



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



Escalating tax arrears likely to hurt service delivery - CSOs

“Losing Ush2.7 trillion in tax arrears will limit the funds available to invest in social services and public sectors...”

Civil Society Organizations (CSOs) have expressed concern over the growing tax arrears worth Ush2.7 trillion which government has failed to pay on behalf of contractors. Regina Navuga, a program officer at Southern and Eastern Africa Trade, Information and Negotiations Institute (SEATINI) Uganda, says that losing money in tax arrears will cost the country in terms of limiting the availability of funds to provide social services. “Losing Ush2.7 trillion in tax arrears will limit the funds available to invest in social services and public sectors such as agriculture, health, trade and tourism.” Navuga said. She adds that Uganda Revenue Authority’s total collection for the next financial year would be much more if the UGX 2.7 trillion is collected from tax arrears.



URA Commissioner General with Finance Minister Matia Kasaija at a past event. CSOs argue that there would be more to invest in productive sectors of the economy better if URA were to collect over Ush2 trillion in tax arrears. | @CSBAG2019

government promises to pay in order to reduce costs of projects like those in the construction sector. However, government usually does not pay because there is no money. By the end of the 2017/18 financial year, the tax arrears had reached Ush2.7 trillion (\$730 million), which is equivalent to 7.9% of the proposed FY2019/20 budget. The NBFP presented by MoFPED also revealed that in the 2013/14 financial year alone, URA lost at least one trillion shillings in tax waivers and tax incentives.

Shielding contractors

The Parliamentary Committee on the National Economy has also observed that government is shielding contractors who do not meet their tax obligations on the contracts for which they are paid. Navuga says that whereas there is no clear evidence of shielding contractors, the mechanism of determining who benefits from tax waivers, how much tax is waived and the benefits such contractors have added onto the national economy remains unclear and it is

difficult for many of these contractors to be subjected to public scrutiny. Ocailap said that although government is willing to pay the arrears, the national budget does not provide for the money. Navuga says that since government does not have the capacity to clear tax arrears, it is likely for it to write-off arrears which often hurts revenue collection efforts. In FY 2019/20, the government is expected to spend Ush2, 913.6 trillion on debt repayment. In order to clear tax arrears, government might have to fore go other priorities such as health and education.

Devise means

CSOs have advised URA to devise means to tap into the informal sector specifically targeting the High Net worth Individuals (HNWIs). Efforts should also be made to build the capacity of URA officials to enable them track aggressive tax planning schemes which have been used by multi-nationals to evade and avoid paying tax.

OUR WORK IN PICTURES



CSBAG officials and other CSO stakeholders during the review meeting of the draft agriculture financing policy at the CSBAG offices in Ntinda, Kampala last week. | CSBAG2019



CSBAG partners and stakeholders listening to remarks on the status of Water Sanitation and Hygiene within the Kamwokya community. The event was organized by CSBAG and WaterAid. Uganda | CSBAG2019



CSBAG stakeholders attending the FY 2019/20 national budget discussion organized by the Economic Policy Research Centre (EPRC) at Hotel Africana in Kampala recently. | CSBAG2019