>
<tr>
<td>Water (Liters)</td>
<td>346,795,474</td>
<td>395,350,129</td>
<td>440,095,018</td>
<td>297,629,382</td>
<td>271,221,393</td>
<td>-26,407,989</td>
</tr>
<tr>
<td>Cement (Tons)</td>
<td>4,818,455</td>
<td>4,967,629</td>
<td>5,444,199</td>
<td>3,572,863</td>
<td>3,090,886</td>
<td>-481,977</td>
</tr>
<tr>
<td>Cosmetics (Liters/kgs)</td>
<td>269,211,135</td>
<td>267,933,402</td>
<td>275,899,083</td>
<td>21,484,209</td>
<td>61,502,319</td>
<td>40,018,110</td>
</tr>
<tr>
<td>Sweets and Chocolates(kgs)</td>
<td>3,543,246</td>
<td>1,469,554</td>
<td>3,055</td>
<td>3,055</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>765</td>
<td>3,665</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>cooking oil</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Source: URA data bases
4. International trade taxes performance

The international tax gross collections for FY 2018/19 were UGX 6,883.98 billion against a target of UGX 6,875.07 billion, posting a surplus of UGX 8.91 billion and performance 100.13%. The FY2018/19, customs collections grew by (UGX 673.15 billion) 10.85% compared to FY2017/18 as shown in figure 12 below. In terms of revenue growth, there was a drop-in year to year revenue trend of 3.87 percentage points but with a revenue growth of UGX 673.15 billion as shown in figure below.

Major surpluses in international trade collections were registered in VAT on imports (UGX 69.25 billion), withholding taxes (UGX 14.66 billion), infrastructure levy (UGX 12.57 Bn), import duty (UGX 9.57 billion), and temporary road licenses (UGX 0.10 billion). On contrarily, Shortfalls were incurred in petroleum duty (UGX 63.26 billion), excise duty (UGX 12.53 billion, export levy (UGX 13.52 billion) and surcharge on used import (UGX 7.92 billion).

Figure 16: Trends analysis of international trade taxes

Source: URA data bases
The performance of international trade collections is attributed to the following.

a. **Growth in import volumes.** Uganda’s dry cargo import volumes in shillings grew by 29.57% and 26.14% in dollars during the FY 2018/19 compared to last financial year FY 2017/18. The growth in USD import volumes led to the increase in goods that attract VAT on imports by 8.17%, goods that attract import duty increased by 1.62%, goods that attracts excise duty by 6.20% and goods that pay environmenttal levy by 6.20%. This explains the surplus in international trade tax collections as indicated in the figure below.

**Figure 18: Import volumes growth trends in UGX and USD:**

Source: URA Data Base
b. **Increase in tax yield from the major items.** The major items that registered increase in tax yield during the FY 2018/19 compared to last year include; worn clothing by (UGX 42.26 billion), wheat/meslin by (UGX 23.85 billion), motor vehicle for transportation of goods by (UGX 27.14 billion), other foot wear by (UGX 26.92 billion), hot rolled iron by (UGX 16.75 billion), Motorcycles by (UGX 19.57 billion), portland cement by (UGX 11.90 billion), petroleum oils by (UGX 10.15 billion), new pneumatics tyres by (UGX 15.19 billion) and Cigarettes by (UGX 29.26 billion) which significantly contributed to the total collections as shown in the figure below.

**Figure 19: Performance of tax yield of the top items (UGX Bn)**

Source: URA Data Base

Detailed justification of international trade performance is provided in table below
Table 6: International trade performance in FY 2018/19 in detail

<table>
<thead>
<tr>
<th>s/n</th>
<th>Tax Head</th>
<th>Coll for June'19</th>
<th>June' 19 Surplus/ Deficit</th>
<th>June' 19 Growth</th>
<th>Coll for Jul 18 – June'19</th>
<th>Jul 18 - June'19 Surplus/ Deficit</th>
<th>Jul 18 June' 19 Growth</th>
<th>July to June 18/19 performance commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>VAT on Imports</td>
<td>218.64</td>
<td>(25.89)</td>
<td>-4.29%</td>
<td>2,664.81</td>
<td>69.25</td>
<td>10.277%</td>
<td>Increase in VATable imports: Imports of VATable goods increased by 8.17% during FY 2018/19. Items such as; wheat imports increased by UGX 15.98 billion, hot rolled iron by UGX 16.72 billion, worn clothing by UGX 16.87 billion, polyether &amp; Epoxide by UGX 17.02 billion and footwear by UGX 11.83 billion leading to the increase in VAT collected and resulting to a surplus of UGX 69.25 billion.</td>
</tr>
<tr>
<td>2</td>
<td>Petroleum duty</td>
<td>163.28</td>
<td>(56.22)</td>
<td>-9.52%</td>
<td>2,038.66</td>
<td>(63.26)</td>
<td>12.52%</td>
<td>The total volume of fuel imports for FY2018/19 showed a decline of 0.36% in total as compared to FY2017/18. Diesel increased by 1.23% while Petrol, Jet fuel and Kerosene decreased by 1.71%, 1.05% and 4.14% respectively.</td>
</tr>
<tr>
<td>3</td>
<td>Import duty</td>
<td>123.99</td>
<td>(7.38)</td>
<td>-0.64%</td>
<td>1,350.46</td>
<td>9.57</td>
<td>10.35%</td>
<td>Imports that attract import duty during the FY208/19 grew by 1.62%. The top items and their growth included; foot wear by UGX 12.68 billion, used clothes by UGX 11.73 billion, wheat &amp; meslin by UGX 8.28 billion and rice by UGX 14.03 billion among others.</td>
</tr>
<tr>
<td>4</td>
<td>Excise duty</td>
<td>17.22</td>
<td>(2.87)</td>
<td>3.56%</td>
<td>216.56</td>
<td>(12.53)</td>
<td>10.10%</td>
<td>Decline of excisable goods: The performance is explained by a significant reduction in imports of excisable items during the FY 2018/19 compared to the same period last year leading to a decline in excise duty paid. Key items with a decline were Ethyl alcohol by 57.57% (UGX 25.63 billion) and malt beer by 15.61 (UGX 3.93 billion) among others.</td>
</tr>
</tbody>
</table>
5. Performance of administrative measures in FY 2018/19

Revenue collection is anchored on different tax administrative measures that influence taxpayers’ compliance behavior, support revenue generation and widen the tax base. During FY 2018/19, numerous tax administration initiatives were implemented including: taxpayer segmentation, tax register expansion initiatives, monitoring of filing ratios, audits, arrears management, tax compliance investigations and customs enforcement. This section analyses the level of implementation of the administrative measures and their link to revenue collection realized in the FY 2018/19.

