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ASSESSING THE STATUS AND CONSTRAINTS IN REVENUE PERFORMANCE, RESOURCE ALLOCATION TO PRIORITY SECTOR SERVICE DELIVERY AND ADVOCACY ISSUES IN 10 SELECTED URBAN LOCAL GOVERNMENTS

A BASELINE SURVEY
2025

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2025

1 *Napak, Nakapiripirit, Moroto, Kotido, Bushenyi-Ishaka, Isingiro, Apac, Nakasongola, Kassanda, Mityana and at National level working with Ministry of Finance Planning and Economic Development (MoFPED), Uganda Revenue Authority (URA), Local Government Finance Commission (LGFC), Ministry of Local Government and Ministry of Trade Cooperatives and Industries (MTCI)*

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List of Acronyms and abbreviations

DRM4D	Domestic Revenue Mobilization for Development (DRM4D)
DRMS	Domestic Revenue Mobilization Strategy
CAO	Chief Finance Officer
CFO	Chief Finance Officers,
CSO	Civil Society Organisation
FSC	Fiscal Social contacts
GoU	Government of Uganda
IRAS	Integrated Revenue Administration System
LG	Local Government
LGFC	Ministry of Local Government and Local Government Finance Commission
LGMS	Local Government Revenue Mobilization Strategy
LGRA	Local Governments (Rating) Act
LREC	Local Revenue Enhancement Committee
LRRS	Locally Raised Revenue
REAP	Resource Enhancement and Accountability Programme
STRIDE	Sustaining Tax and Revenue Improvements for Development
SEATINI	Southern and Eastern Africa Trade Information and Negotiation Institute
TC	Town Council
TREP	Taxpayers Registration Expansion Project
VAT	Value Added Tax
MC	Municipal Council
MDA	Ministry Departments and Agencies
MTCI	Ministry of Trade, Industries and Cooperatives
MoFPED	Ministry of Finance Planning and Economic Development
MoLG	Ministry of Trade Industry and Cooperatives,
OSR	Own Source Revenue
PoSM	Point of Sales Machines
UAAU	Urban Authorities Association of Uganda
ULGA	Uganda Local Government Association
URA	Uganda Revenue Authority

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Executive Summary

The Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI) Uganda, with financial support from the Embassy of Ireland in Uganda, is implementing the three-year Sustaining Tax and Revenue Improvements for Development (STRIDE) Project. The project seeks to strengthen domestic revenue mobilisation, improve public financial management, enhance citizen participation in fiscal governance, and promote the transparent, equitable, and accountable utilisation of public resources for improved service delivery and sustainable livelihoods.

To establish a benchmark for measuring project performance and impact, SEATINI conducted a baseline study in ten selected Urban Local Governments (ULGs), comprising five Municipal Councils including Apac, Bushenyi-Ishaka, Kotido, Moroto, and Mityana and five Town Councils; Isingiro, Kassanda, Nakapiripirit, Napak, and Nakasongola. The assessment examined the status of domestic revenue mobilisation, public financial management, fiscal governance, citizen participation, and service delivery across the project areas.

The study adopted a mixed-methods approach combining desk review, key informant interviews, stakeholder consultations, document review, and participatory assessment techniques. A total of 165 respondents participated in the study, including 138 technical officers, 16 political leaders, and 11 representatives of taxpayers and the private sector. Respondents were drawn from the ten participating urban authorities and relevant national institutions, including the Ministry of Finance, Planning and Economic Development (MoFPED), the Ministry of Local Government (MoLG), the Local Government Finance Commission (LGFC), the Ministry of Trade, Industry and Cooperatives (MTIC), and the Uganda Revenue Authority (URA). The study assessed the policy and legal framework, institutional capacity, revenue administration systems, revenue performance, governance practices, taxpayer engagement, and emerging policy and advocacy priorities.

The findings indicate that Uganda has established a comprehensive constitutional, legal, and policy framework to support domestic revenue mobilisation and fiscal decentralisation. Key instruments, including the Constitution, the Local Government Act, the Public Finance Management Act, the Domestic Revenue Mobilisation Strategy, and the Local Government Own Source Revenue Strategy, provide a solid foundation for local governments to mobilise, manage, and utilise locally generated revenues. However, the study found that the legal framework has evolved into a fragmented system comprising more than 43 Acts, regulations, statutory instruments, and administrative guidelines, many of which have not kept pace with rapid urbanisation, economic transformation, and decentralisation reforms. Consequently, local governments continue to face challenges arising from outdated legislation, extensive tax exemptions, overlapping institutional mandates, cumbersome approval procedures, and limited fiscal autonomy to introduce or revise local revenue measures.

The assessment further established that the participating Urban Local Governments possess considerable untapped revenue potential but continue to underperform due to systemic weaknesses in revenue administration. On average, the sampled local governments realised approximately 65 percent of their projected own-source revenues during FY2023/24, leaving nearly one-third of potential revenues uncollected. Revenue performance varied significantly across the sampled authorities. Isingiro Town Council exceeded its revenue targets in both FY2023/24 and FY2024/25, while Bushenyi-Ishaka Municipal Council consistently achieved over 80 percent of its projected revenues. Mityana Municipal Council maintained annual collections exceeding UGX 1.3 billion, supported by a vibrant local economy and strengthened property rate administration. Conversely, Kotido Municipal Council, Napak Town Council, and Nakasongola Town Council consistently registered lower performance, reflecting narrow tax bases, limited economic activity, weak administrative systems, and inadequate revenue management capacity.

Property rates emerged as one of the most significant but underutilised sources of local revenue. Although property rates contribute between 23 and 33 percent of locally generated revenues in several urban authorities, most councils lack updated valuation rolls, comprehensive property registers, and adequate financial resources to undertake statutory property valuation exercises. As a result, substantial revenue remains unrealised. The study highlights Mityana Municipal Council as an example of the potential gains from systematic property valuation, where projected annual property rate collections are expected to increase from approximately UGX 100 million to over UGX 1 billion following revaluation. Across the participating local governments, property valuation was consistently identified as one of the highest investment priorities.

The baseline also identified significant institutional and administrative constraints affecting domestic revenue mobilisation. Many Urban Local Governments operate with inadequate staffing levels, limited operational funding, outdated taxpayer databases, insufficient logistics, weak ICT infrastructure, and limited utilisation of digital revenue administration systems such as the Integrated Revenue Administration System (IRAS), e-LogRev, and other automated revenue management platforms. Revenue forecasting remains weak, often relying on unrealistic projections that are not informed by reliable data or comprehensive revenue mapping. In addition, many Local Revenue Enhancement Plans (LREPs) were either outdated or absent, limiting strategic planning and sustainable revenue growth. Collectively, these institutional weaknesses contribute to low collection efficiency, persistent revenue leakages, and weak accountability.

The study further found that the relationship between taxation and governance remains weak across many of the participating local governments. Although taxation has the potential to strengthen the fiscal social contract between citizens and government, taxpayers reported limited awareness of their rights and obligations, inadequate participation in tax policy and budgeting processes, limited transparency regarding the utilisation of locally generated revenues, and insufficient opportunities to engage local governments on fiscal matters. Respondents also noted that poor service delivery, weak accountability, and limited feedback on the use of tax revenues have undermined public trust and voluntary tax compliance. Consequently, revenue collection continues to rely heavily on enforcement measures rather than taxpayer education, constructive engagement, and voluntary compliance.

The baseline identified several policy and advocacy priorities requiring attention at both national and local levels. These include strengthening fiscal decentralisation by providing greater autonomy to local governments to mobilise and utilise own-source revenues; reviewing outdated legislation governing Local Service Tax, Hotel Tax, Property Rates, and Business Licensing; strengthening coordination between central and local government institutions; accelerating the digitalisation of revenue administration; improving taxpayer registration systems; institutionalising regular property valuation; strengthening oversight structures such as Public Accounts Committees and Executive Committees; enhancing citizen participation in budgeting and accountability processes; and strengthening the link between revenue mobilisation and visible improvements in public service delivery.

Respondents prioritised several interventions expected to have the greatest impact on improving local revenue performance. These include updating taxpayer databases and revenue registers, investing in digital revenue management infrastructure, supporting regular property valuation, strengthening local economic development initiatives, improving billing and compliance systems, promoting taxpayer education and dialogue, and enhancing transparency and accountability in the utilisation of locally generated revenues. These priorities provide a practical roadmap for implementing the STRIDE Project and demonstrate the importance of combining policy reform, institutional strengthening, digital innovation, and citizen engagement to improve domestic revenue mobilisation.

The findings demonstrate that while Uganda has made important progress in establishing a supportive policy and legal framework for domestic revenue mobilisation, significant structural, institutional, administrative and governance challenges continue to constrain local revenue performance. Addressing these challenges will require coordinated reforms that strengthen the legal framework, build institutional capacity, modernise revenue administration systems, improve property valuation, enhance taxpayer engagement and reinforce accountability mechanisms. The findings provide a robust baseline against which the STRIDE Project will measure progress and offer clear evidence to inform policy advocacy, institutional strengthening, and reforms aimed at improving domestic revenue mobilisation, fiscal governance, and equitable public service delivery in Uganda's Urban Local Governments.

CHAPTER 1

ABOUT THE PROJECT

1.1 Introduction

SEATINI, with support from the Embassy of Ireland in Uganda, is implementing a three-years project entitled: *Sustaining Tax and Revenue Improvements for Development (STRIDe)* project that seeks to strengthen domestic revenue mobilisation (DRM), improve public financial management, and enhance accountability in Uganda to support sustainable development and improved service delivery. The project responds to growing fiscal pressures arising from climate change, rising public debt, geopolitical shocks, declining development assistance, and persistent inequalities, all of which have constrained government resources and increased the need for efficient, equitable, and sustainable revenue mobilisation.

The project is aligned with Uganda's Domestic Revenue Mobilisation Strategy (2019/20-2023/24), the Public Finance Management Act (2015), the Local Government Own Source Revenue Strategy, and other national policy frameworks. The project focuses on strengthening the capacity of citizens, policymakers, and technical officers at both national and subnational levels to promote transparent, inclusive, and effective revenue mobilisation, allocation, utilization, and accountability. Through capacity building, policy dialogues, civic engagement, and institutional strengthening. The STRIDe project aims to improve tax administration, deepen citizen participation in fiscal governance, and foster a stronger social contract between taxpayers and government institutions, ultimately contributing to enhanced public service delivery and sustainable economic development.

Figure 1: Stakeholders during the launch of the STRIDE Project.

1.2 Context Analysis

Government has made various strides and efforts to bolster DRM both at national and sub-national level by putting in place several strategies, for instance, annual amendment of the tax laws, strengthening of tax administration through capacity building, digitalising tax collection with Electronic Fiscal Receipting and Invoicing Solution (EFRIS), Digital Tracking Solution, strengthen collaboration between the government of Uganda and other governments, through partnerships like that between Uganda Revenue Authority and the "Development Partners, Friends of URA group" where Ireland is a member, and through legal frameworks like the Automatic Exchange of Information (AEOI) which is an internationally endorsed framework aimed at combating tax evasion and enhancing financial transparency through the exchange of financial account information of non- residents from source countries to residence countries in a systematic and periodic manner[2], and tax harmonisation at the East African Community (EAC) starting from agreement on the four tariffs bands of the Common External Tariffs with a minimum rate of 0%, rates of 10%, 25% and a maximum rate of 35% in respect of all products imported into the Community, to harmonisation of the domestic tax law, for instance, the Excise duty Rates. It important to note that there several legal and regulatory frameworks in place to facilitate domestic revenue mobilisation, for instance the Constitution

of Republic of Uganda 1995, The Local Government Act 1997 (Cap. 243), Public Finance Management Act (2025), Decentralization policy, Domestic Revenue Mobilisation Strategy (FY 2019/20-FY 2023/24), Local Government Own Source Revenue Strategy.

Uganda's tax-GDP ratio has consistently remained below the DRMS target of 16% -18% with, a projected annual increase by 0.5% in the period (FY 2019/20-2023/24) and NDP III. The ratio grew by 0.1% between 2021/22 and 2022/23 from 12.7%[3] to 12.8% [4]. This still far below the projected Tax-to-GDP ratio of 25% as per the fiscal rules provided for under the EAMU Protocol[5].

The low tax-to-GDP ratio is attributed to existing gaps/challenges, for instance, capacity gaps and technical issues faced by Uganda Revenue Authority in tax administration, such as the limited audit and data analysis capacity for effective reporting and informed tax revenue decision making. Furthermore, increasing the tax-to-GDP ratio to the desired targets is constrained by the enormous revenue leakages through tax avoidance and evasion by the economically powerful individuals and corporations, illicit activities like smuggling, wasteful tax expenditures estimated to cost government UGX. 2,972 bn, or 1.62% of GDP in the FY2022/23[6], high corruption rates estimated at UGX. 9.1 trillion which is equivalent to 44% of total government revenue generated in 2019[7].

As a result of low tax revenue, the government has resorted to increased borrowing to finance the national development agenda. Uganda's Public debt as a percentage of GDP in present value terms is estimated to reach 45.3% as at end of June 2025, nearing the 50% threshold highlighted in the EAMU Protocol. The growing debt burden has continued to exert pressure on the inadequate Tax Revenue, thus total debt service has increased from 30.6% of the country's domestic revenue in FY2021/22 to 32.6% in FY2022/23. Since debt service takes the first call on the country's tax revenue. This implies that nearly a third of the country's domestic revenue is utilized for servicing debt at the expense of public service delivery.

The high debt service burden has continued to constrain fiscal space in the budget, forcing the government to resort to austerity measures, for instance, deepening and enforcing regressive tax measures like VAT and Excise Duty. For instance, in the FY2024/2025, citizens witnessed an increase of UGX. 100/= on petrol and diesel per litre. Such regressive tax measures have increased the cost of production and prices of goods and

2 https://x.com/URAuganda/status/1836390086050484338

3 Background to the Budget FY2023/24, Pge 120, Paragraph 6.3

4 Annual Macroeconomic Performance Report for FY2022/23, Table 4, Pge 26

5 *East African Community protocol on the Establishment of the East African Community Monetary Union, page 8 of 19pages; http://repository.eac.int/bitstream/handle/11671/1710/protocol_eac_monetary-union.pdf?sequence=1&isAllowed=y*

6 *Uganda Tax Expenditure Report FY22/23, page,* https://www.finance.go.ug/sites/default/files/reports/Tax%20Expenditure%20Report%20FY22-23.pdf

7 *Cost of Corruption in Uganda, page 4,* https://www.igg.go.ug/media/files/publications/Cost_of_Corruption_Popular_Version.pdf

services for the final consumers. This proportionately affect marginalized groups such as women who spend a large portion of their income on such products and services.

