

Kyambadde calls for URA leniency on small businesses



Trade Minister Amelia Kyambadde speaks to thousands of people on September 25, 2019 at opening of URA Taxpayer Exhibition in Kololo grounds. @CSBAG2019

The Trade Minister Amelia Kyambadde has called for Uganda Revenue Authority (URA)'s taxation leniency on small business and enterprise startups to increase their chances of survival.

She said a number of small business owners have come to her complaining about the rigidity on them by the tax body while collecting taxes, as opposed to bargaining method.

"URA should instead bargain with business owners instead of intervening and closing business in case of default. For example, if someone has just started businesses, he/she should be given sometime before taxes are collected from the entity," said Kyambadde.

She said this on September 25, 2019 while opening the three-day URA Taxpayer Exhibition taking place at Kololo Ceremonial Grounds.

The UK-based Approved Index Magazine report in 2015 indicated that Uganda (at ranking of 28.4%) was the most enterprising country in the world flooring the likes of German, Japan, France and Italy among others. However, the report also indicated the high levels of business startup collapses, with many failing to see their third anniversary.

When asked about what government is doing on rate of business collapses, Minister Kyambadde said: "As Government we have done a lot in ensuring that businesses access to credit, formalization through registration. With this, I think they are able to grow and create more jobs to people and pay more taxes to the Government."

The CSBAG Executive Director said small businesses should at least be given three years before being taxed. This, according to him if you come for taxes at beginning of a small business entity the chances of survival are reduced. He said would like to see URA also focusing more on helping business growth, before collecting taxes.

"I don't taxation is one of the causes of business collapse, I think the leading cause is expensive access to credit, secondly is infrastructure in terms of electricity and road connections. URA should therefore focus more on creating a favourable business environment to boost the economy," said Mukunda.

He added: "URA has also moved from the issue of locking up businesses because of taxation but rather takes time to understand why the entity isn't performing well that way."

The URA Assistant Commissioner Vincent Seruma said if a business is making an annual turnover of less than sh10m, it is not subjected to any URA tax.

"We need to remember that tax especially income tax is paid after income and profit is earned. The most important thing I think is how people manage money for a startup. As URA we have designed financial literacy programme to make sure that we are able to support startups on how they can manage money, taking and managing credit among others," he said.

Seruma said for the person whose turnover is about sh150m, the annual tax that is paid to URA is about sh100,000.



Taxpayer Exhibition goes through CSBAG stall on September 25, 2019 at Kololo Grounds. @CSBAG 2019

Over the last four years, the revenue performance of URA has been on a positive growth trend and by close of last year, the gross revenue collection was over sh48.7Trillion. This implied that over sh12Trillion is collected every year.

Seruma was optimistic that the revenue will more in the subsequent years.

Uganda's tax to GDP ratio has been trailing behind her Kenya, Rwanda, Ethiopia and Burundi, as well as the sub-Saharan average of 15.8 per cent.