EDITORIAL

Do more to improve tax revenue collection

Efforts to widen Uganda's tax base through digital innovations and regulatory reforms are commendable. The Uganda Revenue Authority's (URA) partnership with MTN MoMo and Stanbic Bank to digitise tax collection, alongside initiatives like the Electronic Fiscal Receipting System (EFRIS), are indicators of progress toward formalising the economy and boosting revenue. These steps align with global trends toward cashless economies and enhance transparency and compliance. However, expanding the tax base alone is insufficient if the country is to solve its tax revenue challenges.

The Government's push to bring more taxpayers into the formal sector is important, but loopholes like trade mis-invoicing and customs undervaluation continue to drain revenue. Data reveals Uganda lost an estimated sh880b annually to mis-invoicing between 2002–2011, while customs undervaluation grew by 344.8% between 2020–2024.

Also, duty remission schemes, meant to incentivise growth, are often misused, enabling illicit trade and revenue shortfalls.

DATA REVEALS UGANDA LOST AN ESTIMATED SH880B ANNUALLY TO MIS-INVOICING BETWEEN 2002-2011.

Structural flaws continue, despite expanded digital tools. Over-reliance on manufacturing incentives, where 43% of tax breaks go to 37 firms, distorts markets and reduces revenue. Regulatory bottlenecks, such as costly informal business licensing, stifle formalisation.

Therefore, without streamlining regulations and enforcing post-incentive audits, Uganda risks perpetuating inefficiencies.

To unlock the country's potential, the Government should strengthen customs audits, adopt East African Community's fixed tariff rates for vulnerable goods like aluminium and digitise the common external tariff to reduce mis-invoicing; regularly transferring pricing audits will stop corporate tax evasion, alongside transparency in duty remission.

It should also provide affordable trade finance to reduce over-reliance on imports and stabilise markets; simplify licensing for informal businesses and invest in digital literacy to ensure EFRIS and cashless platforms are accessible.

With donor aid declining, a youth bulge demanding jobs and infrastructure needs soaring, Uganda cannot afford delays.