The prevailing poly crisis such as climate change, geopolitical tensions of Russia-Ukraine, debt crisis, dwindling Official Development Assistance (ODA) and systemic inequality have increased fiscal pressure and constrained the government's ability to provide the much-needed social services especially for the most vulnerable categories of people such as rural women and youth.

Similarly, substantial progress has been made by government on the improvement to collect own source revenues by the 5 municipals and 5 town councils including inter alia, rolling out of electronic revenue collection systems, for instance, Integrated Revenue Administration System (IRAS) where over 9 Cities, 22 Municipalities and 166 districts have been enrolled as of 29th September 2024, development of local revenue enhancement plans and establishing of a full-fledged revenue unit, property revaluation, amendments of some LG fees and charges.

The government has also attempted to institutionalize stakeholder engagement in the fiscal policy including tax policy making processes, budget process and post-budget process among others. SEATINI, serving as the Secretariat of the Tax Justice Alliance Uganda (TJAU) receives official invitations from the Ministry of Finance Planning and Economic Development (MoFPED) to share the CSO alternative Tax proposals and from Parliamentary Committee on Finance, Planning and Economic Development to share and present the CSO positions on the Tax Bills for the subsequent financial years. SEATINI is also a member of the Budget Month Transparency Initiative and the Local Government Finance Commission Think Tank Team. Therefore, through this three-year STRIDE project, SEATINI will effectively utilize these platforms to engage and champion issues of Domestic Resource Mobilisation (DRM) and own source revenue mobilisation, allocation utilization and accountability for improved people's livelihoods and service delivery.

Figure 2: A street in Ishaka Municipal Council.

1.2.1 Problem Statement

There is limited institutional and technical capacity of both policy makers and technocrats at the national, 5 municipal councils and 5 town councils to effectively implement the existing policies and regulatory frameworks and to reform/enact further legislations for sustainable, equitable revenue mobilization, allocation, utilization and accountability. Specifically, there is limited technical capacity of revenue officers to effectively implement tax administration and collection systems such as e-Tax, IRAS, e-LogRev, Audit, Data analytics, Tax Laws, LREPS among others.

There is limited engagement of citizens as taxpayers in the revenue mobilization, allocation, utilization and accountability processes due to the limited spaces, appreciation, capacity and platforms for engagement. As a result, there is poor social contract and rapport between taxpayers and the tax administration agencies like URA and Local Governments/municipalities which has significantly taken a down path as a result of limited of accountability, poor service delivery, coupled with harsh enforcement procedures. This is further worsened by the limited consultations between government and citizens on tax and related issues. This is further compounded by the weak relationship between taxpayers and the tax administration agencies like URA and Local Governments/municipalities has significantly taken a down path as a result of limited accountability and poor service delivery, coupled with harsh enforcement procedures. This is further worsened by the limited consultations between government and citizens on tax and related issues.

Therefore, there is an urgent need for targeted capacity strengthening at both national, municipality and town council level for technocrats and citizens on fair and equitable tax revenue mobilization, allocation, utilization and accountability and explore innovative approaches tailored to bridge the gap and strengthen the relationship between taxpayers and the tax enforcement agencies both at the national and subnational levels.

This project is expected to contribute to the sustenance of tax and revenue improvements for sustainable development. Specifically, the project will strengthen the capacity of citizens as taxpayers at national, 5 municipalities and 5 town councils to effectively influence revenue mobilization, allocation, utilization and accountability processes and practices for improved social services and livelihoods. The project will further strengthen the capacity of the technical, non-technical staff and policy makers at national and in the 5 municipalities and 5 town councils to effectively implement revenue management and accountability systems for improved efficiency in tax administration, broadening the tax base, and ensuring socially sustainable fiscal growth.

1.2.2 Alignment with Government Policy

Government policy is about increasing Domestic Revenue Mobilisation (DRM) both at the national and local levels which is anchored within several laws, plans and strategies including, inter alia, the Constitution of Republic of Uganda 1995, the Domestic Revenue Mobilisation Strategy (FY 2019/20-FY 2023/24), whose core objective is to improve revenue collection by enhancing the tax-to-GDP ratio to between 16-18% in the next five financial years, and to the DRMS proposals of designed to tackle issues of political economic constraints to DRM, opportunity to improve the tax system through policy initiatives and empowering the URA to strengthen the tax administration and collection of domestic revenue. The Stride project is also aligned with the Local Government Own Source Revenue Strategy, Public Finance Management Act (2015), the domestic tax laws, the decentralisation policy and the Local Government Act. By strengthening legal and institutional capacity both at the national and subnational levels, fostering a mutually beneficial relationship and collaboration between URA and Irish Tax and Customs, and strengthening relationship between URA, local government and non-state actors (NSAs), the STRIDE project is fully aligned with government policy and contribute to government's policy of enhancing DRM both at the national and subnational levels for effective social service delivery.[8]

1.3 Overall Goal of the Project

The STRIDE project will contribute to the sustenance of tax and revenue improvements for sustainable development.

1.3.1 The Specific Project Objectives

1) Strengthen the capacity of citizens as taxpayers at national, in the 5 Municipalities and 5 Town Councils to effectively influence revenue mobilization, allocation, utilization and accountability processes and practices for improved social services and livelihoods.
2) Strengthen the capacity of technical, non-technical staff and policy makers[9] at national and in the 5

8 *Domestic Revenue Mobilization Strategy FY 2019/20-2023/2024, (October 2019), page 14*
9 *They include both the technical staff like the CAOs, Clerks, Chief Finance Officers, Revenue Officers, and town agents and non-technical staff,*

Municipalities and 6 Town Councils to effectively enact and implement revenue management and accountability policies, regulations and systems for improved efficiency in tax administration, and ensuring socially sustainable fiscal growth.

1.3.2 Expected Results

Objective one: Strengthen the capacity of citizens as taxpayers at national, in the 5 Municipalities and 5 Town Councils to effectively influence revenue mobilization, allocation, utilization and accountability processes and practices for improved social services and livelihoods.

- Increased citizens appreciation and understanding of their rights and obligations as taxpayers in tax and Budget processes: Citizens in the 5 Municipalities and 5 Town Councils and at the national level will have greater understanding and appreciation of taxation, their rights and responsibilities as taxpayers leading to more inclusive and equitable participation in the revenue mobilization, utilization and accountability processes.
- Increased engagement of taxpayers in the tax and budget processes: There will be more inclusive citizen involvement in public consultations for the budget and tax planning processes and influencing how revenues are mobilized, allocated and utilized especially in the critical sectors such as Education, Health and Agriculture.
- Increased engagement of property owners' associations for increased mobilization of property tax: Property owners will effectively hold local government authorities accountable for how property revenue is collected and utilized at the local levels.

Objective two: Strengthen the capacity of technical, non-technical staff and policy makers[10] at national and in the 5 Municipalities and 5 Town Councils to effectively enact and implement revenue management and accountability policies, regulations and systems for improved efficiency in tax administration, and ensuring socially sustainable fiscal growth.

- Improved technical capacity of the technical, non-technical staff and policy makers in tax administration and collection both at the national and local levels: The technical, non-technical staff and policy makers and staff at the national, city and municipality levels will be better equipped with skills to effectively manage revenue collection, implement advanced (digital) tax systems and handle taxpayer issues/ concerns more efficiently.
- Improved tax laws, policies and regulations implemented for efficiency in revenue mobilization at the national, city and municipality levels: Policymakers both at the national and the city levels will be more capable of designing and implementing socially sustainable tax laws and policies that promote equitable growth and ensure the financial sustainability of the 5 municipalities and 5 town councils.
- Effective usage of revenue management systems for enhanced tax administration and collection at the national, city and municipality levels: The adoption and effective use of modern, integrated revenue management systems like the e-Tax, e-LogRev, IRAS, LREPS, DRIPs and others will reduce inefficiencies, improve data accuracy, and enhance compliance, leading to higher revenue collection.

1.4 Target Groups

The project will engage the following target groups at the respective national, city and municipality levels. At the national level, the project will work with technocrats from Government Ministries, Agencies and Departments. These majorly Ministry of Local Government (MoLG), The Local Government Finance Commission, Uganda Revenue Authority (URA) and Members of Parliament.

At the local government level, the project will be in the following urban authorities.

including: the local councilors, district chairpersons and finance committees.

10 *They include both the technical staff like the CAOs, Clerks, Chief Finance Officers, Revenue Officers, and town agents and non-technical staff, including: the local councilors, district chairpersons and finance committees.*

Central Region	Karamoja Sub- Region	Western Region	Northern Region
Mityana Municipality Kassanda Town Council	Moroto Municipality Nakapiripirit Town Council Napak Town Council Kotido Municipality	Ishaka Municipality Isingiro Town Council	Apac Municipality Nakasongola Town Council

In addition, the project will also engage development partners, Civil Society, Academia, Media, Private sector, Property Owners Associations, Traders Associations, Women Market Associations, Youth Associations both at the national and subnational levels.

#	Category
National Level	
1	URA Officials
2	Ministry of Finance, Planning and Economic Development
3	Members of Parliament
4	Ministry of Local Government
5	Local Government Finance Commission
6	Civil Society Organizations
7	Media
8	Academia/Higher Institutions of Learning
9	Development Agencies
10	National Planning Authority
11	Private Sector Associations
Subnational Level	
1	Local Government Technical Staff
2	Local Government Non-Technical Staff (Political)
3	Women Groups
4	City and Municipality Private Sector Associations
5	Property Owners Associations
6	Youth Groups
7	PWDs Associations

1.5 Purpose of the Baseline Study

The main goal of the survey was to provide a clear understanding of the gaps in technical and non-technical expertise in tax mobilization, allocation, utilization, and accountability among staff and policymakers at sub national levels, identify the magnitude of the tax gap, potential increase in revenues, main bottlenecks and challenges.

This baseline report provides a benchmark for the starting point for implementation of the STRIDEs project and to provide the basis for measuring progress and impact evaluation on the project's interventions. The study outcomes will serve as baseline data for impact evaluation of the project.

1.5.1 Specific Objectives:

1) Examine the status of the existing Uganda domestic tax laws and regulatory frameworks.
2) Identify the main bottlenecks and challenges affecting DRM
3) Assess the administrative capacity for tax collection and management both at national and subnational levels.
4) Assess the link between taxation and good governance: Key concerns and advocacy issues.
5) Recommendation for policy and advocacy work

CHAPTER Two

APPROACH AND METHODOLOGY

2.1 Introduction

The study employed both quantitative and qualitative methods. In quantitative methods, emphasis was put on numerical analysis of data collected from national and local government budget documents and other relevant data sources. Trends in planned and actual performance in revenue generation and utilization were established.

The qualitative approach provided insights into perceptions, facts, feelings, and experiences of communities, leaders, the technical staff from Ministry Departments and Agencies regarding their awareness, perceptions and attitudes and levels of taxpayers' compliance and participation in tax policy formulation processes, its mobilization/collection, allocation and utilization processes in the targeted 10 (ten) urban authorities and MDAs. A combination of the two methods ensured descriptive, analytical, flexible, naturalistic and interpretative perspectives describing the situation both numerically and verbally.

To achieve these objectives, the survey adopted the following approaches and methods.

2.2 Desk Review

To obtain and validate revenue collection data, status of the legal framework and overall performance of the selected urban councils, the team reviewed annual performance reports as filed on the MoFPED website, www.budget.ug and annual reports presented by the councils. The survey also used documents available at the MoLG, LGFC, UAAU and publications on revenue administration from other agencies, including SEATINI, were reviewed. Furthermore, other critical documents were also reviewed include, inter alia, the Domestic Revenue Mobilisation Strategy and the Primary Tax Laws and legal and regulatory frameworks governing Tax and Local Revenue mobilization.

2.3 Development of the tools

Concept notes and data collection tools were developed to guide the assessment process in line with the objectives of the assessment. The tools focused on trends of budget and revenue collection, status of revenue registers, analysis of challenges and constraints, revenue potential and emerging issues on governance. The tool involved scoring by the participants for the identified parameters in the tool.

2.3.1 Key Informant Interviews and discussions

The consultant travelled to the targeted 10 urban councils and conducted direct consultation and interviews with senior LG officials and political leaders. The respondents were largely composed of Mayors, Town Clerks, Assistant town clerks, heads of finance and revenue, production officers, commercial officers, planners, Town Agents. At the National Level, interactions were conducted with the Ministry of Finance, Planning and Economic Development (MoFPED), Local Government Finance Commission (LGFC), Ministry of Trade

Industry and Cooperatives (MoTIC), Uganda Revenue Authority (URA) and Ministry of Local Government on tax formulation and advisory.

Figure 3: The field team conducting FGDs in Kotido Municipal Council.

2.3.2 Entry/Inception meetings

Given that the assessment marked the first official engagement with the 10 selected urban councils, entry meetings were conducted to inform and engage the key Officials – technical and political leaders about the project objectives, its planned scope and anticipated interventions. Officials from SEATINI were at hand to provide the project background and to seek cooperation during the project execution. The LG officials generally included senior political leaders, the mayors, Town clerks, Heads of Finance and Town Agents. LG leaders and staff were enthusiastic and full of hope about the potential of the project to provide improvements in revenue collection. There was overriding consensus that the targeted urban authorities have the potential of improving their Local revenue mobilization for improved service delivery within their jurisdictions.

2.4 Process of the Assessment

The team identified parameters to be assessed for each objective, in line with the project goal, objectives and outputs. The scores were used to establish the vulnerabilities in revenue administration, resource allocation and advocacy issues. Respondents selected one amongst themselves to conduct and record the scoring on each parameter.

Then through a brainstorming session, the participants discussed the identified vulnerabilities and developed consensus on proposed strategies to respond to these vulnerabilities. Additional comments to augment the scores were added.

The survey team analyzed the findings using Excel spreadsheets to get the scores per parameter, per Urban Council and then aggregate scores. The aggregate scores were used as a basis for developing initiatives for reforms in revenue administration and accountability.

Beyond collecting data, the survey team reached out to and sought to build networks with the specific technical/political officials, and private sector entities/associations, for continued future engagement.

2.5 Targeted Participants

This survey engaged with the following categories of people.

1) Local Government Officials (Town Clerks, Planners, Revenue Officers, Mayors, Town agents and Production/Commercial Officers)
2) Government officials from (Local Government Finance Commission, Ministry of Local Government, and Ministry of Trade, Industry and Cooperatives, Ministry of Finance Planning and Economic Development)
3) Private Sector General Public (taxpayers) and private sector associations (Property Owners, Market vendors, Salon operators among others).

