LOW REVENUE

The lack of specialised capacity by tax administrators in areas of revenue collection from extractives in the East African community is to blame for the low revenue collection from the industry, according to the civil society.

CIVIL SOCIETY WANTS TAX ADMIN TO HAVE SPECIALISED SKILLS

Participants of the dialogue on enhancement of domestic resource mobilisation organised by SEATINI Uganda

By Prossy Nandudu

James Muhindo from Civil Society Coalition on oil and gas said according to research, Africa is losing about $50b in illicit financial flows annually and Uganda alone is losing about sh2 trillion in tax losses through the abusive tax planning and avoidance. It is feared that the situation could get worse with the commencement of commercial oil production and the ongoing reforms in the mining subsector.

He said this during a recent dialogue on enhancement of domestic resource mobilisation organised by SEATINI Uganda.

According to Muhindo, the extractives industry is sophisticated and while Uganda's tax administrators may have knowledge in other sectors, some of the rules they know may not apply in the extractive industry. He also noted that most of the rules are abused by the companies in extractives because they have been in the industry long and mastered ways of dodging taxes to maximise profits.

"We propose that tax administrators must have specialised capacity, have units that can authoritatively tax and trace revenue in the sector for the region to earn from its resources," Muhindo said.

Muhindo cited Acacia, a mining company in Tanzania, that had not been paying taxes as expected for 20 years, which forced the late president John Magufuli to refuse to renew its contracts until all dues were cleared.

"So if we can have tax administrators better understand this area, we shall be able to optimise revenues generated from the extractives industry and with the EAC having customs union at regional level, the sector would be taxed effectively," Muhindo said.

He added that the reason a lot of revenue is lost in the extractive industry is also due to secrecy around the sector; where terms upon which companies operate are not known, revenues generated by these companies is, are most cases, concealed.

> **"Most of the rules are abused by the companies in extractives because they have been in the industry long."**

"So we believe that if more countries join the path that Uganda has embarked on of joining Extractives Industry Transparency Initiative (EITI), we can ensure transparency and accountability in the sector and that would enable EAC to track revenues and increase collections from the sector," Muhindo said.

His concerns were echoed by Dr Evelyn Aketch, from Public Services International, a global union representing 30 million workers from 154 countries. She noted that there is a tax administration knowledge gap between practice and what is expected. Other key challenges towards Domestic Revenue Mobilisation she said, is the absence of voluntary compliance among taxpayers.

In response, the assistant commissioner in charge of policy in the legal department of Uganda Revenue Authority (URA), Stella Nyapendi, said there are efforts in place to make sure that their staff can ably collect taxes from the extractives industry.

Nyapendi said a natural resources management unit was established in 2009 and the petroleum division that set up in 2018 for the purpose. There is also the mining section where regular trainings are conducted to equip the staff with skills for managing taxes in these areas.

"This is geared towards ensuring that we specialise our staff in collecting revenue from extractives. Because of the trainings, we were able to win the heritage case and we have had a number of collections coming from extractives," Nyapendi said.