5.1 Segmentations of taxpayer

During the FY 2018/19, major surpluses revenue of UGX 326.33 billion was realized from the different taxpayer segments (Small Taxpayer Office (STO), Large Taxpayer Office (LTO) and Medium Taxpayer Office (MTO) during the FY 2018/19 with the exception of the Public Sector Office (PSO) that had a deficit. LTO realized the largest surplus of UGX 328.01 billion followed by STO with a surplus of UGX 121.88 billion and MTO which had a surplus of UGX 30.71 billion. However, PSO performed below target by UGX 154.27 billion.

Figure 20: Performance of taxpayers’ segments (UGX Billion) FY 2018/19

Source: URA Databases.
5.2 Tax register

During the FY 2018/19, 166,663 new taxpayers were added to the tax register representing a growth of 12.62% in comparison to the FY 2017/18. Of these, 156,652 were individual taxpayers while 10,011 were non individual taxpayers as shown in table 7 below.

**Table 7: Growth in the taxpayer register**

<table>
<thead>
<tr>
<th>Tax registration type</th>
<th>As at end FY 2015/16</th>
<th>As at end FY 2016/17</th>
<th>As at end FY 2017/18</th>
<th>As at end FY 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non individual</td>
<td>72,988</td>
<td>86,441</td>
<td>102,398</td>
<td>112,409</td>
</tr>
<tr>
<td>Individual</td>
<td>829,351</td>
<td>943,101</td>
<td>1,218,293</td>
<td>1,374,945</td>
</tr>
<tr>
<td>Total</td>
<td>902,339</td>
<td>1,029,542</td>
<td>1,320,691</td>
<td>1,487,354</td>
</tr>
</tbody>
</table>

Source: URA Database

Generally, the Tax register has grown tremendously as analyzed below over the last four years.

**Figure 21: Performance of taxpayers' segments (UGX Billion) FY 2018/19**

The FY 2018/19 had 58,415 value clients and these contributed UGX 34.34 billion to the total revenue collected.

In addition, the Tax Registration Expansion Program (TREP) and block management initiative registered 92,619 new taxpayers against a target of 113,675 new taxpayers performing at 81.15%. These contributed UGX 30.05 billion to the collections for the FY 2018/19 against a target of UGX 40.50 billion a performance of 74.19%.

During the FY 2018/19 several initiatives were implemented to grow the tax register including the following:
- Taxpayer Register Expansion Programme (TREP)
- Block Management System (BMS)
- Government directive that all their employees get Tax Identification Numbers (TINs) before their salaries are paid in IFMS caused a big growth in employee registrations.
- Register cleaning initiatives have been carried out mainly through the compliance improvement plan.
- Tax education initiatives that have increased public awareness.

5.3 Filing ratios
During the FY 2018/19, the average filing ratios during were 75.87% for PAYE and 88.29% for VAT. The average filing gap was higher for PAYE at (9.13%) in comparison to VAT which was (3.20%) as shown below.

<table>
<thead>
<tr>
<th>Taxpayer segments</th>
<th>Paye As You Earn (PAYE)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Filing ratios (%) FY 2016/17</td>
<td>Filing ratios (%) FY 2017/18</td>
</tr>
<tr>
<td>LTO</td>
<td>97.00</td>
<td>97.00</td>
</tr>
<tr>
<td>MTO</td>
<td>89.00</td>
<td>92.00</td>
</tr>
<tr>
<td>STO</td>
<td>64.00</td>
<td>57.00</td>
</tr>
<tr>
<td>PSO</td>
<td>59.00</td>
<td>53.00</td>
</tr>
<tr>
<td><strong>PAYE Average</strong></td>
<td><strong>77.25</strong></td>
<td><strong>74.75</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Taxpayer segments</th>
<th>Value Added Tax (VAT)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Filing ratios (%) FY 2016/17</td>
<td>Filing ratios (%) FY 2017/18</td>
</tr>
<tr>
<td>LTO</td>
<td>97.00</td>
<td>97.00</td>
</tr>
<tr>
<td>MTO</td>
<td>93.00</td>
<td>96.00</td>
</tr>
<tr>
<td>STO</td>
<td>82.00</td>
<td>79.00</td>
</tr>
<tr>
<td>PSO</td>
<td>77.00</td>
<td>74.00</td>
</tr>
<tr>
<td><strong>VAT Average</strong></td>
<td><strong>87.25</strong></td>
<td><strong>86.50</strong></td>
</tr>
</tbody>
</table>

Source: URA Database

5.4 Audit performance
Audits are initiatives player in improving taxpayers’ compliance behavior and recovery of the outstanding taxes. During the FY 2018/19, Domestic tax and Customs operations undertook various audit initiatives to recover outstanding taxes as analyzed below.
5.4.1 Domestic audit performance
During the FY 2018/19 Domestic tax department conducted several compliance interventions and these contributed UGX 29.68 billion to the revenue collected during the FY 2018/19. The initiatives performed are as analyzed below:

Table 9: Compliance initiatives conducted during the FY 2018/19

<table>
<thead>
<tr>
<th>Compliance initiative</th>
<th>Target</th>
<th>Completed</th>
<th>Assessed (Bn)</th>
<th>Collected (Bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return examinations</td>
<td>5,342</td>
<td>3,766</td>
<td>UGX 342.42</td>
<td>UGX 3.20</td>
</tr>
<tr>
<td>Compliance audits</td>
<td>527</td>
<td>142</td>
<td>UGX 158.81</td>
<td>UGX 15.24</td>
</tr>
<tr>
<td>Self - health reviews</td>
<td>46</td>
<td>42</td>
<td>UGX 1.20</td>
<td>UGX 0.47</td>
</tr>
<tr>
<td>Compliance visits</td>
<td>3,292</td>
<td>2,752</td>
<td>UGX 37.17</td>
<td>UGX 10.80</td>
</tr>
<tr>
<td>Compliance advisories</td>
<td>8,031</td>
<td>7,946</td>
<td>UGX 412.00</td>
<td>-</td>
</tr>
<tr>
<td>Spot inventory checks</td>
<td>57</td>
<td>51</td>
<td>UGX 1.4</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: URA Database

5.4.2 Customs post clearance audits
During the FY 2018/19 Customs Department conducted 282 audits (181 comprehensive, 101 issue) against a target of 324 audit (192 Comprehensive, 132 issue). These were assessed at UGX 134.80 billion and was agreed UGX 74.44 billion leading to an audit yield of 52.22 %.