Table 1.1 Showing disaggregated assessment respondents

Disaggregation figures							
S-No	LG	Total Participants	M	F	Technical Officers	Political Leaders	Private sector
1	Kassanda	20	6	14	17	2	1
2	Mityana	4	2	2	3	1	0
3	Nakasongola	18	14	4	14	2	3
4	Apac	15	9	6	13	1	1
5	Moroto	15	12	3	13	1	1
6	Napak	13	10	3	12	1	0
7	Nakapiripirit	15	11	4	13	2	0
8	Kotido	13	9	4	10	2	1
9	Isingiro	8	12	7	15	2	2
10	Bushenyi – Ishaka	21	13	8	17	2	2
11	MoLG	2	1	1	2		
12	LGFC	3	2	1	3		
13	MoTIC	2	2		2		
14	MoFPED	4	3	1	4		
	TOTAL	153	116	58	138	16	11

2.6 Scope of the Assessment Survey

2.6.1 Time scope

The Assessment was a one-month activity characterized by entry level reviews of the situation of own source revenue administration, advocacy and accountability systems. The period was between early April to May 2025.

2.6.2 Geographical Scope

The assessment was conducted both at the national and local level. At local level, the survey was conducted in the districts of Kassaatnda, Mityana, Nakasongola, Apac, Moroto, Napak, Nakapiririt, Kotido, Isingiro, Bushenyi-Ishaka. At the national level, in Kampala, the survey was conducted at the Ministry of Local Government, Local government Finance Commission, Ministry of Trade and Ministry of Finance, Planning and Economic Development.

2.7 Limitations of the study

The limitations encountered were related to the adequacy, quality and availability of data and information, especially at divisions, necessary for a comprehensive comparative analysis. There were difficulties in obtaining copies of the division budgets. The other was related location of the targeted urban authorities being far from each in the Central, Northern, Western and of the targeted urban authorities.

CHAPTER Three

BASELINE FINDINGS

3.1 Brief About the 10 Urban Authorities

Kotido Municipal Council

The municipality is situated 536 kilometers from Kampala, in the North Karamoja region. It is geographically bounded by latitudes N313867 South and N341676 North, and longitudes 300320 East and 3402763 East. The municipality shares borders with Kotido sub-county to the Northwest, Rengen sub-county to the North, and Nakapelmoru sub-county to the East. With a predominantly agricultural economy, the area thrives on animal and crop farming, complemented by trade and service industries. The population stands at 87,708, comprising 26,770 males, 28,968 females, and 31,970 youths, spread across 278 square kilometers.

Figure 4: field survey team visiting businesses in Kotido Municipal Council.

A table showing status of Local Revenue realised for the selected financial years

Financial Year	Budgeted	Actual collection
2023/24	433,589,000	112,595,000
2024/25	433,589,000	161,662,000

Source: MoFPED

The low local revenue performance recorded by Municipal Council was largely attributed to limited local revenue base, low levels of economic activity, and the socio-economic characteristics of the area, which constrain taxpayers' ability to meet their tax obligations. Additional factors such as low taxpayer compliance, inadequate enforcement of local revenue ordinances, insufficient staffing and logistical support for revenue administration, revenue leakages, and weak taxpayer sensitisation were highlighted to have affected revenue mobilisation. The slight improvement in collections from FY 2023/24 to FY 2024/25 suggests that the Council strengthened its revenue mobilisation efforts through enhanced enforcement, improved supervision, and better revenue administration. However, the collections remained well below the projected targets, indicating the need for continued reforms to broaden the revenue base, improve compliance, and strengthen revenue management systems.

Kassanda Town Council

Kassanda Town Council was established by an Act of Parliament in 2018, and it's located in the Northwestern region of Uganda. The headquarters are situated in Kassanda Town 89km from the City of Kampala and 25 km from Mityana. It's bordered by Kassanda, Bukuya Kamuli Sub Counties and Bukuya Town Council. Kassanda Town Council is opulently endowed with natural resources and though it has low capacity to exploit the available opportunities. It's very difficult for the Town Council to mobilize adequate revenues for services delivery from the people since their capacity to pay taxes is very limited. The revenue collection performance of the Town Council has not been impressive. The share of locally raised revenue to the overall Town Council budgets has always been oscillating between1.5% to 5%.

A table showing status of Local Revenue realised for the selected financial years

Financial Year	Budgeted	Actual collection
2023/24	95,945,889	91,781,200
2024/25	108,540,000	103,953,942

Source: MoFPED

The failure to realize the locally raised revenue targets was attributed to; Poor management and administration of revenues, Political pronouncements and abolition of Graduated tax, Political interferences, Covid-19 pandemic that affected most economic activities, Limited funds. Revenue mobilization requires adequate resources in terms of human capital, finance and logistics, Capacity gaps/inadequate skills of revenue collectors and mobilizers, Lack of coordinated effort amongst stakeholders involved in revenue mobilization, Limited sensitization and awareness efforts, Market Tenderer of Mubulo did not remit as expected, Inadequate revenue data at both parish and sub-county levels on potential revenue sources, Lack of equipment (computers) at LLGs to facilitate computerization of Revenue Registers, Poverty amongst the population (general public), hence low revenue yield, Low revenue base, Negative attitude of the residents towards agriculture production (which is the backbone of Uganda's economy)

Mityana Municipal Council

Mityana Municipal Council was established by the Act of Parliament on the 1st of July 2015 and gazzeted on 9th September 2015 under statutory instrument No. 47, 2015. The Municipality was created out of a merger between former Mityana Town Council and Former Busimbi Sub County clustered in three divisions i.e., Central, Busimbi and Ttamu. It is located in Buganda under the central region of Uganda about 69kms from Kampala and 86kms from Mubende district headquarters, with a population of 95,428 persons (NPHC, 2014) and it is one of the 20 largest urban centres in Uganda. Mityana Municipality is located in Buganda Kingdom, Ssingo County in the Central region of Uganda. Mityana Municipal headquarters are currently located at Kanamba DFI in West Ward-Central Division at Latitudes 0°23'14.76"N and Longitudes 32° 2'4.49"E however, the new offices are under construction on Muwemba Road at Latitudes 0°24'0.87"N and Longitudes 32° 2'51.41"E with an area of about 259sqkm, of which 208sqkm is land and 52sqk is full of water and swamps[11].

11 https://mityanamc.go.ug/about-us

A table showing status of Local Revenue realised for the selected financial years

Financial Year	Budgeted	Actual collection
2023/24	1,500,000,000	1,232,467,293
2024/25	1,529,600,000	1,314,744,000

Source: MoFPED

The relatively strong revenue performance of Mityana Municipal Council was informed by its strategic location along the Kampala–Fort Portal highway, which supports vibrant trade and commercial activities, thereby expanding the local revenue base. The municipality also benefits from property tax base, a busy central market, numerous business establishments, and a growing urban population that generates substantial revenue from trading licenses, market dues, property rates, and other local revenue sources. Furthermore, improvements in property valuation, updating of the revenue register, and enhanced monitoring of revenue collection contributed to the increase in actual collections. Despite these gains, the Council did not fully attain its revenue targets due to ambitious budget projections, outstanding arrears, and untapped revenue sources that are not yet fully exploited.

Bushenyi-Ishaka Municipal Council

Bushenyi-Ishaka Municipality was inaugurated on 1st July 2010 having been elevated from the town council of Bushenyi – Ishaka, by adding some parishes of Bumbaire Sub County in the South, Kyabugimbi Sub County in the North, Nyabubaare southwest and Kakanju in the North west, Ibaare in the west and Kyeizooba in South East. It accommodates Headquarters of Bushenyi district. The Municipal Council is 324 Km from Kampala city on Kampala – Kasese highway and is in the south-western region of Uganda. Its exact location can be geographically determined as longitude 29037I East and latitude 0040I south. It is the main commercial centre and houses the political and administrative headquarters of the Bushenyi District.

Some of the factors responsible for Bushenyi – Ishaka municipal's steady growth have no doubt been the fact that it is situated at the Mbarara - Kigali - Fort Portal crossroads, good governance and that it is the nerve centre of the numerous feeder roads linking up all parts of greater Bushenyi's rich hinterland.

A table showing status of Local Revenue realised for the selected financial years

Financial Year	Budgeted	Actual collection
2023/24	1,366,331,172	1,044,808,441
2024/25	1,490,888,69	1,133,295,002

Source: MoFPED

Figure 6: Poster of Bushenyi-Ishaka Municipal Council

The local revenue performance of Bushenyi-Ishaka Municipal Council reflects a relatively strong and stable revenue mobilisation system, with actual collections consistently exceeding 80% of the annual revenue targets. This performance was informed by a broad and active local revenue base, including vibrant commercial activities, improved taxpayer compliance, effective enforcement of local revenue ordinances, and the adoption of digital revenue management systems that minimised leakages and enhanced efficiency. The slight increase in actual collections between FY 2023/24 and FY 2024/25 suggests continued improvements in revenue administration and taxpayer sensitization. However, the Council did not fully achieve its budget targets, possibly due to ambitious revenue projections, delayed tax payments by some taxpayers, valuation challenges, and operational constraints that affected the full realization of the projected local revenue.

Isingiro Town Council

Figure 7: A photo showing the major economic activity in Isingiro Town Council

Isingiro Town Council is located in the North Eastern part of Isingiro District. It boarders with Sub counties of Ngarama Sub-Count in the West, Kabingo in the North, Kagarama in the North West and covers a total land area of 219.2 square kilometers (8.4%) out of 2609.60 square kilometers of the entire District. The Town Council enjoys equatorial climate and receives average rainfall of 1200mm, the temperature normally ranges from 17 to 30 degrees centigrade. It has two main rainy seasons during the months of March to April and September to November in a calendar year hence making it prone to chronic drought. Isingiro Town Council's administrative structure is composed of 5 wards and 50 cells/ villages with a total population of 57,377 people and their major economic activity is subsistence farming.

A table showing status of Local Revenue realised for the selected financial years

Financial Year	Budgeted	Actual collection
2023/24	310,863,325	332,582,612
2024/25	336,436,750	361,704,027

Source: MoFPED

The local revenue performance of Isingiro Town Council demonstrates strong and consistent revenue mobilisation, with actual collections exceeding the budgeted targets in both FY 2023/24 and FY 2024/25. This performance was informed by effective revenue administration, strong enforcement of local revenue laws, improved taxpayer compliance, continuous taxpayer sensitization, and efficient use of revenue management systems that minimised leakages. In addition, regular updating of the revenue register, close supervision of revenue collection processes, and a growing local economic base contributed to increased revenue generation. The continued surplus collections also suggest that the Council adopted realistic revenue forecasting and strengthened accountability mechanisms, enabling it to surpass its revenue targets in the selected financial years.

Napak Town Council

Napak Town Council was created on 1st July 2010 through an Act of Parliament. It is situated in the southern part of Napak District headquarters (about 45kms within Bokora East Constituency with its headquarters situated along Moroto- Soroti road. In terms of its borders, the Town Council is surrounded by Lorengecora sub county in all directions i.e it's in the middle of Lorengecora sub county. The Town Council covers an area of 60.5 square kms, of which 20 square kms is entirely for cultivation. Administratively, Napak TC has four Wards and 13 cells. The Town Council has attracted a large population from the furthest sub counties of Ngoleriet, Matany, Lotome, Lokopo and the immediate neighboring sub counties of Lorengecora and Iriiri which has made it a central business hub in Napak district as its developing at a faster rate.

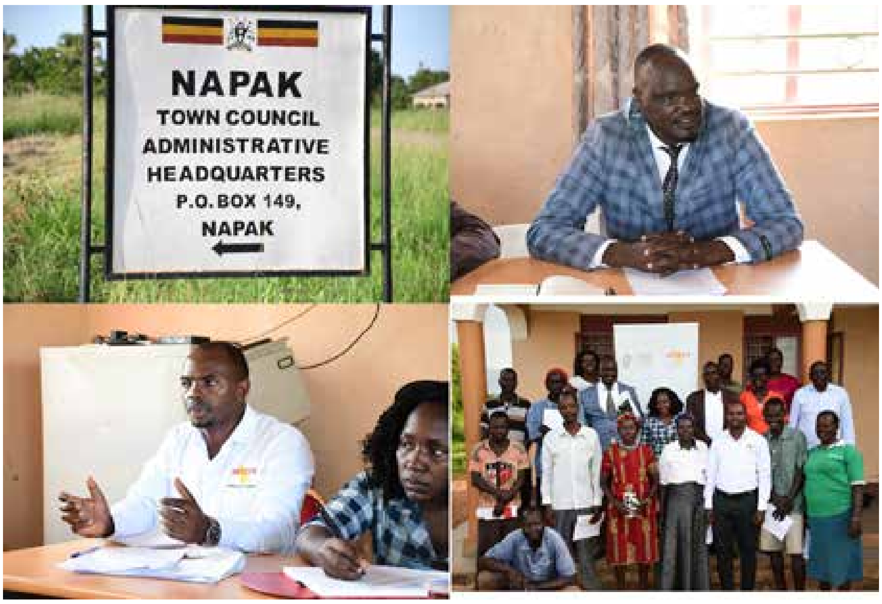

Figure 8: A photo collage showing the survey team collecting data in Napak Town Council

A table showing status of Local Revenue realised for the selected financial years

Financial Year	Budgeted	Actual collection
2023/24	31,560,000	22,113,500
2024/25	35,750,000	25,389,780

Source: MoFPED

The failure by Napak Town Council to achieve its local revenue targets for two consecutive financial years was attributed to persistent structural and institutional weaknesses in local revenue mobilisation rather than temporary fluctuations in revenue performance. Despite an increase in both the budgeted revenue and actual collections between FY 2023/24 and FY 2024/25, the growth in realised revenue was insufficient to match the projected targets, suggesting that the Council continues to face challenges in accurately assessing its revenue potential and effectively mobilising available revenue sources. This persistent underperformance was also attached to a narrow local tax base, limited economic activity, low taxpayer compliance, weak enforcement mechanisms, inadequate staffing and logistical capacity for revenue collection, and continued revenue leakages. The recurring revenue shortfalls also raise concerns about the realism of the Council's revenue projections and highlight the need for comprehensive reforms to strengthen revenue planning, expand the taxable base, improve compliance, and enhance the efficiency of local revenue administration.

Moroto Municipal Council

Moroto municipal council is among the oldest municipalities in Uganda; it came to existence in 1974. It is a town in Moroto District in the Northern Region of Uganda. The town serves as the location of the district headquarters and it is approximately 316 kilometers' (196 mi) east of Gulu, the largest city in the Northern Region of Uganda. It is about 271 kilometers by road, northeast of Mbale, the largest city in the Eastern Region of Uganda. Moroto is located approximately 528 kilometers northeast of Kampala, the capital. The geographical coordinates of Moroto Town are 2°31'48.0"N, 34°40'12.0"E (Latitude:2.5300; Longitude:34.6700). Moroto sits at an average elevation of 1,370 meters (4,490 ft) above sea level[7]

Figure 9: A market woman and man in Moroto Central Market.

