Research on Corporate Tax Dodging and Evasion in Uganda
Terms of Reference

1. Background

Tax dodging and avoidance by companies has drawn great public attention in recent months. In October 2015, a joint investigation by The Observer and Finance Uncovered, a global investigative journalism network, unearthed how between 2003 and 2009 MTN Uganda had shifted three per cent of its revenue every year to MTN International in Mauritius in the name of 'management services' even when the company itself [MTN] confirmed that the Mauritian company employs no staff at all.[1] The Panama leaks also revealed how billions of dollars have been hidden by wealthy figures and Uganda was no exception. The paper trail showed how Heritage Oil and Gas Ltd attempted to avoid paying its tax liability in Uganda after the sale of its stake in the country's oil fields to Tullow Oil. Uganda dragged it to court to recover the $ 404 million. The Panama Papers leak reveals a new angle that Heritage Oil switched the ownership of a holding company to Mauritius at the last minute with help of lawyers and professional accountants to take advantage of a gap in the Mauritius-Uganda tax treaty on Capital Gains Tax.[2]

In addition, in February 2013, the Organisation for Economic Cooperation and Development (OECD) published its report on Base Erosion and Profit Shifting (BEPS). The report revealed that the current international tax system has not kept pace with developments in the business environment providing MNCs with plenty of opportunities to exploit legal loopholes and enjoy double non-taxation of income. The report further notes that taxation is at the core of countries sovereignty, but the interaction of domestic tax rules in some cases leads to gaps and frictions. The income tax rate for a company i.e. a body of persons, corporate or unincorporated, created or recognised under any law in Uganda is 30% of the entity's CHARGEABLE INCOME i.e. gross income less tax allowable deductions. For non-resident companies, an additional 15% tax may become chargeable on repatriated branch profits. While the Government of Uganda has made some efforts in streamlining the corporate income tax (CIT) regime, CIT is susceptible to tax planning, especially among multi-national corporations (MNCs) that have the resources to hire experienced tax managers. MNCs have attained some power to indirectly influence tax policy to favor their operations against the mutual benefit and revenue generation objectives of the government.

It is against this background that Southern and Eastern African Trade, Information and Negotiations Institute (SEATINI-Uganda) and Action Aid Uganda (AAIU) is commissioning a research to investigate corporate tax evasion/ avoidance in multinational companies in Uganda.

2. Objectives

The overall objective of the study is to investigate the nature of corporate tax dodging and evasion in Uganda.

Specifically the study will aim at:

1. **Identifying the loopholes and gaps in Uganda's tax systems, laws that facilitate Multinationals Companies and business personnel to evade and avoid paying their fair share of tax in Uganda.**

Under this objective, the study will provide a background on corporate income tax in Uganda, examine the tax laws (i.e not limited to income tax act, VAT, Stamp duty, Public Finance Act) and identify loopholes,

[1] http://www.observer.ug/business/38-business/40339-how-mtn-uganda-s-offshore-stash-sent-ura-on-the-hunt
[2] https://panamapapers.investigativecenters.org/uganda/ in 2016

gaps that would facilitate corporate tax evasion and avoidance. Under this objective, the study will also investigate and discuss the tax dodging schemes used by multinationals to evade tax. Use examples.

2. **To examine the trends on how much corporate tax has generated from FY 2013/14- 2015/16 visa- vi PAYE and VAT and the opportunities and challenges corporate income tax regime faces.**

Under this objective, the study will examine the trends of income generated from corporate income tax in comparison to PAYE and VAT, the opportunities it provides and the challenges there in.

3. **To provide policy and practice recommendations to curb tax evasion dodging and evasion**

This objective will provide clear policy recommendations that will be used to advocate for policy and legal reviews in the CIT regime. Recommendations, to Government, URA, and Parliament should be clearly stated.

4. Methodology

The researcher will:

- Analyse available secondary information (studies, researches, statistics, etc)
  Conduct interviews with various stakeholders including government agencies, private sector players, CSOs, donor community and ordinary citizens.

5. Reporting

The consultant will during the course of this assignment report to the Country Director and Programme Officer Financing for Development/Tax Justice- SEATINI Uganda

6. Proposed format of Evaluation Report

- 1. Cover page
- 2. Table of Contents
- 3. An Executive summary – that includes the major findings of the study and
- summarized conclusions and recommendations
- 4. Findings of the study as per the objectives
- 7. Conclusion and recommendations

7. Submission of proposal

Interested candidates should submit their technical and financial proposals by COB 18th January 2016 addressed to the Country Director: SEATINI Uganda, email: nbusingye@gmail.com , **CC:** seatini@infocom.co.ug. P.O.Box 3138, Kampala, Uganda, Plot 806.Block 213. Bukoto – Kisaasi Road.