5.5 Enforcement
During the FY 2018/19, enforcement country operations culminated into an overall revenue recovery of UGX 78.48 billion resulting from 9,152 seizures of which 8,000 were for dutiable goods and 1,152 were for non-dutiable goods.

Recoveries made were a result of the following major offences: Mis-declaration/Mis-description/False documentation 52.40%, under valuation 29.70 %, other offences (temporary road violations, transit violations) 9.50%, outright smuggling 4.20% and concealment 4.10% as illustrated below.

Figure 22: Enforcement recoveries by nature of offence (UGX Billion)

Source: Customs enforcement report
During the FY 2018/19, the most risky items seized were: bags, garments, foot wear, textiles, motor vehicles, hardware items, electrical, sugar, rice, motorcycles, wheat flour, motor vehicle spares, motor cycles and kitchen ware, worn clothing, wines, teak logs (afzelia wood), motor vehicle tyres, printed circuit processing equipment, neutral spirit, mobile phones and diapers.

5.6 Arrears management
The total arrears stock as at end of FY 2018/19 were UGX 3,624.81 billion, of which UGX 3,525.40 billion were domestic tax arrears and UGX 99.41 billion were customs tax arrears. The total recoveries made during FY 2018/19 were UGX 695.33 billion.

5.6.1 Domestic tax arrears
As at the end of FY 2018/19, the total outstanding domestic tax arrears stock was UGX 3,525.40 billion of which UGX 749.25 billion were government arrears and government undertakings and UGX 2,776.15 billion were non-government arrears. Recoveries made during the FY 2018/19 amounted to UGX 592.51 billion.

5.6.2 Customs arrears
As at end of FY 2018/19 the total outstanding Customs tax arrears stock was UGX 99.41 billion of which UGX 48.15 billion are arrears older than 12 months old and UGX 51.23 billion are current arrears. Total recoveries made during the FY 2018/19 amounted to UGX 102.82 billion.

5.6.3 Tax Investigation compliance initiatives
During the FY 2018/19, a number of tax investigation compliance initiatives were conducted aimed at boosting revenue collection. The following initiatives were carried out:

- Concluded investigations into 88 cases resulting into recoverable revenue worth UGX 62.51 billion forwarded to collection departments for assessment.
- Conducted a compliance impact assessment and also concluded compliance campaign cases resulting into recoverable revenue worth UGX 47.70 billion forwarded to collection departments for assessment.
- Conducted follow up investigative cases on VAT tax payer behaviour in FY 2018/19 as a result of investigations into their VAT declarations in FY 2017/18. These investigations led to the following observations:
  - Reduction in input VAT claimed by 391 taxpayers that were investigated in FY 2017/18 from UGX 323.34 billion to UGX 253.08 billion in FY 2018/19 registering 21.73% decrease.
• Increase in the VAT payments made by 286 taxpayers that were investigated in FY 2017/18 from UGX 110.98 billion to UGX 177.10 billion in FY 2018/19 registering a 59.6% increase.

❖ Conducted Exchange of Information, investigations and audit interventions with support from treaty partners i.e. Kenya, South Africa, Mauritius and the United Kingdom that resulted into tax liability payments worth UGX 5.10 billion.

❖ In conjunction with the African Tax Administration Forum (ATAF), held the first ever Science Model workshop that was attended by 102 delegates from 15 African Tax Administrations which provided a platform for knowledge sharing on the role of science in enhancing tax compliance aimed at provision of alternative revenue recovery measures to support the conventional methods.

❖ For the FY 2018/2019 The Tax Investigations department generated and disseminated 16 Intelligence Briefs providing details on untaxed revenue and highlights on revenue leakages. These included:
  • Missing trader (VAT fraud) impact analysis.
  • Withholding tax on agricultural supplies.
  • Loss making schemes in the sugar manufacturing industry.
  • Mobile phone dealership services models.
  • Sugar smuggling and related schemes.
  • Evasion schemes of sugar industry distributors.
  • PAYE non-compliance.
  • Compliance risks associated with income tax declarations.
  • Cross-border cash movement
  • Tax evasion risks in the importation of software.
  • Outcomes of the intervention against input VAT arising from fictitious imports
  • Falsified remittances by a group of companies.
  • Non-compliance affecting income tax with emphasis on Corporation tax
  • Vulnerabilities and threats to stamp duty collection: a case study of land
  • Compliance assessment of importation, temporary importation and boarded off motor vehicles.
  • Potential compliance risks paused by alternative payment methods
6. Policy measures performance in FY 2018/19

During the budget reading of FY 2018/19, the government through the Ministry of Finance Planning and Economic Development highlighted the proposed tax policy measures which were aimed at improving the efficiency and effectiveness of the tax administration processes and tapping into more areas for taxation so as to expand the tax base to increase revenue collection.

Majorly, the policy pronouncements/amendments were under income tax, Excise duty, VAT, Non-Tax Revenue and the Common External Tariff.

Overall, the policy measures yielded a total of UGX 1,095.29 billion against a target of UGX 77.5 billion indicating a performance rate of 140.51% which represents 6.59% of the total net revenue collections for FY 2018/19.