A table showing status of Local Revenue realised for the selected financial years

Financial Year	Budgeted	Actual collection
2023/24	780,000,000	494,385,000
2024/25	936,805,000	691,672,000

Source: MoFPED

The local revenue performance indicates an improvement in actual collections between FY 2023/24 and FY 2024/25, although the Council did not achieve its budget targets in either year. This performance was likely informed by enhanced revenue mobilisation efforts, including improved taxpayer sensitisation, stronger enforcement of local revenue collection, better supervision of revenue collectors, and gradual improvements in taxpayer compliance. The increase in actual collections also suggests progress in strengthening revenue administration and reducing leakages. However, the persistent gap between budgeted and actual revenue may have resulted from an overestimation of revenue potential, a narrow local revenue base, low compliance among some taxpayers, limited enforcement capacity, and operational challenges that constrained the full realisation of the projected local revenue.

Nakasongola Town Council

Nakasongola Town Council is one of the urban authorities in Nakasongola district surrounded by Wabinyonyi Sub County in the West and North West, South, East, and the North. It covers an area of 56sqkm out of the district's 3,424sq Km. Nakasongola is generally a flat area topographically, undulating between 3,400-3,800ft above sea level. Much of the low-lying areas are drained by seasonal swamps. Nakasongola Town Council like most parts of Nakasongola District has two rain seasons. The first rain season starts in March/April and ends in May/June. The second season starts in August and goes on up to October/November. The rainfall ranges between 500mm – 1000mm per annum. The maximum temperatures range between 250C – 350C and the minimum diurnal range is 180 – 250C. Vegetation type is dominantly an open deciduous savannah wood land with short grasses. Nakasongola Town Council is divided into 3 wards of Central, East and West, comprising 15 villages.

Figure 10: Photo collage of Nakasongola Town Council

A table showing status of Local Revenue realised for the selected financial years

Financial Year	Budgeted	Actual collection
2023/24	163,555,757	92,479,043
2024/25	192,322,000	107,329,666

Source: MoFPED

The table shows that Nakasongola Town Council consistently underperformed against its local revenue targets in both FY 2023/24 and FY 2024/25, although there was a modest improvement in actual collections from UGX 92,479,043 to UGX 107,329,666. The continued shortfall was attributed to factors such as a narrow local revenue base, low taxpayer compliance, inadequate enforcement of revenue collection, limited capacity for revenue administration, and leakages within the revenue collection system. While the increase in actual collections in FY 2024/25 suggests some improvements in revenue mobilisation efforts, the higher budget target outpaced the growth in collections, indicating that further measures are needed to strengthen revenue administration, expand the tax base, improve taxpayer sensitisation, and enhance compliance to enable the Council to achieve its revenue targets.

Nakapiripiriti Town Council

Nakapiripirit Town Council is an administrative and urban local government unit in Nakapiripirit District in the Northern Region of Uganda, serving as the main town and the seat of the district's headquarters. It lies in the Karamoja sub-region, a predominantly pastoral and Agro-pastoral area, and hosts key local government offices, markets, and community services that support both town residents and the surrounding rural hinterland. According to recent estimates, the town council has a population of around 6,000 residents, with a nearly equal gender distribution and a youthful demographic. The council plays a significant role in local administration, service delivery, and community mobilisation, addressing development challenges such as access to clean water, education and harmful cultural practices while also acting as a hub for cultural and civic activities in the district.

Figure 11: Collage of photos showing the field survey team in Nakapiripirit Town Council conducting FGDs.

A table showing status of Local Revenue realised for the selected financial years

Financial Year	Budgeted	Actual collection
2023/24	105,494,028	73,012,517
2024/25	45,494,029	34,571,051

Source: MoFPED

From the table above, it indicates that although Nakapiripirit Town Council recorded an improvement in local revenue collection efficiency from 69.2% of the budget in FY2023/24 to 76.0% in FY2024/25, the overall performance remained below the planned targets. More importantly, the local revenue budget declined sharply by 56.9%, from UGX 105.49 million to UGX 45.49 million, suggesting a reduced revenue ambition rather than a substantial improvement in revenue mobilization. The continued failure to realize the full revenue potential was attributed to persistent challenges such as weak taxpayer awareness, limited capacity of the technocrats, political interference, narrow tax base, low taxpayer compliance, weak enforcement, limited institutional capacity for revenue administration among others. These constraints undermine the Town Council's ability to generate adequate own-source revenue, increase dependence on central government transfers, and limit the financing of essential public services and local development priorities.

Apac Municipal Council

Apac Municipal Council is the urban capital of Apac District, situated in the northern part of Uganda. It lies within the Northern Uganda Economic Corridor (NUEC), a vital region marked by integrated infrastructure designed to stimulate regional economic growth. Geographically, Apac Municipality is located between longitudes 32°0'W and 34°0'E and latitudes 1.59°N and 3°0'S. The Municipality is approximately 280 km (Direct) from Kampala via Masindi Port Ferry and 343 km via Karuma, Loro Oyam route. It is located within the NUEC (Northern Uganda Economic Corridor), an important and dynamic area with integrated networks of infrastructure within a geographical area designed to stimulate economic development.

Figure 12: Business areas in Apac Municipal Council

Apac Municipality has a great potential for development, being an area with fertile soils, by virtue of its location relative to the river Nile. Agriculture and Agro based industry are some of the core economic activities that can be undertaken to stimulate development in the Municipality.

A table showing status of Local Revenue realised for the selected financial years

Financial Year	Budgeted	Actual collection
2023/24	320,000,000	220,221,000
2024/25	336,436,750	361,704,027

Source: MoFPED

The variation in Apac Municipal Council's local revenue performance over the two financial years is attributed to changes in the effectiveness of local revenue mobilisation and administration. According to the Municipal Council's Revenue, the underperformance recorded in FY 2023/24 was influenced by weak enforcement of revenue collection, low taxpayer compliance, inadequate supervision of revenue collectors, and administrative inefficiencies that limited revenue realization. Conversely, the exceptional performance in FY 2024/25, where the Council exceeded its revenue target, suggests improvements in revenue administration, enhanced enforcement of tax and non-tax revenue collection, better taxpayer sensitization and compliance, strengthened supervision of revenue collection processes, and more efficient utilization of revenue management systems, all of which contributed to increased revenue mobilisation.

Objective 1: *Examine the status of the existing Uganda domestic tax laws and regulatory frameworks.*

3.1 Legal Mandate for Domestic and Local Revenue Mobilisation

Uganda's legal framework provides Local Governments (LGs) with a strong constitutional mandate to mobilize own-source revenue as a means of financing decentralized service delivery. Article 191(1) and (2) of the Constitution empowers Local Governments to levy, charge, collect, and appropriate taxes, fees, rates, royalties, rents, licenses, and other revenue sources as may be prescribed by Parliament. This constitutional mandate is reinforced by Article 154, which requires all taxes and public revenues to be established through an Act of Parliament, thereby ensuring accountability and uniformity in revenue administration.

The constitutional provisions are operationalized through the Local Government Act (Cap. 138), particularly Section 83 and the Seventh Schedule, which define the revenue sources available to Local Governments. These include Local Service Tax (LST), Local Government Hotel Tax (LGHT), property rates, business licenses, user fees and charges, registration and licensing fees, ground rent, royalties from natural resources, market dues, departmental fees, and other locally generated revenues. Collectively, these revenue sources are intended to strengthen the fiscal autonomy of Local Governments and enable them to finance local development and public service delivery.

Every Financial Year, the government of Uganda review the existing domestic tax laws to close the loopholes, aligning them with the current economic environment, strengthening tax administration, deter unnecessary behaviors and generate more revenue needed to finance the Budget. This has provided a platform for stakeholders to input in the tax process but also align with the EAC tax harmonization agenda aimed at avoiding the race to the bottom. Without the amendments, some of the provisions within Uganda's domestic taxes would have remain unaligned to the current changing economic environment.

3.2 Complexity and Fragmentation of the Legal Framework

Despite the broader constitutional mandate, the legal framework governing local revenue mobilisation has evolved into a highly fragmented system comprising more than 43 Acts, Regulations, Statutory Instruments, Ministerial Guidelines, and administrative directives. These legal instruments regulate different taxes and non-tax revenues, often levying from the same taxpayer, thus increasing the tax burden.

The baseline assessment found that while the legal framework provides the necessary authority to collect revenue, many of the governing laws have not kept pace with changes in Uganda's economy, urbanization, business environment, and decentralization reforms. Several legal provisions remain outdated, contain extensive exemptions, or fail to provide adequate implementation mechanisms, thereby constraining Local Governments from fully exploiting their own-source revenue potential, for instance, the Local Service Tax with the rate ranging from UGX. 5,000/ to UGX. 100,000/= paid by the persons in gainful employment and earning monthly take-home salary exceeding 100,000/= but not exceeding 200,000/= and exceeding 1,000,000/= respectively. The other one is the Local Government Hotel Tax, (LGHT) that still charges Shs. 500/=per room per night per occupant in hotels, whereas lodges and guest houses charge less than Shs.10,000/= per room per night (US$2) per room or its equivalent in shillings for the occupants in a Five- and Four-star hotel.

3.3 Key Legal and Regulatory Constraints

Although LGs have constitutional mandates to mobilize revenue, they are hindered by several limitations including the legal and regulatory frameworks which has continued to affect their effective revenue mobilisation efforts. Local governments have very limited powers to introduce, revise, or expand revenue sources independently. For instance, Revenue ordinances, charge policies, and amendments to local taxes require approval by the Ministry of Local Government (MoLG), the Office of the Attorney General, and in some cases Parliament. Respondents consistently observed that these approval processes are lengthy and bureaucratic, reducing the responsiveness of Local Governments to emerging economic opportunities and local financing needs.

The assessment further identified several weaknesses within the existing legal framework that directly constrain revenue mobilisation:

1) **The Local Government Act (Cap. 138).** While the Act provides the legal basis for local taxation, Section 83 (1) or the Seventh Schedule provide a range of taxes available to Local Governments and the provisions, some have become inadequate in addressing emerging revenue opportunities, for instance, taxation of development minerals, like clay, sand, and stone aggregate among others. This has been exacerbated by the bureaucratic passing of Byelaws and Ordinances. Proposed amendments seek to expand permissible revenue sources and reduce unnecessary exemptions that continue to narrow the local tax base.
2) **Local Service Tax (LST).** The current tax band structure is considered outdated and administratively cumbersome. Stakeholders recommended revising the tax bands while increasing the minimum threshold to improve compliance, simplify administration, and enhance revenue performance from this particular source of revenue.
3) **Local Government Hotel Tax (LGHT).** Existing legislation lacks adequate enforcement provisions for hotel owners or the Managers for who sometimes refuse to collect and remit the levies to the urban councils. Proposed reforms seek to introduce surcharges and penalties to strengthen compliance and improve collection efficiency.
4) **The Local Governments (Rating) Act.** Property rates remain one of the most significant own-source revenue streams for urban Local Governments, contributing between 23% and 33% of locally generated revenue in several participating urban authorities. However, the Act contains broad exemptions for owner-occupied residences, educational institutions, and religious organisations, significantly reducing the taxable property base, particularly in peri-urban and rapidly growing municipalities. In addition, many Local Governments lack the financial resources required to undertake periodic property valuation, resulting in outdated valuation rolls and substantial revenue losses. Experiences from Mityana Municipal Council demonstrate the transformative potential of updated property valuation, with projected property rate collections expected to increase from approximately UGX. 100 million to over UGX .1 billion following revaluation.
5) **Business Licensing Framework.** Business license fees continue to be guided by a grading order last revised in 2017. Consequently, license fees no longer reflect prevailing business conditions, inflation, or changes in commercial activities, reducing their effectiveness as a sustainable revenue source.
6) **Public Finance Management Act (2015).** Respondents raised concerns regarding the recentralization of locally raised revenue under the Single Treasury Account (STA). Furthermore, some sources like park user fees (Schedule 7, Part IV of the Local Government Act [Cap.138]. This arrangement has reduced Local Governments' direct control over important revenue streams and

created uncertainty regarding revenue sharing and accountability.

7) **Royalties and Natural Resource Revenues.** Existing legal provisions governing royalties from mining and other extractive industries do not adequately guarantee equitable benefit-sharing with the respective Local Governments, particularly in mineral-producing districts such as Karamoja sub-region.

Generally, Uganda's legal and regulatory framework imposes multi-sectoral constraints on businesses and taxpayers in general. The key compliance hurdles involve strict licensing in strategic sectors, especially the mining sector where the interested companies and individuals are required to apply for several licenses, furthermore, Uganda's tax, legal, and regulatory framework features an 18% Value Added Tax (VAT), a standard corporate income tax rate of 30%, and mandatory registration via the Uganda Revenue Authority. Key constraints include, inter alia, a large informal economy, a mandatory 30% cash deposit to challenge tax assessments, and strict transfer pricing rules.

3.4 Emerging Revenue Sources Without Adequate Legal Backing

The assessment also identified important revenue sources that remain inadequately supported by legislation. Revenue streams such as vehicle park user fees, street parking fees, and outdoor advertising charges are recognized under the Local Government Act [Cap. 138], Schedule Seven and reflected or provided for under the Classification and Chart of Accounts[12], yet they lack comprehensive Acts of Parliament or subsidiary regulations governing assessment, billing, enforcement, dispute resolution, and compliance.

The absence of detailed legal frameworks has resulted in inconsistent in their implementation across Local Governments, weak enforcement, legal disputes with taxpayers, and significant revenue leakages. In several participating urban authorities, these legal uncertainties have discouraged the collection of potentially important revenue sources altogether. Strengthening the legislative basis for these emerging revenue streams presents an important opportunity to diversify Local Government revenue collection and reduce dependence on central government transfers.

At national level, Uganda does not systematically tax cryptocurrency transactions, decentralized finance (DeFi) yields, or virtual asset trades due to the absence of dedicated regulatory frameworks and anonymous decentralized structures. Furthermore, Uganda Revenue Authority faces ongoing gaps in effectively capturing revenues from cross-border peer-to-peer e-commerce and informal digital gig work. This implies that Uganda has not equipped its Tax administrators with skills and knowledge to handle taxation in the highly globalized and digitalized economy.

3.5 Ongoing Legal Reform Initiatives

Recognizing these challenges, Government has initiated several legal and institutional reforms aimed at strengthening the local revenue system. Following adoption of the **Local Government Revenue Mobilization Strategy (LGRMS) (2024)**, the Ministry of Local Government established the **Local Revenue Enhancement Committee (LREC)** to identify weaknesses within the existing legal framework and coordinate legislative reform.

