

Traders cry foul over import tax system



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Taxes are the backbone of any functioning economy. No modern state exists without a tax system that funds public services, infrastructure, and government operations. In developed economies such as the United States of America, taxation frameworks are enforced with uncompromising rigor. Through laws such as the Foreign Account Tax Compliance Act (FATCA), the Internal Revenue Service has extended its oversight globally to curb tax evasion. Tax fraud in such jurisdictions is treated as a serious criminal offence, with strict penalties that deter non-compliance.

In Uganda, the Uganda Revenue Authority (URA) has over the years played a central role in mobilizing domestic revenue and strengthening the country's fiscal capacity. The authority has implemented numerous reforms to expand the tax base, digitize compliance systems, and reduce tax evasion. However, as the government intensifies efforts to meet ambitious revenue targets, a growing number of traders say the current import tax structure is becoming increasingly burdensome and unpredictable.

Across trading hubs in Kampala and border entry points, importers of merchandise are raising concerns about what they describe as a milky and inconsistent system used to assess taxes on goods. Many argue that while the country needs strong revenue systems, the current approach risks suffocating small and medium-scale traders who form the backbone of Uganda's commercial sector.

Unlike motor vehicle imports where taxes can often be calculated with relative certainty before a car arrives, traders say merchandise imports are frequently subjected to valuation methods that leave them unsure of what they will ultimately pay. This uncertainty, they argue, makes it difficult to plan, price goods competitively, or even sustain business operations.

One trader, who requested anonymity for

fear of retaliation, recounted an experience that she says illustrates the problem. According to her, she imported goods worth approximately Shs 7 million but was later assessed taxes totaling about Shs 13.4 million, far exceeding the value of the goods themselves.

Another trader reported an even more troubling situation: after being charged taxes significantly higher than the declared value of his goods, his attempts to challenge the assessment were unsuccessful. Instead, he says he was instructed to pay approximately \$2,000 to have the goods destroyed after failing to clear them under the assessed charges.

A growing number of traders claim to have faced similar situations, raising questions about the valuation processes used to determine import duties. While tax enforcement is necessary to prevent under-declaration and smuggling, traders argue that the current system lacks transparency and meaningful avenues for review.

Equally troubling, they say, is the process of lodging complaints against tax assessments. Traders report that dispute resolution procedures can take weeks or even months, during which goods remain in storage facilities accumulating additional charges. Storage fees, demurrage costs, and administrative charges often continue to pile up while cases are being handled.

In some instances, traders even pay more taxes after the complaint has been reviewed. This effectively punishes those who seek redress and discourages legitimate appeals. For many small-scale importers operating on tight margins, the additional costs incurred during prolonged dispute processes can quickly push a business into insolvency.

Beyond taxation itself, traders also point to another layer of challenges: the role of clearing agents and intermediaries operating within the import system. While many agents perform legitimate and professional services, other traders claim that they take advantage of the complexity of the system. Some allegedly propose "shortcuts" or

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unofficial arrangements that ultimately translate into additional financial burdens for traders already struggling with high tax obligations.

Industry stakeholders say stronger regulation and oversight of clearing agents could help address this issue. Clearer guidelines, stricter licensing standards, and better accountability mechanisms could protect traders from exploitation while maintaining order within the customs clearance process.

The debate also points to a broader policy question about the design of Uganda's tax system. Concepts such as tax buoyancy and tax elasticity suggest that governments should expand revenue by growing the tax base and improving compliance rather than placing disproportionate pressure on already compliant sectors.

Some sectors of the economy, particularly segments of the service industry and certain small and medium-scale enterprises continue to operate largely outside the tax net despite generating substantial income. Meanwhile, import traders, who are easier to track and regulate, often bear a heavier share of the tax burden.

For Uganda to build a sustainable tax system, policymakers must balance enforcement with economic growth. Excessive pressure on one segment of taxpayers' risks shrinking the very base that generates revenue.

What many traders are calling for is not the abolition of taxes but a transparent, predictable, and fair system. They want open dialogue between government, the Uganda Revenue Authority, and the trading community to address concerns over valuation methods, dispute resolution processes, and the broader structure of import taxation.

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