The highly performing tax measures in the FY2018/19 were:

a. VAT Common External Tariff Adjustments performed at 169.7% of the target.

b. VAT performed at 158.9% mainly due to the policy on VAT withheld on purchases by the Government Ministries, Agencies and the designated persons.

c. Excise duty at 113.65% mainly due excise duty of UGX 200 charged per litre of cooking oil (1,219.57%), policy on harmonizing excise duty of 12% on all telecommunication services (635.04%) and policy introducing specific equivalent tax rates for the ad valorem rates on spirits and wines (629.18%).

d. Income tax at 107.5% due to the introduction of 10% final WHT on commissions by telecommunication companies to mobile money and airtime agents as a final tax (223.06%) and enforcement of withholding tax on persons engaged in agriculture at 1% (172.97%).

Table 10: Summary performance of tax policy measures in FY 2018/19

<table>
<thead>
<tr>
<th>Tax head</th>
<th>FY 2018/19 Target</th>
<th>FY 2018/19 Outturn</th>
<th>Achievement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax (UGX Bn)</td>
<td>65.80</td>
<td>70.73</td>
<td>107.49%</td>
</tr>
<tr>
<td>Excise duty (UGX Bn)</td>
<td>669.7</td>
<td>761.09</td>
<td>113.65%</td>
</tr>
<tr>
<td>Value Added Tax (UGX Bn)</td>
<td>85.00</td>
<td>135.03</td>
<td>158.85%</td>
</tr>
<tr>
<td>Non-Tax revenue (UGX Bn)</td>
<td>-111.00</td>
<td>1.90</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Customs (UGX Bn)</td>
<td>70.00</td>
<td>126.55</td>
<td>180.80%</td>
</tr>
<tr>
<td>Total (UGX Bn)</td>
<td><strong>779.5</strong></td>
<td><strong>1,095.29</strong></td>
<td><strong>140.50%</strong></td>
</tr>
</tbody>
</table>

Source: URA databases
Implication of exemptions and tax incentives.

Total Revenue foregone during the FY2018/19 amounted to UGX 2,885.44Bn accounting for 2.62% of Gross Domestic Product (Using the 2009 Base year) up from 1.32% recorded in FY2017/18. The detailed breakdown of the broader view is presented in table 11 below.

Table 11: Breakdown of revenue foregone in FY 2018/19

<table>
<thead>
<tr>
<th>Description</th>
<th>FY14/15</th>
<th>FY15/16</th>
<th>FY16/17</th>
<th>FY17/18</th>
<th>FY18/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Collections</td>
<td>6,208.00</td>
<td>7,149.00</td>
<td>8,031.00</td>
<td>9,713.81</td>
<td>11,230.87</td>
</tr>
<tr>
<td>Revenue Foregone (UGX BN)</td>
<td>1,400.09</td>
<td>1,446.81</td>
<td>1,201.22</td>
<td>1,345.42</td>
<td>2,885.44</td>
</tr>
<tr>
<td>O/w VAT Exempt</td>
<td>252</td>
<td>298</td>
<td>77.08</td>
<td>111.01</td>
<td>499.16</td>
</tr>
<tr>
<td>O/w VAT Zero rated</td>
<td>33.7</td>
<td>39.93</td>
<td>28.85</td>
<td>30.11</td>
<td>391.69</td>
</tr>
<tr>
<td>O/w Income Tax</td>
<td>9.25</td>
<td>10.91</td>
<td>12.09</td>
<td>14</td>
<td>27.53</td>
</tr>
<tr>
<td>O/w Deemed VAT</td>
<td>92.74</td>
<td>147.39</td>
<td>105.65</td>
<td>202.59</td>
<td>229.78</td>
</tr>
<tr>
<td>O/w International Trade</td>
<td>666.43</td>
<td>590.1</td>
<td>553.54</td>
<td>513.97</td>
<td>752.66</td>
</tr>
<tr>
<td>Tax refunds (VAT)</td>
<td>285.94</td>
<td>288.65</td>
<td>291.85</td>
<td>266.74</td>
<td>456.18</td>
</tr>
<tr>
<td>Revenue from tax waivers</td>
<td>60.03</td>
<td>71.83</td>
<td>132.16</td>
<td>0</td>
<td>500.00</td>
</tr>
<tr>
<td>GDP (UGX BN 2009 Base)</td>
<td>78,770.00</td>
<td>87,891.00</td>
<td>90,513.85</td>
<td>101,829.00</td>
<td>109,945.87</td>
</tr>
<tr>
<td>Revenue Foregone as % of GDP (2009 Base)</td>
<td>1.78%</td>
<td>1.65%</td>
<td>1.33%</td>
<td>1.32%</td>
<td>2.62%</td>
</tr>
</tbody>
</table>

Source: URA databases

Recommendations for policy formulation, implementation and evaluation process improvement.

1. There is need to conduct rigorous research on policy implication on the society before pronouncement. For example, the levy of 1% on mobile money transactions which was later revised to 0.5% and charged at withdraw which was as a result of the public outcry.

2. Monitoring and Evaluation of the implemented policies over the years should be fully carried to ensure that the tax base is stable. This is due to the fact that yearly new tax policies are pronounced without a critical review of the effect of the other policies on the tax payers and community at large.

3. Government should try to reduce unnecessary incentives and exemptions since they contribute to narrowing the tax base and lead to loss of tax revenue.

4. Given the deepening integration within the East African Community, it is necessary to handle the matter of tax exemptions and incentives at a regional level. The intraregional competition for Foreign Direct Investments (FDI) is fueling an unhealthy “Race to the Bottom’ in the region.

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1 O/W implies out of which
7. Macroeconomic performance in FY 2018/19

The Country’s Gross Domestic Product is estimated to have grown by 6.1% in the FY 2018/19 higher than the projected growth of 6.0%.

By the end of FY 2018/19, annual headline inflation averaged 3.1% as compared to the projected 3.8%. This is attributed to stable market prices of mainly food products.

Exchange rate per dollar averaged 3,736.3 shillings against a target of 3,774.1 shillings, registering an appreciation of 1%. This appreciation of the shilling against the dollar is as a result of increased dollar inflows from tourism, exports, remittances from abroad and also Foreign Direct Investments.

As of May 2019, the stock of outstanding private sector credit recorded an average annual growth of 12.00% and almost doubled than that registered in a similar period in the FY 2017/18 as summarized below.