The Committee is supported by a multi-sectoral taskforce comprising the Ministry of Local Government, Local Government Finance Commission (LGFC), Uganda Law Reform Commission, Office of the Solicitor General, First Parliamentary Counsel, ULGA, REAP, and the former USAID DRM4D Activity. Current reform efforts focus on reviewing legislation governing Local Service Tax, Hotel Tax, Property Rates, Trading Licenses, Market Dues, Royalties, Water Fees, Fish Licenses, Agency Fees, and other departmental revenues. Collectively, these reforms seek to broaden the revenue base, simplify tax administration, improve compliance, strengthen enforcement, and enhance the fiscal sustainability of Local Governments.

Stakeholder consultation in the review and development of the new Domestic Resource Mobilisation Strategy

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12 Classifications and Chart of Accounts; https://budget.finance.go.ug/sites/default/files/Chart%20of%20Accounts.pdf

(DRMS) II (2025/26-2029/30) by the Ministry of Finance Planning and Economic Development.

Stakeholder consultation on the establishment of the tax ombudsman, an independent public official who helps solve unfair problems, long delays, or bad service between taxpayers and a national tax agency an initiative championed by Civic Society Organisation under the Tax Justice Alliance Uganda.

Objective 2: Identify the main bottlenecks and challenges

3.6. Status of Property Tax Mobilization

Property tax remains one of the most significant and sustainable own-source revenue streams for local governments. However, most of the target local governments lack the institutional, technical, and financial capacity to regularly update property valuation rolls, which are a prerequisite for effective property rate administration.

Under the **Property Rating Act**, local governments are required to engage certified property valuers to undertake property valuation and prepare updated valuation lists. Due to the high costs associated with this process and limited local revenue resources, many councils have been unable to comply with these statutory requirements, resulting in outdated valuation rolls, incomplete property registers, and substantial revenue losses.

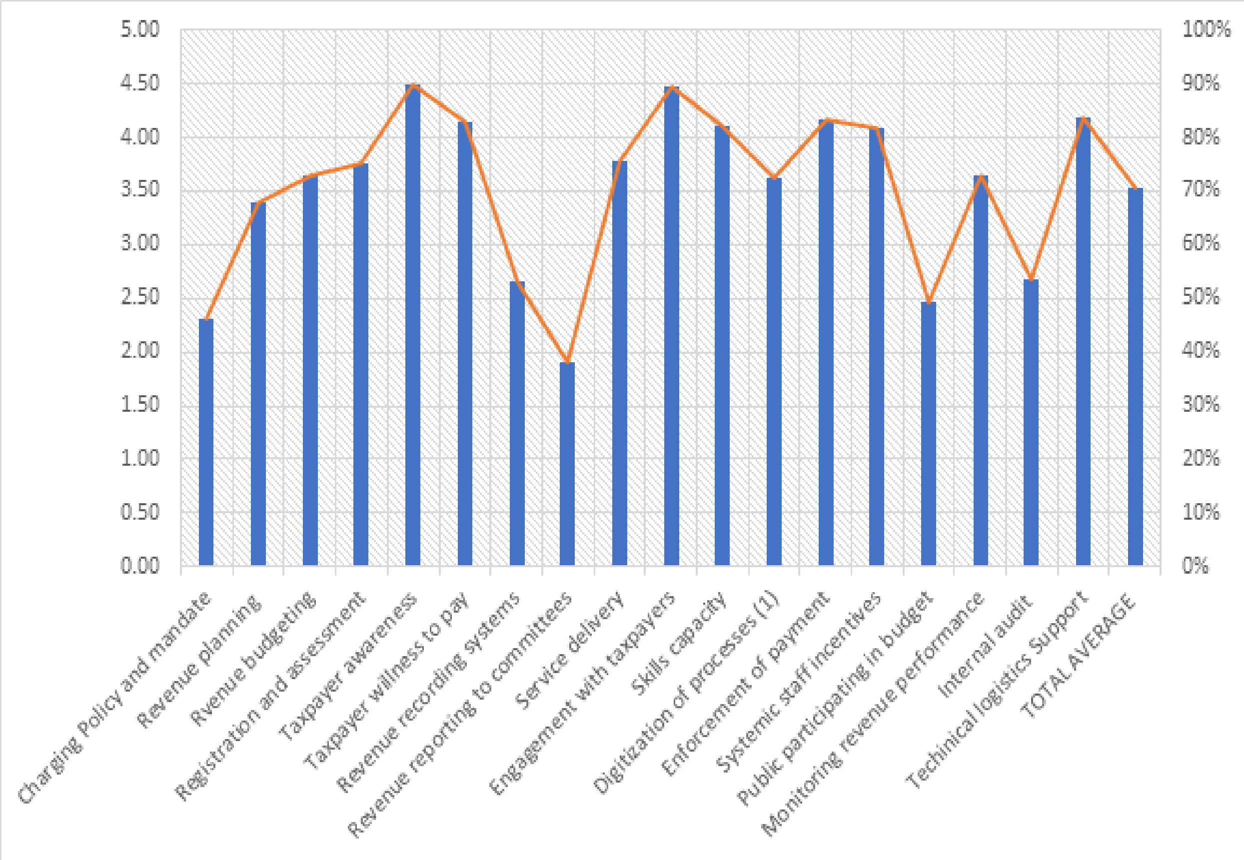
The baseline assessment further revealed generally weak local revenue collection performance across the participating local governments. On average, local governments collected only about **65% of their projected local revenues** in FY 2023/24, indicating significant inefficiencies in revenue mobilization. Performance varied considerably across jurisdictions, with **Kotido Municipal Council recording a collection efficiency of only 48%**, while **Bushenyi-Ishaka Municipal Council achieved 76%**. These gaps demonstrate that a substantial proportion of potential local revenue remains uncollected, limiting the capacity of local governments to finance essential public services and local development priorities.

The urgency of addressing these challenges was underscored by local government officials themselves. During the baseline survey, the Deputy Town Clerk of **Nakapiripirit Town Council** remarked: *"The coming of this project is designed by God, because we are struggling with local revenue collection, especially property tax."*

This statement reflects the widespread demand among local governments for practical support in strengthening local revenue administration systems and improving property tax management.

In addition, several local revenue legal instruments and regulatory frameworks have become outdated and no longer reflect the prevailing economic environment. *Business licensing or trading licenses was last reviewed in 2017, street parking, outdoor advertising, market dues, and other business operation permits do not have an Act of Parliament*. As a result, several fees and charges remain below the current market values, creating leakages, reducing revenue potential, and limiting the ability of local governments to optimize locally generated revenues. Regular review and updating of these legal frameworks will therefore be essential to improving revenue performance and enhancing fiscal sustainability.

The need for strengthening the capacity of commercial officials to understand and appreciate their role in trade for increased trade in the respective local and urban authorities and as well as ensure and provide support towards revenue mobilisation within their jurisdictions.



Source: Assessment survey team analysis of secondary data

3.6 Key DRM Systemic Issues Identified Across the Ten Targeted Urban Authorities

The baseline has highlighted a series of systemic, institutional, and operational challenges impeding effective domestic revenue mobilisation at the sub-national level. These issues cut across policy, capacity, enforcement, infrastructure, and public engagement dimensions, and underscore the need for integrated, context-specific support. The key issues include:

Moroto Municipal Council	Kotido Municipal Council	Nakapiripirit Town Council	Kassanda Town Council	Mityana Municipal Council,	Naka-songola Town Council	Bushenyi–Ishaka Municipal Council,	Isingi-ro Town Council	Napak Town Coun-cil,	Apac Municipal Council
Weak Revenue Policy and Planning Frameworks: Absence or underdevelopment of Local Revenue Enhancement Plans (LREPs) in most authorities, with existing ones lacking costed activities, risk mitigation measures, and alignment with national frameworks such as NDP IV and the DRM Strategy. Unrealistic revenue projections due to weak data systems and absence of up-to-date revenue registers. Inadequate linkage between revenue policy and spatial planning, including boundary disputes, unplanned settlements, and expired or non-existent physical development plans.	*Low Public Engagement and Transparency in the DRM Process;* Taxpayer apathy and low compliance due to poor transparency and weak linkages between taxes paid and service delivery. Limited capacity to organise regular community dialogues, budget consultations, and feedback mechanisms, especially in low-resource settings. Absence of Property Owners' Associations and other local platforms to support accountability and participatory budgeting.	*Inequities and Compliance Challenges in Property Taxation;* Lack of updated valuation rolls and weak taxpayer engagement during the valuation process, leading to resistance and low compliance. High and unrealistic property rates in some areas are not commensurate with service delivery, discouraging payment. -Lack of lease for the government owned land which made it difficult for the council to collect Ground rent.	-Large informal business and activities that contribute to increased tax evade, and poor tax compliance. -Lack of update data of their potential taxpayers as well as a comprehensive revenue register. -Weak data management systems. -Hawkers challenge on the traders with trading license and the authority to collect revenue from them.	-Unrealistic revenue projections due to lack data to inform the projects. -Poor tracking of local revenue source. Poor linkage between tax and service delivery. -Poor participation of the citizen who are the taxpayers in tax and budget process thus being unable to set their priorities. -Poor garbage collection and management.	-Low tax compliance by the taxpayer. -Tax apathy due to poor linkage between tax paid and service delivery. -Negative taxpayer percep-tions about tax and service delivery. -Poor linkage be-tween tax and service delivery	-Poor linkage between revenue collection and delivery outcomes. -Low taxpay-er trust. -Need for support in property valuation since the existing one expires in FY 2026/2027. -The need for support in bench-marking with peers or best performing urban au-thorities.	Lack com-puter and laptops to facilitate revenue collection. -Limited capacity among the tax admin-istrators to mobilisation the local revenue	-Inadequate engagement of proper-ty owners during valua-tion process-es. -High proper-ty rates that discourage compliance. -Limited taxpayer sen-sitization and awareness. -Lack of computers to support reve-nue collection.	-Low public participa-tion in bud-geting due to apathy. -Limited taxpayer awareness education, and weak transpar-ency in revenue manage-ment. -Lack of Property Owners or Occupant Association to influ-ence the utilisation of Property rate tax collected from the previous year,

Narrow and Undiversified Local Revenue Base; Heavy reliance on a limited number of revenue sources such as trading licenses, market dues, and property rates making local revenues volatile and vulnerable. Minimal integration of emerging revenue opportunities such as tourism levies, digital business taxation, and environmental user fees. *Limited Administrative and Enforcement Capacity;* Insufficient staffing and inadequate skills among revenue officers and tax administrators in areas such as tax law enforcement, data management, and the use of digital tools. Weak enforcement due to logistical constraints (e.g., lack of transport, security backup, and enforcement equipment).	*Limited Taxpayer Awareness and Education;* Widespread lack of awareness of tax obligations, particularly among informal sector actors such as market vendors, taxi operators, and small business owners. Inadequate investment in taxpayer education campaigns, IEC materials, and media engagement to foster tax morale and voluntary compliance. *Institutional Coordination and Governance Challenges;*	-Failure to continuously organise community dialogues due to limited capacity and resource to undertake tax education and awareness. *Lack of Local DRM Support Structures;* Absence or inactivity of Local Revenue Enhancement Committees to coordinate and oversee revenue mobilisation strategies. Lack of peer learning, benchmarking, and structured platforms for knowledge exchange between high- and low-performing urban authorities.		Resistance from the taxpayers to pay their taxes, especially Pharmaceu-ticals		-Support around taxpayer's awareness. Support towards oper-ationalization of the tax park in Ishaka Division	-Internet challenges thus affecting revenue mobilisation, especially with new and digitalised ways of mo-bilising local revenue.	-The need for Capacity building of tax administrators, political and technical wings. -Need for the support in boosting the tourism sector.	-Limited stakeholder engagement in the tax and budget process.

Limited knowledge of tax laws among both technical and political leaders, hindering internal coordination and enforcement. *Gaps in ICT Infrastructure and Data Systems;* Inadequate availability of computers, point-of-sale (POS) machines, and stable internet connectivity to support digital revenue systems such as IRAS and eLogRev. Poor or outdated taxpayer databases, with most authorities lacking a comprehensive valuation roll or property register to support property taxation. Weak integration and utilisation of data for revenue forecasting, collection monitoring, and compliance tracking.	Poor coordination between technical and political arms of local government, often resulting in political interference in revenue decisions and enforcement. Limited orientation of newly elected leaders on DRM issues and their role in revenue governance. -	-Lack of computers or laptops to support revenue collection. -Limited capacity to manage the point-of-sale machines and other provided under the PDM. -Weak Local Revenue Enhancement Plan							

Objective 3: *Assess the administrative capacity for tax collection and management at the subnational levels.*

3.7 Administrative Capacity Gaps

The survey established that there are generally fewer staff in post than is provided for in the establishment although there are exceptional cases like Nakasongola where the revenue established staff numbers are all fully filled.

In most cases, the staff in revenue collection are freshly employed and may not have sufficient skills and understanding of intricacies in responsibilities of revenue collection and enforcement. There was difficulty in obtaining some information on revenue performance which may be an indication of poor record-keeping skills and possible revenue leakages or corruption.

Table 2: Established staff and Staff number in-post

	KOTIDO			NAKASONGOLA			APAC		
Establishment (Nos)	**Approved positions**	**Number Filled**	**Staffing level**	**Approved positions**	**Number Filled**	**Staffing level**	**Approved Positions**	**Number Filled**	**Staffing level**
Town Clerk	1	1	100%	1	1	100%	1	1	100%
Division Town Clerk	4	1	25%	1	1	100%	4	4	100%
Principal Revenue Officer	4	1	25%	1	1	100%	1	1	100%
Revenue officers	8	7	88%	8	8	100%	4	4	100%
Enforcement Officers	6	4	67%	1	1	100%	2	1	50%
Town Agents	19	7	37%	8	8	100%	15	12	80%
Total	42	21	50%	20	20	100%	27	23	85%

Source: Consultant analysis of Secondary Data

The table shows that staff capacity numbers vary by local government. Staff numbers appear to have a correlation with revenue collection effectiveness. Kotido with 50% of establishment filled has a revenue collection effectiveness of 48% while Moroto with 85% filled establishment has 76% collection effectiveness.

Whereas the staffing position is satisfactory in terms of numbers, respondents indicated weakness in timely billing, collection, enforcement, application of revenue administration systems, lack of attention to developing and maintaining registers for taxpayers. The situation is indicative of low revenue administration skills.

The Uganda's Law tax-to-GDP ratio of 14% is linked to weak tax administration which contributes 75% while Tax Policy contribute only 25%, thus the need to support Ministry of Finance and Uganda Revenue Authority's administration system for improved tax revenue collection and closing the loopholes facilitating tax revenue leakages.

3.8 Technological and Logistical Constraints

The MoLG has provided computerized systems for revenue registration, assessment, billing, collection and reporting, either Elogrev or IRAS. However, discussions revealed that there is a need to train staff in effective use of the systems so that the temptation to evade the computer system is avoided.