Table 12: Summary of the key macro-economic performance indicators

<table>
<thead>
<tr>
<th>Macroeconomic Indicators</th>
<th>Actual FY2017/18</th>
<th>Projected FY 2018/19</th>
<th>Actual FY2018/19</th>
<th>Projected FY2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth</td>
<td>5.80%</td>
<td>6.00%</td>
<td>6.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Headline Inflation</td>
<td>3.40%</td>
<td>3.80%</td>
<td>3.10%</td>
<td>4.30%</td>
</tr>
<tr>
<td>Exchange rate per USD</td>
<td>3,662</td>
<td>3,774</td>
<td>3,781</td>
<td>3,843</td>
</tr>
<tr>
<td>Private sector credit growth</td>
<td>6.8%</td>
<td>13.6%</td>
<td>12.00%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

Author’s computations from BOU, UBOS & MoFPED Databases

1.1 Inflation & Domestic prices

Uganda Bureau of Statistics (UBOS) figures indicate that economic output is estimated to have grown by 6.1% in the FY 2018/19 compared to 5.80% in the FY 2017/18 but above the projected 6% at the start of the fiscal year implying that the economic growth though relatively slow, is on a forward growth trajectory.

This growth can majorly be attributed to the good performance across all the sectors during the financial year. The Industry sector grew by 12.93% as compared to 6.89% in FY 2017/18 driven by the outstanding performance in Building, Mortgage, Construction and Real Estate that grew by 10.57%, manufacturing by 15.37%, mining and quarrying by 44.37%. Services sector registered an improvement in business and trade sub sectors but performance in transport and communication, personal and household loans, community and social services declined significantly and this is because of the increase in prices of electricity power generation that increased by 1.5 ending April 2019, the increase in lending rates from an average of 19.3% for the first quarter of the financial year to an average of 20.3% for the last three quarters of the financial as indicated by the by a
corresponding increase in Central Bank Rate (CBR) from 9.0% to 10.0% during the same period by Bank of Uganda.

Agricultural sector experienced a decline in its growth from 22.99% in the FY 2017/18 to 15.28% in the FY 2018/19. The major reasons for this performance were the mild drought towards third quarter and a decline in both the quantity of coffee exported and its value (low prices) because of higher supply from Brazil which explains the fall in coffee receipts.

**Domestic prices developments in the economy**

Annual headline inflation as measured by the change in consumer price index remained subdued since the turn of the financial year 2018/19. Annual headline inflation averaged 3.1% against a target of 3.8% mainly because of relative stability in food crop and related item inflation attributed to stable food supplies in the market and tightening of the monetary policy by the Central Bank.

**Figure 23: Inflation trends during FY 2018/19**

![Inflation trends during FY 2018/19](image)

*Source: Uganda Bureau of Statistics*

During the Financial year 2018/19, core inflation reached its highest of 4.9 in the month of June 2019 while headline inflation fluctuated between 2.1 and 3.8 registering its highest rate in the month of August 2018 (figure 1). The strengthening of core inflation in second half if the financial year reflects a pickup in domestic inflationary pressures in line with the pick-up in economic activity. This has been observed with the good performance in domestic taxes due the increased aggregate demand in the economy given the relative stable and competitive prices witnessed throughout the year.
7.2 Private sector credit and Interest rates

Private Sector Credit (PSC) demand continued to grow in FY 2018/19 on the backdrop of a recovery path that was witnessed during the second half of FY 2017/18. The annual growth in PSC improved to an average of 12 percent for the period July 2018-to-May 2019 relative to 6.8 percent growth recorded in the previous year. This double digit growth was occasioned by a reduction in supply side constraints following improvement in asset quality (decreasing NPLs)\(^2\) that lowered the risk averseness of banks, improved economic conditions, eased credit standards (thus relatively stable lending rates) as well as the lagged impact of monetary easing were the main drivers of the PSC increase.

As can be observed from the graph below, key sectors like Building, Construction and real estate, trade and manufacturing performed relatively better than the others in the financial year 2018/19. Credit to these sectors which makes up a share of 53.3 percent together, picked up as economic activity improved during the financial year and averaged 10.57 percent, 13.03 percent and 15.37 percent respectively, compared to 0.94 percent, 9.87 percent and 2.18 percent in FY2017/18. These are key sectors as they contribute largely to domestic revenue collections. The agricultural sector which is the largest employer performed poorly as compared to last financial year. Much as lending to the agriculture remained robust, it registered slower rates of credit demand compared to FY 2017/18 (figure 2). The slowdown in credit growth to the Agriculture sector partly reflects increased risk aversion given the high NPLs in those sectors. This was further worsened by the lengthy dry experienced during the FY leading to mild droughts throughout the horn of Africa.

In the new FY 2019/20, the growth of PSC is likely to remain robust partly on account of a lower cost of credit and as well as anticipated increase in demand following the economic upturn.

**Figure 24: Private sector credit growth**

\(^2\) Reduced to 3.82 percent by the end of March 2019 from an average of 4.44 percent at the beginning of July 2018
7.3 Exchange rate developments

During the FY 2018/19, the Uganda Shilling has also largely been stable and resilient against major currencies especially the US dollar. It strengthened against the US dollar by an average of 1% for the FY 2018/19 at an average of UGX/dollar of 3736.3 against the projected 3774.1 projected at the beginning of the year. The strengthening of the shilling against the US Dollar was a result of higher export performance, improved disbursement of external support for Government programmes, continued Foreign Direct Investment (FDI) inflows, and robust remittances from Ugandans’ abroad. This appreciation in the shilling has a positive effect on the value of exports and this results into by making them cheaper and competitive on the international market and thus a better the balance of trade position.