Despite the widespread access to digital systems, these urban LGs still require gadgets for data collection, assessment and billing while interacting with taxpayers away from the offices. Inadequate ICT infrastructure continues to limit adoption of modern concepts for tax registration, assessment, and billing. Increased and effective use of integrated digital systems will further promote increased automation, transparency, and real-time collection and monitoring of revenue flows.

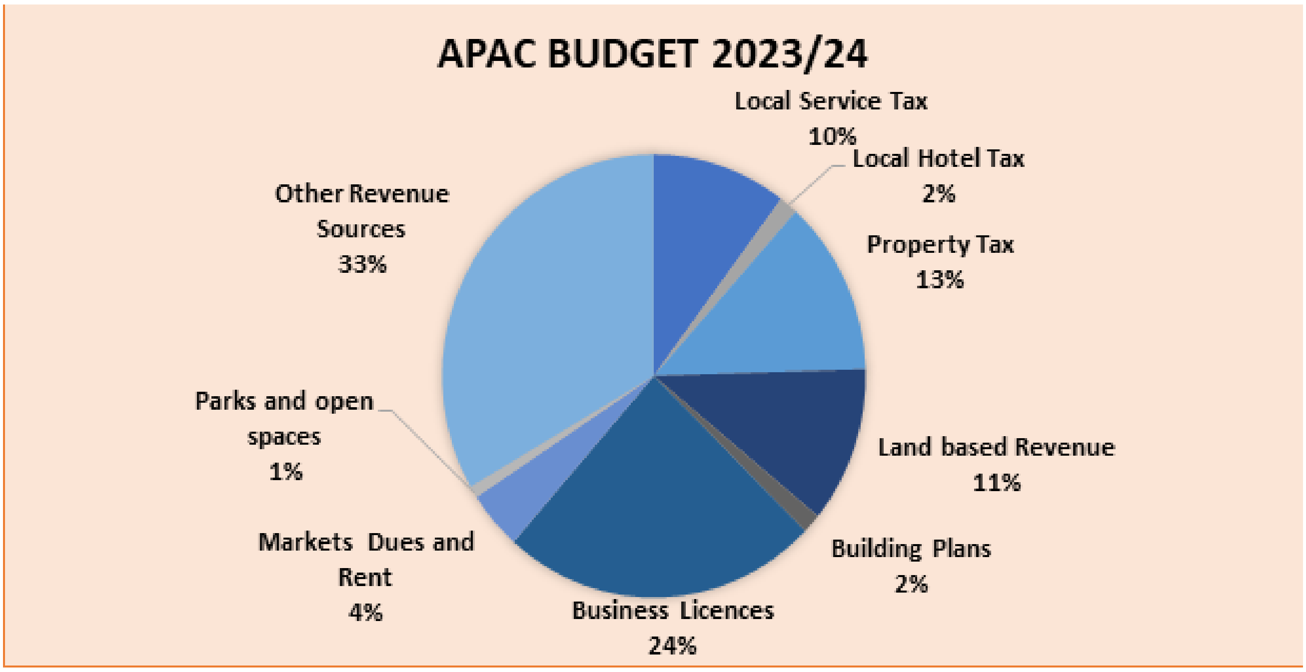
Through the Uganda Revenue Authority (URA), the government of Uganda legally introduced the Electronic Fiscal Receipting and Invoicing System (EFRIS) in 2018 under the Tax Procedures Code (Amendment) Act and its implementation took effect by 1st July 2020. However, there are several challenges associated with the implementation of the system as raised by the traders, especially in running the system, purchasing the machines, handling the VAT requirements and computation (Output and Input VAT) and the infrastructure to enable the implementation of Electronic Fiscal Receipting and Invoicing Solution (EFRIS) for tax collection.

3.9 Unknown Revenue Potential

The existing revenue registers do not provide a comprehensive image of the revenue base although there has been an attempt to computerize assessments done for most revenue categories. These LGs have worked with a narrow revenue base because of irregular update of revenue registers. There is high dependance on a few sources around, Property tax, markets dues, and business license. There has been less focus on revenue from Hotel Tax and the fact that there are few established hotels in some urban councils, Local service Tax from private sector employees, especially shops and other small businesses, charges for building plans, revenue from tourism activities, and other non-tax revenues.

Revenue composition is skewed towards Property tax, Business License and Markets in the case of Moroto. Property tax, which constitutes a significant share of revenue budget, does not have sufficiently updated registers and a comprehensive revenue register. There appears to be low incentives and capacity to explore and develop alternative local revenue sources. Based on levels of economic activity, the opportunity to collect non-tax revenue has not been fully exploited.

Figure 2: Revenue Composition – Case of Apac



Source: Assessment survey team analysis of secondary data

Objective 4: Assess the link between taxation and good governance: Key concerns and advocacy issues

3.10 Taxation and Good governance

There was limited satisfying evidence that communities are significantly involved in the budget process or resource allocation as envisaged under the policy of decentralization. The low level of citizen participation and inclusion may undermine the tenets of accountability and good governance. Respondents indicated a high level of taxpayer resistance largely due to low linkage between tax and service delivery. During the survey, it was realized that there was no evidence of consistent, sustainable, and reliable way for communities to express their needs or explain service delivery problems to local government officials. Processes that are supposed to solicit input from citizens are weak and irregular.

3.11 Low collection effectiveness

On average, based on revenue performance for the FY 2023/24, collection effectiveness (revenue collected Vs Budget revenue) was *less than 65%; Kassanda was 67% while Kotido was 48% and Moroto at 76%.* Property tax is the best performing revenue source so far. The weak performance has resulted into poor service delivery, especially in the respective urban councils. There appears a correlation between collection effectiveness and staffing levels. Bushenyi-Ishaka, with staffing at 100% has a higher collection efficiency than Kotido, which is at 50% of the established positions filled.

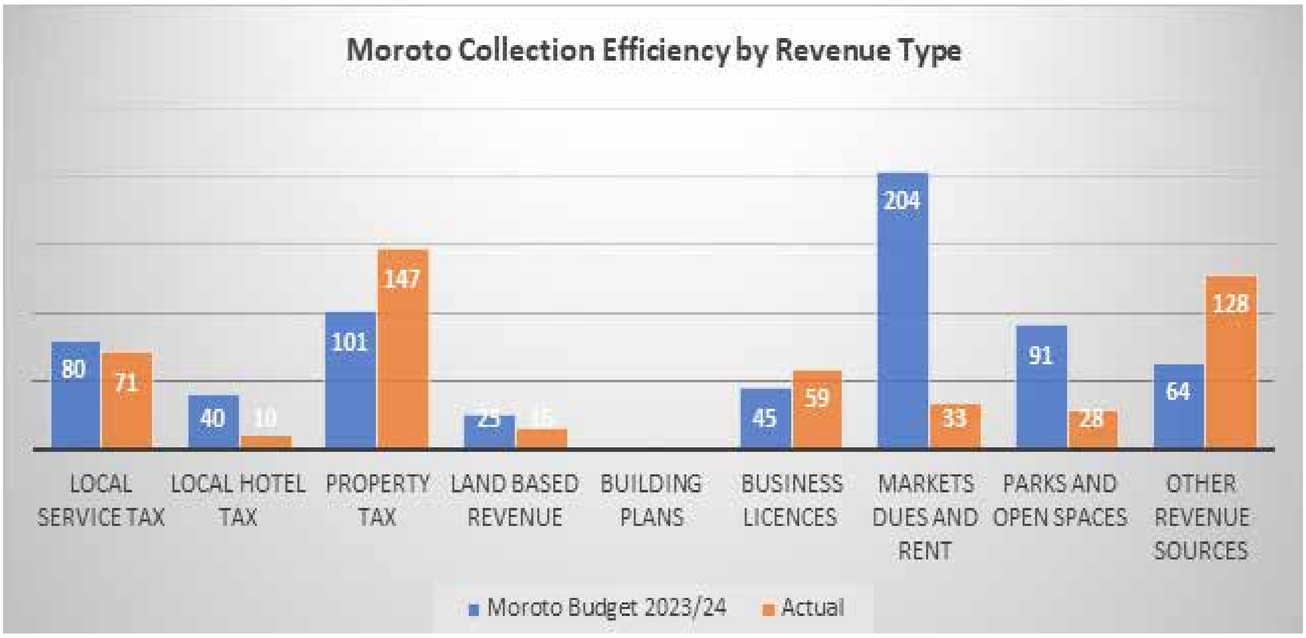
Revenue collection effectiveness is exacerbated by generally low willingness to pay. The survey determined that there was no regular engagement with taxpayers and most taxpayers are unaware of what taxes are collected and their purpose. Tables below show comparative collection efficiency for three sample LGs.

Table 3:Kassanda T.C. Revenue collection trend

	2023/24			**2024/25**	
Local Revenue Source	**Budget**	**Actual**	**RCE**	**Budget**	**Projected**
Local Service Tax	15	14	93%	17	12
Local Hotel Tax	4	2	56%	4	3
Property Tax	21	21	100%	40	27
Land based Revenue	-	-	0%	-	-
Building Plans	4	2	50%	9	6
Business Licenses	22	22	100%	30	20
Markets Dues and Rent	1	1	100%	1	1
Parks and open spaces	-	-	0%	-	-
Other Revenue Sources	67	27	40%	67	46
Total local revenue	134	89	67%	168	114
Collection efficiency		67%			68%

Source: Assessment survey team analysis of secondary data

Figure 3: Moroto M.C. Revenue collection FY 2023/24



Source: Assessment survey team analysis of secondary data

The table and diagram above show wide gap between revenue budgeted and collected implying a need for advocacy on issues around taxpayer participation, tax education, managing possible leakages of revenue and integrity of revenue managers. It also shows that Market dues is the most significant source of revenue followed by Property Rate.

The impact of a systemic incentive system for reward and sanctions for revenue officers cannot be ignored. Low incentives could continue to undermine staff morale and increase risk of loss through corruption. Therefore, efforts are needed towards ensuring that Local Governments allocate reasonable amount of revenue to support in revenue mobilisation a budget needed to support tax administrator's work of collecting revenue as well as supporting other revenue mobilisation. Furthermore, ensure integrity, clear sanctions should be extended to ill officers.

In almost all cases, there is a glaring failure to promote citizen engagement and inclusion in resource mobilization, budgeting/allocation and prioritization. Where citizens have been engaged, there is evidence of increased revenue payment and compliance. Bushenyi-Ishaka has had good management relationship with vehicle park user associations. The municipality has been able to collect revenue from vehicle parks where others have failed. As a result of this increase, the Municipality purchased a pick-truck to facilitate revenue administration and the day-to-day running of the entity.

Continuous engagement with Hotel Owners and businesspersons in Bushenyi is reflected in increased performance; Business license budget for FY 2023/24 was UGX 275million and the municipality collected UGX. 388 million (141% effectiveness), Local Hotel Tax FY 2023/24 budget was UGX .19 million, and the Municipality collected UGX 33 million or 174% effectiveness. On the other hand, there has been failure to fully engage property owners, out of the budget of UGX UGX477 million, only UGX 172 million was collected, 36% effectiveness. The study concludes that Citizen engagement on tax matters has an impact on the level of voluntary tax compliance.

3.10 Unsatisfactory Service Delivery

A Taxpayer expects a return from the revenue paid. Whereas the MoLG has developed a Compendium of Service Delivery Standards, there is no known tool for tracking Services Delivery Standards in Local Governments. Respondents indicated that service delivery is generally poor and below expectations.

The low service delivery has impacted on willingness to pay and therefore vicious cycle of low collection, low service delivery leading to more taxpayer apathy.

Quote

"I am feeling a lot joy in my heart because of this STRIDe project. It is by God's grace that the Embassy of Ireland in Uganda and SEATINI chose us to be among the beneficiaries. We are struggling to provide the much-needed services because of our failure to collect local taxes"

Deputy TC, Nakapiripirit

The recurring challenges may be responsible for the low collection efficiency and tax gaps discussed earlier. With a collection effectiveness generally below 65% in the FY 2023/24, it becomes difficult to support sustainable service delivery.

3.5.3 Fiscal social contracts

The respective LGs have not provided an opportunity for residents to realize the link between revenue and service delivery. Trust levels are presumed low due to low transparency and open downward accountability.

Under the concept of Fiscal social contract, residents and taxpayers are expected to pay their fair of taxes, and in return, they expect to receive better service in health, education roads among other services as well as good governance. Compromising this social contract has far-reaching implications on compliance with revenue mobilization efforts.

The study findings indicate that taxpayers are not regularly involved in budget prioritization although there were some consultations at cell (Village) Level. Considering the level of taxpayer apathy, the effectiveness of these consultations remains in doubt. Activities ranked among the missing link include, inter alia, absence of structured citizen engagement, tax education, lack of inclusive budgeting and revenue monitoring activities. The fiscal decentralization policy envisaged deepening participatory democratization and inclusive prioritization processes. However, this is limited in the respective urban councils, hence poor tax compliance.

3.5.4 Resource allocation to services

The study analyzed local revenue allocations to priority services classified under Health, education, Agriculture and infrastructure. As a case in point, Moroto MC allocated 18% of total local revenue towards health, education, solid waste management, street lighting. Other LG have allocated much less towards the selected priority services.

Table 4: Resource Allocation to Priority Service- Case Moroto MC

MOROTO MUNICIPAL COUNCIL		
PRIORITY allocation	**2023/24**	**2024/25**
Health Services	28	28
Agriculture	8	10
Education	22	12
Roads and drainage	0	0
Street Lighting	15	18
Garbage disposal	15	20
Total	88	88
Revenue collected	492	649
% allocated to priorities	18%	14%
% to Council operations	20%	20%
% to Administration costs	40%	40%

MOROTO MUNICIPAL COUNCIL		
PRIORITY allocation	**2023/24**	**2024/25**
% others	32%	36%

Source: Assessment survey team analysis of secondary data

The table above shows that administration and governance costs consume a significant share of local revenue. Provision of services like health, education, agriculture and other poverty reducing programmes are largely financed by Conditional central Government transfers. There is a possibility that sectors that account for a significant portion of the conditional grants are hardly prioritized during the allocation and utilization of own source revenues.

It was further revealed that spending on street lighting resulted in improved business in the urban councils, hence an increase in collection of business licenses and property related taxes in Apac, Nakasongola, and Moroto, which is testimony that linking revenues to services spins off as increased willingness to pay.

The Town Clerk Apac Municipal council explained that both the political and technical staff speak one voice when it comes to using of locally generated revenue to provide services.

"we all like good services and that is why, despite the small resource envelope, we have tried as the council to keep the newly constructed roads and the old ones clean, places where people are doing their businesses are lit and fairly clean, roads are kept in motorable state but of course there are still some challenges which we hope to overcome with your support and others" He said

Objective 5: Emerging issues and recommendations for policy and advocacy work

3.6 Emerging Issues

The baseline assessment identified several emerging policy and governance issues that continue to hinder effective, equitable, and sustainable domestic and local revenue mobilisation and fiscal governance in Uganda and in the respective s local governments These include, inter alia:

- Weak social contract between taxpayers and government institutions.
- Limited transparency in revenue Mobilisation, allocation, utilization and accountability
- Inadequate citizen participation in tax and budget processes,
- Poor feedback mechanisms have contributed to lower taxpayer's trust, reduced compliance, and increasing tax apathy.
- Weak engagement between Local Governments and the private sector.,
- Limiting opportunities for collaboration in revenue mobilisation, accountability, and local economic development
- Limited adherence to the decentralization policy and fiscal decentralization, in particular. For instance, although Local Governments are mandated to mobilize own-source revenue, they continue to operate within a highly centralized fiscal framework characterized by limited discretion over revenue policy, faxed with high dependence on central government transfers, and constrained authority to introduce or reform local revenue instruments.
- Outdated legal and regulatory frameworks, especially the Local Service Tax bands and Local Government Hotel Tax
- Inadequate digitalization of local revenue systems mobilisation, to the extent that even with Integrated revenue Administrative System (IRAS) local revenue leakages persists.
- Lack of a taxpayer's database and a comprehensive revenue register to inform Local government of their revenue potential and projection needed for planning purpose.
- Limited institutional capacity continues to undermine efficient revenue administration.

Addressing those issues will require coordinated policy reforms and sustained advocacy aimed at strengthening fiscal decentralization, improving transparency and accountability, enhancing citizen participation, and modernizing local revenue administration systems.

3.6.1 Key Policy and Advocacy Priorities

- **Strengthen fiscal decentralization** by advocating for reforms that provide Local Governments with greater autonomy to plan, mobilize, retain, allocate, and utilize own-source revenue in line with local development priorities.
- Government should implement Section 83(7) which recognizes the role of local government in revenue collection, especially simultaneous revenue collection. The section provides that: A local government may collect fees on behalf of the government as its agent; and where a local government acts as an agent, a portion of the funds collected shall be retained by the local government as may be agreed upon between the two parties; and any extra obligation transferred to a local government by the government shall be fully financed by the government. With such arrangement, local government would be supporting URA in simultaneous collection of Rental Income Tax (RIT) and Property Rates another tax like Presumptive tax alongside Trading License during the renewal of the trading license among other taxes.
- **Promote timely, predictable, and flexible intergovernmental fiscal transfers** to enable Local Governments to plan effectively and deliver essential public services to their people withing their respective jurisdictions.
- **Strengthen policy and legal framework for local revenue mobilisation** through reviewing and amendment of outdated legislation framework, especially Local Government hotel tax, Local Service Tax, and support in development of tax laws, byelaws and ordinances for emerging revenue sources.
- **Enhance institutional capacity** of Local Governments, Public Accounts Committees, Finance Committees, Executive Committees, and revenue departments in revenue planning, administration, oversight, accountability, and financial management.
- **Accelerate digital transformation of local revenue mobilization** and administration by supporting effective enrollment of all urban councils and their divisions onto the Integrated Revenue Administrative System (IRAS) to facilitate digital billing and payment, electronic revenue management platforms among others. This will assist local governments in checking revenue leakages associated with cash-tax payment and collection.
- **Ensure that all urban councils** have a comprehensive taxpayer registration as highlighted and mandated under Section 83 (6) of the Local government Act [Cap. 138].
- **Strengthening transparency and accountability mechanisms** through adopting open data policies, leveraging digital platforms, and empowering independent oversight bodies or strengthening the Local Government Accounts Committee in the respective Local governments or urban councils as well as ensuring participatory budgeting, Fiscal Social Compacts, public expenditure tracking, citizen scorecards, and regular public accountability forums.
- Broadening the local revenue base while safeguarding vulnerable populations and ensuring fairness in tax policy and administration. Local government need to identify news of revenue as invest in potential and productive investments with high levels of returns for improved revenue collection.
- **Expand civic education and taxpayer engagement** to improve citizens' understanding of taxes and their taxing rights and obligations for improved tax compliance and improved relationship between the taxpayers and their duty bearers.
- **Strengthening governance and integrity systems** by promoting institutional independence, improving oversight, and implementing anti-corruption measures that minimize revenue losses.
- **Promote equitable intergovernmental fiscal arrangements** that provide targeted support to financially constrained Local Governments with limited revenue potential.

3.6.2 Suggested Areas for STRIDE Interventions

To achieve the STRIDe project's objectives over the implementation period, the baseline recommends the following strategic interventions:

1. **Support policy and legal reforms** by working with the Ministry of Local Government, Local Government Finance Commission, Uganda Revenue Authority, Uganda Law Reform Commission, and Parliament to review and harmonize the legal and regulatory framework governing local revenue mobilisation, for instance, Rental Income Tax and Property Rate
2. **Strengthen Local Revenue Enhancement Planning** by supporting all participating Local Governments to develop evidence-based, medium-term Local Revenue Enhancement Plans (LREPs) linked to development priorities, realistic revenue projections, and implementation plans.
3. **Institutionalize Fiscal Social Compacts** to strengthen the relationship between tax, accountability, and service delivery through structured engagement between Local Governments and citizens who are the taxpayers on critical services
4. **Strengthen citizen participation and social accountability** by establishing sustainable platforms for community dialogue, participatory budgeting, public expenditure monitoring, and inclusive engagement of women, youth, persons with disabilities, the private sector, and Property Owners' Associations in the budget process
5. **Modernize local revenue administration** through in rolling all urban councils onto the IRAS, digitization of billing and payment systems, strengthening revenue registers, managing revenue arrears, enhancing compliance, and promoting taxpayer education.
6. **Support property tax reforms** through ensuring that property valuation is done alongside property owners, regular updating of valuation rolls, establishing and strengthening Property Owners and Occupant's' Associations, and improving accountability on the utilization of property tax revenues.
7. **Identify and develop new revenue sources** by undertaking revenue potential assessments and supporting Local Governments to diversify and optimize own-source revenue within existing legal frameworks.
8. **Strengthening knowledge management and communication** through improved information sharing, digital communication platforms, public awareness campaigns, development of policy briefs, websites, and taxpayer education materials.

3.6.3 Policy Recommendations

Based on the baseline findings, the following policy actions are recommended:

- The **Ministry of Local Government**, **Local Government Finance Commission**, and **Uganda Law Reform Commission** should expedite the review and harmonization of outdated local revenue legislation to enable Local Governments to effectively mobilize and manage own-source revenue.
- The **Local Government Finance Commission** should strengthen technical support to Local Governments on the effective utilization of digital revenue management systems such as the Integrated Revenue Administration System (IRAS), e-LogRev, and other digital revenue platforms.
- Government should institutionalize stakeholder's engagement, for instance, conducting regular **community accountability forums (Barazas)**, participatory budgeting processes, and Fiscal Social Compacts to strengthen the social contract between taxpayers and government institutions.
- Government should support the establishment and strengthening of **Property Owners and Occupants Associations** and other taxpayer platforms to enhance taxpayer participation, accountability, for improved voluntary compliance, and oversight of property tax utilization.
- Government should strengthen stakeholder participation throughout the fiscal policy cycle by providing adequate time and structured mechanisms for consultation during tax policy formulation,

budgeting, implementation, and accountability processes.

- Local Governments should strengthen transparency by regularly publishing revenue collection and expenditure information and providing timely feedback to citizens on how locally generated revenues are utilized.
- The Ministry of Finance, Planning and Economic Development should continue reforms aimed at expanding the local revenue base while promoting progressive, equitable, and inclusive taxation that supports economic growth without disproportionately affecting vulnerable populations.
- Government and development partners should invest in continuous research, policy analysis, and evidence generation to inform tax policy reforms, revenue forecasting and innovative domestic revenue mobilisation strategies consistent with the principles of efficiency, equity, simplicity, certainty, and accountability.

3.7 Baseline Indicator Matrix

Objective / Expected Result	Indicator	Indicator Definition	Baseline	Target	Comments
Objective 1: Strengthen the capacity of citizens as taxpayers at national level and in the five Municipalities and five Town Councils to effectively influence revenue mobilization, allocation, utilization and accountability processes.	1. % of citizens who demonstrate knowledge of tax and budget processes	Percentage of surveyed citizens who correctly demonstrate understanding of tax obligations, taxpayer rights, budget formulation, public participation opportunities, and accountability mechanisms.	<30%	70%	Measured through baseline, midline and endline KAP surveys.
	2. Number of citizens participating in tax and budget engagement platforms	Total number of citizens attending and actively participating in public dialogues, budget consultations, tax forums, Fiscal Social Compact meetings and related engagements supported by the project.	Approximately 250	400	Disaggregated by sex, age and disability where possible.
	3. Number of citizen proposals reflected in tax or budget decisions	Number of documented citizen recommendations that are incorporated into approved local or national tax policies, budgets or implementation plans.	8	20	Verified through council minutes, budget reports and policy documents.
Result 1.1: Increased citizens' appreciation and understanding of their rights and obligations as taxpayers.	1. % of citizens with improved knowledge of taxpayer rights and obligations	Percentage of citizens scoring above the agreed competency threshold on taxpayer rights, responsibilities and tax compliance.	25%	70%	Measured using pre- and post-assessments.
	2. Number of citizens reached through taxpayer education programmes	Number of individuals participating in taxpayer education sessions, awareness campaigns, media programmes and community outreaches supported by the project.	256	1500	Reports.

Result 1.2: Increased engagement of taxpayers in tax and budget processes.	1. Number of citizens participating in public budget consultations	Number of citizens attending officially recognized budget consultations and tax planning meetings.	<100 annually	150	Includes both national and local engagements.
	2. Number of citizen recommendations considered by Local Governments	Number of citizen recommendations formally discussed, responded to or adopted by Local Governments during planning and budgeting processes.	10	20	Verified through council resolutions and planning reports.
Result 1.3: Increased engagement of Property Owners' Associations in property tax mobilisation and accountability.	1. Number of Property Owners' Associations engaged	Number of functional Property Owners' Associations participating in property tax awareness, dialogue, monitoring and accountability initiatives.	2	10	At least one association in each participating LG.
	2. % increase in property tax revenue in participating Local Governments	Percentage increase in annual property tax revenue collected by participating Local Governments compared to the baseline year.	10%	30%	Calculated using audited local revenue records.
Objective 2: Strengthen the capacity of technical and non-technical staff and policymakers to enact and implement effective revenue management and accountability systems.	1. % of staff demonstrating improved revenue management capacity	Percentage of trained staff demonstrating improved knowledge and competencies in revenue mobilisation, tax administration and accountability systems.	<35%	80%	Measured through competency assess-ments.
	2. Number of revenue policies or reforms adopted	Number of tax laws, ordinances, regulations, by-laws or administrative reforms formally adopted following project support.	5	20	Includes national and local reforms.

	3. % increase in own-source revenue in participating LGs	Percentage increase in locally generated own-source revenue compared to the baseline financial year.	Average collection efficiency 65%	80% collection efficiency	Derived from audited revenue reports.
Result 2.1: Improved technical capacity of technical and non-technical staff and policymakers.	1. Number of officials trained	Number of technical staff, political leaders and policymakers completing project-supported training programmes.	100	500	Includes refresher trainings.
Result 2.2: Improved tax laws, policies and regulations implemented for efficient revenue mobilisation.	1. Number of tax laws, regulations or ordinances reviewed or amended	Number of tax-related legal instruments reviewed, revised or newly enacted with project support.	3	5	Includes Acts, ordinances, by-laws and regulations.
	2. Number of policy recommendations adopted by Government or Local Governments	Number of evidence-based recommendations formally adopted by relevant government institutions.	10	20	Verified through official policy documents and resolutions.
Result 2.3: Effective utilization of revenue management systems for enhanced tax administration and collection.	1. Number of participating LGs effectively using digital revenue management systems (e-Tax, e-LogRev, IRAS, LREPS, DRIPs)	Number of participating Local Governments routinely using digital revenue management systems for registration, billing, collection, reporting and monitoring.	About 4 of 10 LGs	All 10 LGs	Verified through system reports and institutional assessments.
	2. % increase in locally generated revenue attributable to improved revenue systems	Percentage increase in local revenue associated with improved utilization of digital revenue management systems and strengthened administrative processes.	6%	10%	Assessed using financial records and comparative trend analysis.

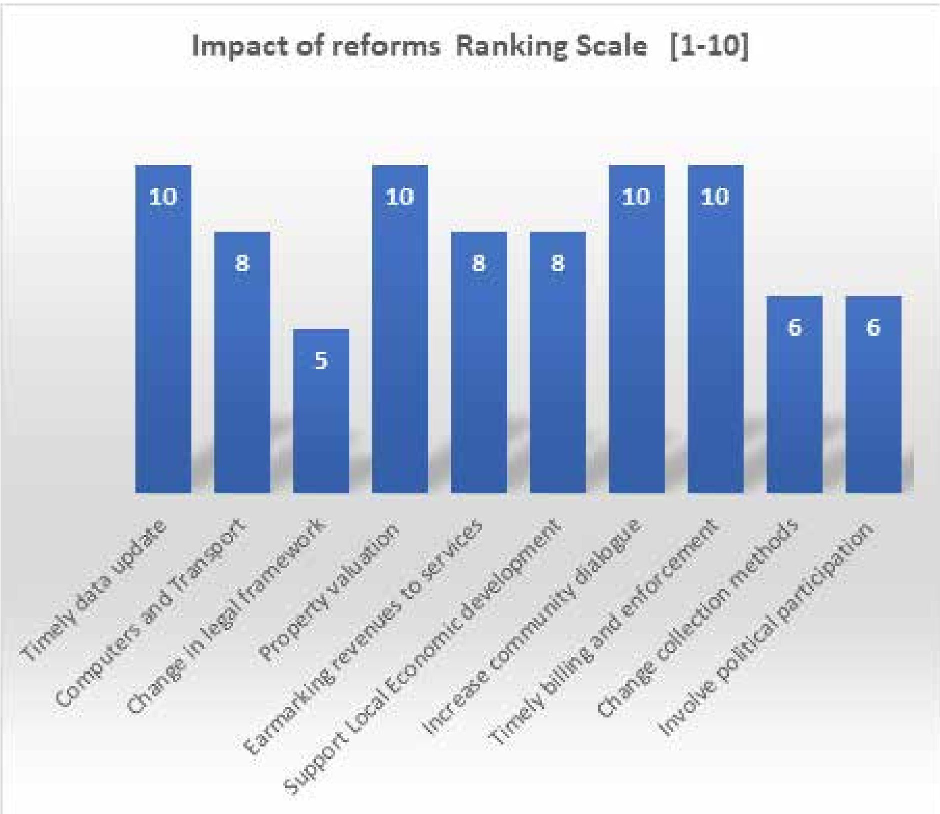
CHAPTER FOUR

NEXT STEPS AND WAY FORWARD

4.1 Priority Reform Areas

Respondents were asked to identify and rank the interventions that would have the greatest impact on improving local revenue mobilisation and strengthening fiscal governance within their respective local governments. The responses reveal a strong consensus that improving revenue performance requires both institutional reforms and investments in administrative capacity, technology, citizen engagement, and accountability.