**Figure 25: Average Exchange rate Developments in FY 2018/19**

As the figure above indicates, the appreciation in the shilling is mainly observed between September 2018 and February 2019 where the exchange rate decreased from UGX/USD 3,800.7 to UGX/USD 3,672.9. Despite the gain observed during the financial year, the shilling is still vulnerable to shocks like changes in oil prices, increased prices and inelastic demand for imports and low demand for exports especially coffee which is among our huge foreign exchange earner.
7.5 Economic Outlook

With the sustained improvement in economic activity in FY 2018/19, the economy is projected to grow at 6.3 percent in FY 2019/20 mainly driven by increased private sector activity due to increased consumer demand. The continued positive growth in FY 2019/20 will also be premised on a recovery in industry which will be supported by manufacturing as well as public and private construction; higher agricultural productivity due to favorable weather conditions, provision of extension services and efforts in irrigation to reduce reliance on rain fed agriculture. Annual headline inflation in FY 2019/20 is projected at 4.3 percent, which is higher than the outturn of 3.1 percent for FY 2018/19. The future path of food crop prices, exchange rate depreciation and stronger aggregate demand are the underlying risks to the inflation outlook. Concerns about the exchange rate still do remain, given rising external debt service payments and the ever increasing spending pressures that need to be managed.

Government’s current revenue target is to achieve revenue to GDP ratio of 16 percent by FY 2019/20 as envisaged in the National Development Plan II (NDP II). The main drivers of revenue in FY 2019/20 are: Real MP GDP growth of 6.3 per cent; Stable inflation at 4.3 percent; stable exchange rate; and Enhanced tax compliance efficiency gains within the organization. The proposed policy and administrative measures for FY 2019/20 are expected to help achieve the policy target of 0.5 percent in line with NDP II.
8. Revenue performance by sector FY 2018/19

The sector revenue performance analysis indicates that the top five sectors during the year were; Wholesale and retail; repair of motor vehicles and motorcycles, Manufacturing, Information and communication, Financial and Insurance activities and Public administration and defense; compulsory social security have been consistent for the last three years generating 75.18% of the total revenue from all the sectors, a slight improvement from 73.98% recorded in FY2017/18. The “Wholesale and retail trade; repair of motor vehicles and motorcycles sector” as before, had the biggest share of (UGX 4,959.27Bn) that is 29.24% of the total revenue contribution. The “Manufacturing” sector followed with a share of 21.79% and the rest of the 19 sectors contributed 48.97% of the total revenue.

The good sector revenue performance recorded was attributed to the more than projected economic growth. During the FY 2018/19 the economy grew by 6.1% against the projected growth of 6%. The Industry sector grew by 12.93% as compared to 6.89% in FY 2017/18 driven by the outstanding performance in Building, Mortgage, Construction and Real Estate that grew by 10.57%, manufacturing by 15.37%, mining and quarrying by 44.37%. Services sector registered an improvement in business and trade sub sectors but performance in transport and communication, personal and household loans, community and social services declined significantly and this is because of the increase in prices of electricity power generation. This also contributed to our estimated revenue surplus of UGX 258.89 billion.

The growth in private sector credit, the demand for private sector credit increased to 12% from 6.8% in FY 2017/18. Major sectors that registered growth in private sector credit during the year were; mining and quarrying (44.37%), electricity and water (20.78%), manufacturing (15.25%), trade (13.03%) and business services (13.17%) among others which boosted the level of economic activity and domestic tax collections.

In terms of year to year growth, 20 out of 22 analysed sectors registered positive growth rates in FY2018/19. The highest growth rate was registered in; public administration and defence at 59.11% followed by information and communication at 49.24%, Agriculture, forestry and industries at 36.82%, transport and storage at 28.63% and electricity and gas at 22.50% among others.

However, two sectors had reduction in revenue contribution growth in the FY2018/19 as compared to FY2017/18 they were; Education (-14.74%), administrative and support services (-9.74%).
Sectoral contribution to major tax heads

**PAYE:** The Financial and insurance activities sector was the biggest contributor with 15.02%, followed by the Human health and social work at 11.48%. The manufacturing sector contributed 10.10% to the PAYE collections in the FY 2018/19 while the Public administration and defence sector with 10.68%.

**Income tax:** During the FY2018/19, the information and communication sector was the largest contributor to income tax with over 22.11% followed by the manufacturing sector at 21.15%. The Financial and insurance sector came third with a contribution of 14.86%. The wholesale and retail trade sector contributed 12.01% to the income tax revenue collections.

**Value Added Tax:** The manufacturing sector was the biggest contributor with 30.31% followed by Information and communication sector with 19.05%, Wholesale and retail trade sector 9.67% and electricity and gas at 8.11%.

**Rental Tax:** The real estate sector was the biggest contributor with 39.28%, followed by the Public wholesale and retail sector with 11.76%. The Public Administration and Defence sector contributed 6.83% to the rental tax collections in the FY 2018/19 while the Accommodation and Food Service sector contributed 5.12%.

**Withholding Tax:** The Financial and Insurance activities sector contributed 41.44% to the withholding tax collections, 11.63% was from the Information and Communication Sector. The Manufacturing sector contributed 10.42% and Wholesale and Retail sector contributed 5.72%.

**Local Excise Duty:** During the FY2018/19, the manufacturing sector was the largest contributor to LED with over 57.79% followed by the Information and Communication sector with a contribution of 40.25%. The Financial and Insurance sector contributed 4.63% while Administrative and Support Services contributed 1.30%.

**Import duty:** The Wholesale and retail trade sector contributed 54.81% to import duty and the Manufacturing sector contributed 19.25%. On the other hand, The Transport and Storage sector contributed 3.0% while the Other Service Activities contributed 2.19

**VAT on imports:** The manufacturing sector contributed 44.11% followed by whole sale and retail sector at 38.83%, Information and Communication sector at 2.745 and Transport and Storage at 2.08%.

The FY 2018/19 international trade report provides an analysis of Uganda's trade transactions with the rest of the world and the EAC countries based on the value of imports, exports, and re-exports and its influence on revenue collections.

9.1 Uganda’s Balance of Trade (BOT)

During the FY 2018/19, Uganda’s Balance of Trade (BOT) deficits were UGX 16,559.71 billion, posting a growth of 45.54% (UGX 5,181.96 billion) compared to UGX 11,377.75 billion and a growth of 13.71% (UGX 1,371.58 billion) recorded in FY 2017/18. This was due to the proportionate growth in imports bills despite the improved export receipts during the year.

Uganda’s imports values by cost, insurance and freight (C.I.F) grew by 28.54% (UGX 5,865.18 billion) from UGX 20,547.53 billion during the FY 2017/18 to UGX 26,412.71 billion during the FY 2018/19 whereas the export value by cost, insurance and freight (C.I.F) to the rest of the world grew by 7.45% (UGX 683.22 billion) from UGX 9,169.78 billion during the FY 2017/18 to UGX 9,853.00 billion during the FY 2018/19.

The increase in the BOT deficit compared to last year is explained by; the increase in import value due to the growth in private sector imports, government imports for infrastructure projects, and volatility in exchange rate. This partly explains a surplus of UGX 8.91 billion recorded in international trade tax revenue collections attributed to growth in dutiable and VATable items that resulted into surpluses registered in import duty worth UGX 9.57 billion and UGX 69.25 billion in VAT at importation.

Figure 26: Uganda’s Balance of Trade (UGX Billion): July-June

Source: URA Databases
9.1.2 Uganda’s Imports from EAC

Uganda’s imports from the EAC countries during the FY 2018/19 grew by 92.13% (UGX 2,054.79 billion). This was contributed to by the growth in imports from Tanzania by 262.01%, Kenya by 55.58% and Burundi by 148.45% whereas imports from Rwanda reduced by 23.05% due to border closure that negatively affected trade between the two countries as shown in the table below.

The share of Uganda’s imports from Tanzania increased while the other EAC countries like; Kenya, Rwanda and Burundi reduced respectively compared to same period last year as shown in figure 20 below.

Uganda’s top imports from the EAC members in the FY 2018/19 were; gold, rolled iron/non alloy-steel, petroleum oils, salt and articles of plastic from Kenya. Gold, rice, carboys/bottles/flask, coffee, rolled iron/non-alloy steel. Cereal flours, coffee, brans/sharps/other residue, woven fabrics, and dried leguminous from Rwanda. Burundi mainly exported; gold, raw hides and skins, coffee, scrap and sugar molasses to Uganda.

**Table 13: Imports from the EAC countries (UGX Bn): July-June**

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</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>1664.32</td>
<td>1730.22</td>
<td>1665.63</td>
<td>1609.33</td>
<td>2503.84</td>
<td>3.96%</td>
<td>-3.73%</td>
<td>-3.38%</td>
<td>55.58%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>194.68</td>
<td>209.49</td>
<td>331.72</td>
<td>452.14</td>
<td>1636.79</td>
<td>7.61%</td>
<td>58.34%</td>
<td>36.30%</td>
<td>262.01%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>28.28</td>
<td>31.15</td>
<td>63.33</td>
<td>160.29</td>
<td>123.34</td>
<td>10.16%</td>
<td>103.30%</td>
<td>153.12%</td>
<td>-23.05%</td>
</tr>
<tr>
<td>Burundi</td>
<td>12.55</td>
<td>6.98</td>
<td>3.08</td>
<td>8.49</td>
<td>21.08</td>
<td>-44.39%</td>
<td>-55.88%</td>
<td>175.65%</td>
<td>148.45%</td>
</tr>
<tr>
<td>EAC</td>
<td>1899.82</td>
<td>1977.84</td>
<td>2063.76</td>
<td>2230.25</td>
<td>4285.04</td>
<td>4.11%</td>
<td>4.34%</td>
<td>8.07%</td>
<td>92.13%</td>
</tr>
</tbody>
</table>

Source: URA Databases

**Figure 27: Top sources of imports from the EAC by contribution (%)**

Source: URA Databases
9.1.3 Uganda’s Imports from the rest of the world

The analysis of imports from the rest of the world to Uganda indicates a general increase in the value of imports during the FY 2018/19. This was attributed to a upsurge in the top imported items like; gold, electrical apparatus/transformers, machine parts, iron/steel structures, insulated wire, machine /mechanical appliances, hot rolled iron/non-alloy steel, polythers and wheat/meslin among others. However, there was a decline in some top imported items like; bulldozers, palm oil, cereal flours, glazed ceramics and goods motor vehicles compared to the same period last year.

The top five import countries to Uganda’s during the FY 2018/19 were; China, India, Kenya, Tanzania and South Africa. This is shown in table 12

The percentage share of imports from China, Kenya, Tanzania and South Africa increased while the share of imports from India reduced respectively compared to last year. This suggests that Uganda traded more with China, Kenya, Tanzania and South Africa than India during the year as shown in the figure below in figure 21 below.

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</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2589.98</td>
<td>3820.71</td>
<td>4388.40</td>
<td>5104.60</td>
<td>7516.01</td>
<td>47.52%</td>
<td>14.86%</td>
<td>16.32%</td>
<td>47.24%</td>
</tr>
<tr>
<td>India</td>
<td>1888.94</td>
<td>2240.69</td>
<td>2144.76</td>
<td>2541.43</td>
<td>2902.43</td>
<td>18.62%</td>
<td>-4.28%</td>
<td>18.49%</td>
<td>14.20%</td>
</tr>
<tr>
<td>Kenya</td>
<td>1664.32</td>
<td>1730.22</td>
<td>1665.63</td>
<td>1609.33</td>
<td>2503.84</td>
<td>3.96%</td>
<td>-3.73%</td>
<td>-3.38%</td>
<td>55.58%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>194.68</td>
<td>209.49</td>
<td>331.72</td>
<td>452.14</td>
<td>1636.79</td>
<td>7.61%</td>
<td>58.34%</td>
<td>36.30%</td>
<td>262.01%</td>
</tr>
<tr>
<td>South Africa</td>
<td>748.31</td>
<td>874.72</td>
<td>823.38</td>
<td>1056.62</td>
<td>1398.10</td>
<td>16.89%</td>
<td>-5.87%</td>
<td>28.33%</td>
<td>32.32%</td>
</tr>
<tr>
<td>Other Countries</td>
<td>6981.77</td>
<td>7212.18</td>
<td>8314.04</td>
<td>9783.41</td>
<td>10455.54</td>
<td>3.30%</td>
<td>15.28%</td>
<td>17.67%</td>
<td>6.67%</td>
</tr>
</tbody>
</table>

Source: URA Databases

Figure 28: Top sources of imports by their contribution (%)
Uganda’s top imports from the rest of the world in the FY 2018/19 were; Electrical apparatus/transformers, Iron/steel structures, machine parts, insulated wire and hydraulic turbines were from China. Medicaments, motorcycles, insecticides, uncoated paper and heterocyclic compounds from India.