Figure 4 presents the respondents' ranking of the proposed reform actions according to their perceived contribution to revenue growth.



These priorities reinforce the need for a comprehensive approach that combines policy reform, institutional strengthening, digital transformation, and increased citizen participation. The recommendations presented below build on these findings and propose practical actions for the STRIDE project and its partners.

4.2 Strengthen the Policy and Legal Framework for Own Source Revenue

The baseline assessment established that outdated and fragmented legal frameworks continue to constrain effective local revenue mobilisation. Several local revenue ordinances, byelaws, and administrative procedures no longer reflect current economic realities, while inconsistencies between local government legislation and national laws create uncertainty in revenue administration.

The STRIDE Project, working closely with the Ministry of Local Government (MoLG) and other development partners, should support continuous review and update of the legal and policy framework governing Own Source Revenue (OSR).

Priority actions should include:

- Reviewing existing legislation governing local revenue administration and identifying outdated provisions.
- Assessing the relevance of current laws against emerging revenue administration practices and technological advancements.
- Identifying legal and administrative gaps requiring amendment or harmonization.
- Supporting implementation of recommendations developed by the **Local Government Revenue Enhancement Committee** under the MoLG regarding harmonization of local government revenue laws.
- Working with the Permanent Secretary, Ministry of Local Government, to expedite reforms that enable local governments to collect revenue from professional service providers such as private clinics, pharmacies, law firms, and other businesses that utilize local government services but contribute minimally to local revenues.

These reforms will create a more coherent, equitable, and efficient legal framework for sustainable revenue mobilisation.

4.3 Strengthen Administrative Capacity

4.3.1 Accelerate Digitization and Updating of Revenue Registers

The Ministry of Local Government has already introduced digital revenue management platforms, including the **Integrated Revenue Administration System (IRAS)** and **eLogRev**. However, their potential has not yet been fully realized due to inadequate user training, limited ICT infrastructure, and incomplete migration of revenue data to the system

The assessment recommends that the STRIDE Project:

- Support comprehensive hands-on training for revenue officers on the use of IRAS and eLogRev.
- Facilitate complete updating and digitization of taxpayer databases, business registers, and property registers.
- Equip field revenue officers with tablets, computers, GPS-enabled devices, and internet connectivity to improve data capture and revenue collection.
- Strengthen digital data management systems to improve efficiency, transparency, and accountability.

Notably, revenue officers across the ten target local governments reported relying on personal mobile phones and personal internet data while undertaking official revenue collection activities. Although tablets had been supplied to some local governments, many have not been put to use due to inadequate capacity to use these machines and systems.

4.3.2 Address Human Resource and Capacity Gaps

The assessment identified significant technical and institutional capacity gaps affecting revenue administration.

The STRIDE Project should collaborate with the Ministry of Local Government to:

- Develop structured training programmes covering revenue administration, tax compliance, public financial management, integrity, and accountability.
- Build the capacity of political leaders on their oversight responsibilities in local revenue mobilisation.
- Strengthen leadership and change management skills among technical officers.
- Support local governments to fill or complete the approved staffing positions through engagement with the Public Service Commission and relevant authorities.

A skilled and adequately staffed workforce will significantly improve revenue administration performance and institutional sustainability.

4.3.3 Strengthen Resource Allocation and Fiscal Accountability

Improving taxpayer confidence requires visible improvements in public service delivery.
The assessment recommends supporting local governments to develop and implement **Fiscal Social Contracts (FSCs)** that explicitly link revenue collection with agreed service delivery commitments.
Fiscal Social Contracts would:

- Strengthen accountability between citizens and local governments.
- Increase taxpayer willingness to voluntarily comply with their tax obligations.
- Promote participatory planning and budgeting.
- Improve transparency in resource allocation.

This recommendation was strongly echoed during consultations in Napak Town Council. One participant observed:

"A social contract between leaders and taxpayers will keep us on our toes to ensure that we fulfil the commitments made, which in turn will motivate taxpayers to pay without being coerced."
The STRIDE Project should also support the Ministry of Local Government to operationalize the already-developed computerized harmonized service delivery tracking system developed jointly with the Ministry of Public Service and the REAP Programme.

4.3.4 Improve Revenue Collection Systems

The baseline identified several opportunities to strengthen the entire Domestic Revenue Mobilisation (DRM) cycle.
Priority interventions should include:

- Updating all revenue registers and taxpayer databases.
- Undertaking comprehensive resource mapping and revenue potential assessments.
- Establishing functional revenue assessment and appeals committees.
- Strengthening internal audit and compliance functions.
- Enhancing revenue forecasting and monitoring systems.

The assessment also found that some urban local governments continue to rely on private revenue collection agents whose performance has often fallen below agreed targets. Local governments should review the effectiveness and value for money of outsourced revenue collection arrangements and consider redirecting these resources towards strengthening in-house revenue administration capacity and staff performance incentives where appropriate.

Additional support should include:

- Reviewing and updating Local Revenue Enhancement Plans (LREPs).
- Developing taxpayer education and communication materials.
- Supporting the formulation and enactment of ordinances regulating street parking, outdoor advertising, and other emerging revenue sources.

4.3.5 Strengthen Governance, Transparency, and Citizen Engagement

Effective domestic revenue mobilisation depends not only on administrative efficiency but also on good governance, public trust, and active citizen participation.

The STRIDE Project should therefore support interventions aimed at strengthening fiscal governance through:

- Advocacy for increased fiscal autonomy and predictable intergovernmental fiscal transfers.
- Supporting implementation of priority policy and legal reforms identified by the Ministry of Local Government.
- Institutionalizing regular citizen engagement in planning, budgeting, expenditure monitoring, and accountability processes.
- Expanding the development and implementation of Fiscal Social Contracts across participating local governments.
- Promoting transparency in revenue collection, expenditure management, and budget performance reporting.
- Strengthening tax education and public awareness to improve voluntary compliance.
- Advocating for sustainable incentive mechanisms for revenue staff alongside investments in technology and continuous professional development.
- Supporting the establishment of permanent citizen engagement platforms to facilitate meaningful participation in budget formulation, planning, monitoring, and social accountability.

Collectively, these recommendations provide a comprehensive roadmap for strengthening domestic revenue mobilisation, improving fiscal governance, and enhancing accountability in the target local governments. By addressing policy, institutional, administrative, technological, and governance constraints simultaneously, the STRIDE Project will be in better position to support sustainable increases in local revenue while improving service delivery and strengthening the social contract between citizens and local governments.

4.4. Conclusion

This baseline study provides an evidence-based assessment of domestic and local revenue mobilisation in Uganda, focusing on selected urban local governments targeted under the STRIDe project. The findings confirm that taxation remains a critical pillar for financing development and service delivery, as reflected in national frameworks such as the DRMS and LGRMS. However, the study demonstrates that local revenue performance is constrained by persistent legal, institutional, administrative, capacity, and governance weaknesses.

At the national level, Uganda's tax-to-GDP ratio remains below target, driven by a narrow and predominantly informal tax base, tax evasion and avoidance, weak enforcement, and poor-quality data systems. These constraints undermine revenue potential and public confidence in the tax system.

At the subnational level, although the decentralization framework provides a legal basis for local revenue mobilisation, its implementation is weakened by centralized controls, outdated legal frameworks, and limited administrative autonomy. Urban local governments finance over 90% of their budgets through central government transfers, significantly constraining fiscal autonomy and disincentives to strengthen own-source revenue (OSR).

Local revenue performance across sampled urban councils is generally weak, with collection effectiveness averaging below 65% in FY 2023/24 and ranging from 48% to 76%. The baseline establishes a clear relationship between staffing levels and revenue performance: councils with higher proportions of approved revenue staff positions filled record higher collection effectiveness. However, staffing adequacy alone is insufficient, in most councils, revenue staff are newly recruited and lack critical skills in billing, enforcement, record-keeping, use of digital systems, and maintenance of taxpayer registers. Weak data management and difficulties in accessing reliable revenue information indicate risks of revenue leakages and poor accountability.

Although digital revenue systems such as IRAS and ElogRev have been rolled out, their impact remains limited due to inadequate training, weak ICT infrastructure, and lack of field-based data collection tools. As a result, digitization has not yet delivered its full potential in improving transparency, compliance, and real-time monitoring of revenue flows.

The study further finds that the revenue potential of urban local governments is not fully known or exploited. Revenue registers and property valuation rolls are outdated and incomplete, resulting in reliance on a narrow set of revenue sources primarily property tax, business licenses, and market dues while other legally permissible tax and non-tax revenues remain underutilized.

A key cross-cutting finding is the weak link between taxation, governance, and service delivery. Citizen engagement in revenue planning, budgeting, and accountability is generally limited, and most taxpayers lack information on how local revenues are assessed and used. This has weakened the fiscal social contract, reduced voluntary compliance, and contributed to low collection effectiveness. Evidence from better-performing councils shows that structured citizen and private sector engagement, transparency, and visible service delivery outcomes are associated with improved revenue performance.

Service delivery outcomes remain below expectations in most councils. Local revenue allocations to priority services is low, while administration and governance costs consume a large share of OSR. This reinforces a cycle in which low revenue collection constrains service delivery, further reducing willingness to pay.

Overall, the baseline concludes that improving local revenue mobilisation in Uganda requires more than technical interventions. Sustainable progress will depend on coordinated reforms that address legal and policy constraints, administrative and human capacity gaps, weak data and systems, limited transparency and accountability, and the rebuilding of fiscal social contracts between urban local governments and citizens

Annex I: List of legal frameworks for LG revenue

#	*Revenue Type*	*Legal framework*
	Taxes	
1	**Taxes on property and land transaction charges** The Physical Planning Act, 2010: provides for Land development and related fees (as amended) The Lands Act (as amended)	Local Government Rating Act 2005 (as amended)
2	**Local Service Tax** The LGFC issued a Practical Guide for Implementation of local service tax in October 2008,	Local Government Act, Cap 138 (as amended) Kampala Capital City Act 2010 (as amended)
3	**Local Hotel Tax** The LGFC has issued a guide on this tax (October 2008). The Hotels Act, The Public Health Act	Local Government Act (as amended) Kampala Capital City Act 2010 (as amended)
	Non-Tax revenues	
1	**Business licenses and permits** Statutory Amendment of Business Licensing Schedule Instrument No 2 of 2017 sets upper limits for trade license and permits for all LGs The Public Health Act, The Liquor Act	Trade Licensing Act,
2	**Market dues and Rent** The Markets Act Market regulation ad ordinances	The Public Health Act
3	Royalties and agency fees Royalties Act Mining and Minerals Act, 2022 Schedule 2 (Section 179)	Electricity Act, 1999 and Section 75(7) (8) (9): Royalty fees from hydro-power generation.
4	User fees from vehicle parking and open spaces Guideline for setting fees for transport vehicles and parks in LGs (MoLG 2018)	• The Local Government Act {Cap.138] • The Traffic and Road Safety Act (Cap 361); Section 139, for collection of parking fees
5	Land related charges	Leasing, transfer fee, valuation fee, inspection fee

#	*Revenue Type*	*Legal framework*
6	Other Income The Cattle Traders Act, and cattle Traders' rules Street Parking Regulations 2001 Solid Waste Management Guidelines Forest and Tree Planting Act, 2003 (Sections 39-64): Fees from tree harvests Water Act, (Section 87): Fees from large water users/ consumers Uganda Wild Life Act,1996: Royalty fees from Tourism Other revenues (Fifth Schedule, part IV of LGA) and as may be prescribed by the local government under an ordinance or bye law and approved by the minister, by requirement of the Constitution Article 152[13]	The Fish Act,

Annex II: List of legal frameworks for Uganda Revenue Authority

At National Level, taxes are centrally assessed and collected by the Uganda Revenue Authority (URA). Within the organizational structure of URA, two operational departments (Domestic Taxes and Customs) headed by Commissioners are directly responsible for the assessment and collection of revenues resulting from the tax laws (Primary Tax Laws) below:

1. Customs Tariff Act, Cap. 337;
2. East African Customs Management Act;
3. East African Excise Management Act;
4. Excise Tariff Act, Cap. 338; Income Tax Act, Cap. 340;
5. Stamps Act, Cap. 342;
6. Traffic and Road Safety Act, Cap. 361;
7. Value Added Tax Act, Cap. 349;
8. Finance Acts (Various); Gaming and Pool Betting (Control and Taxation) Act, Cap.292;

Specifically, under Income Tax, a Withholding tax on payments to Resident & Non-resident persons charged at standard rate of 15% is levied.

The obligation to withhold tax lies with a withholding agent who is defined under the Act to mean any person required to withhold tax upon making any payment to a payee. A payee is any person who receives a payment from which tax is required to be withheld. The tax rates are subject to existing Double Taxation Agreements. Tax withheld may be final or creditable.

13 "No tax shall be imposed except under the authority under an Act of Parliament"

#	TYPE OF PAYMENT	RESIDENT	NON-RESIDENT
01	Management, Technical or Professional fees	6%	15%
02	Dividends	10% or 15%	15%
03	Rent	Rental Income	15%
04	Interest	15% or 20%	15%
05	Royalties	Property income	15%
06	Natural Resource payments	Property income	15%
07	Annuities	Property income	15%
08	Ship operators/Charterers	Business income	2%
09	Air Transport operators/Charterers	Business income	2%
10	Road Transport operator (cargo)	Business income	2%
11	Electronic/Television/Internet services	Business income	5%
12	Imports (Goods)	6%	6%
13	Supplies to Government or designated WHT agents	6%	6%or 15%

Source: https://www.gtuganda.co.ug/globalassets/_markets_/uga/media/doing_business_in_uganda_taxation.pdf

Although the standard rate for Withholding tax is 15%, under the Double Taxation Treaties (DTA) signed by Uganda and other countries, reliefs have been agreed upon lowing the 15% rate to 0% and 10% apart from the United Kingdom and Uganda DTA. Therefore, while we support DRM and reviewing the Primary tax laws, there is a need to engage government to expedite the renegotiation of harmful DTA that deprive Uganda of its Taxing Rights, especially those DTAs based on Residence based taxation than Source based taxation.

For more information please contact:

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