From South Africa, the following were imported. Gold, hot rolled iron/non-alloy steel, goods motor vehicles, iron and steel bars and beet sugar. The imports from Kenya and Tanzania were highlighted in previous sub-section on EAC.

9.2 Uganda exports

During the FY 2018/19, Uganda’s exports value by cost, insurance and freight (C.I.F) grew by 7.45% (UGX 683.22 billion) from UGX 9,169.78 billion in FY 2017/18 to UGX 9,853 billion during the FY 2018/19.

Significant increase in the top exported items were registered in exports of; gold, salted/dried fish, unmanufactured tobacco, beet sugar, portland cement, cocoa beans, cotton, wheat/meslin and plywood while major decline in exports were recorded in the export of; dried leguminous vegetable, maize corn, fish fillets, animal feeding preparations, coffee, leather and medicaments among others during the FY 2018/19 compared to the same period last year.

The top five export countries from Uganda during the FY 2018/19 were; United Arab Emirates, Kenya, South Sudan, Italy than Rwanda due to Uganda –Rwanda boarder closure that negatively affected trade as depicted in figure 22 below.

Table 15: Leading destination of exports (UGX Billion): July-June

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>UAE</td>
<td>61.62</td>
<td>757.64</td>
<td>1176.45</td>
<td>1216.86</td>
<td>1129.53</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1129.53</td>
</tr>
<tr>
<td>Kenya</td>
<td>479.88</td>
<td>632.68</td>
<td>1627.21</td>
<td>1398.78</td>
<td>31.84%</td>
</tr>
<tr>
<td>South Sudan</td>
<td>465.90</td>
<td>350.03</td>
<td>646.93</td>
<td>775.82</td>
<td>-24.87%</td>
</tr>
<tr>
<td>Italy</td>
<td>285.20</td>
<td>281.52</td>
<td>371.02</td>
<td>468.98</td>
<td>487.50</td>
</tr>
<tr>
<td>Rwanda</td>
<td>23.95</td>
<td>214.33</td>
<td>500.47</td>
<td>426.89</td>
<td>794.74%</td>
</tr>
<tr>
<td>Other Countries</td>
<td>2461.55</td>
<td>3078.53</td>
<td>3338.76</td>
<td>3751.01</td>
<td>3463.27</td>
</tr>
</tbody>
</table>

Source: URA Databases

Figure 29: Top sources of exports by contribution (%): July-June

9.3 Re-exports

Re-exports volumes by cost, insurance and freight (C.I.F) from Uganda to the rest of the world during FY 2018/19 reduced by 0.91% (UGX 12.51 billion) compared to a reduction of 3.26% (UGX 46.17 billion) recorded in FY 2017/18. This performance is defined by a decline in the top re-exported items like; beet sugar, rice, electrical apparatus, iron/steel bars, maize corn, grain sorghum, animal/television receivers where as significant increase were registered in the re-export of; chalk, rolled iron/non alloy steel, person’s motor vehicles, palm oil, machines/mechanical appliances, malt beer and iron/steel structures among others compared to the same period last year.

The major destination of Uganda’s re-exports during the FY 2018/19 were to; South Sudan, Democratic Republic of Congo (DRC), Kenya, Rwanda and Tanzania.
The percentage share of re-exports to South Sudan and Tanzania increased compared to the decrease in share to Democratic Republic of Congo (DRC), Kenya and Rwanda respectively as shown in the figure below.

**Figure 30: Leading destination of re-exports: July- June**

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<tbody>
<tr>
<td>South Sudan</td>
<td>0.53</td>
<td>406.57</td>
<td>0.00</td>
<td>444.95</td>
<td>485.77</td>
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<tr>
<td>DRC</td>
<td>3.88</td>
<td>293.87</td>
<td>332.31</td>
<td>421.90</td>
<td>394.30</td>
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<tr>
<td>Kenya</td>
<td>140.92</td>
<td>177.65</td>
<td>307.04</td>
<td>278.45</td>
<td>97.26</td>
</tr>
<tr>
<td>Rwanda</td>
<td>0.99</td>
<td>60.06</td>
<td>82.35</td>
<td>92.75</td>
<td>69.38</td>
</tr>
<tr>
<td>Tanzania</td>
<td>3.38</td>
<td>38.05</td>
<td>29.66</td>
<td>27.24</td>
<td>30.83</td>
</tr>
<tr>
<td>Other Countries</td>
<td>1174.29</td>
<td>296.94</td>
<td>666.47</td>
<td>106.37</td>
<td>281.61</td>
</tr>
</tbody>
</table>

Source: URA Database

The leading re-exports to the top 5 in FY 2018/19 were;

**South Sudan**
- Beet sugar
- Palm oil
- Chalk
- Persons motor vehicles
- Rice

**Democratic Republic of Congo (DRC)**
- Palm oil
- Rice
- Beet Sugar
- Persons motor vehicles
- Petroleum oils

**Kenya**
- Carboys, bottles and flask
- Articles of plastic
- Wigs/false beards
- Glazed ceramics
- Bulldozers

**Rwanda**
- Diodes/transistors
- Persons/goods motor vehicles
- Rolled iron/non-alloy steel
- Automatic data processing machine

**Tanzania**
- Rolled iron/non-alloy steel
- Bulldozers
- Goods/persons motor vehicles
- Earth moving machines
- Special purpose motor vehicles
## Annexes

<table>
<thead>
<tr>
<th>A1: International trade Statistics which covers; Top Imports, Exports, and Re-exports by commodity descriptions and country of origin for the month of May for five financial years in (UGX in descending order based on May 2019).</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRADE STATISTICS REPORT-JUNE-19.zip</strong></td>
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</table>

<table>
<thead>
<tr>
<th>A2: Revenue performance by tax heads.</th>
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<tbody>
<tr>
<td>Copy of rev tables_2018_19 June</td>
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<table>
<thead>
<tr>
<th>A3: Performance of Tax Policy Measures</th>
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<td>Policy measures report fy 2018-19.docx</td>
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<table>
<thead>
<tr>
<th>A4: Sector Revenue Performance</th>
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<tbody>
<tr>
<td>Sector Revenue Performance Report F</td>
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