

## TERMS OF REFERENCE

# CONSULTANCY TO CARRY OUT A STUDY ON THE IMPACT OF HARMFUL TAX INCENTIVES AND EXEMPTIONS IN UGANDA



## **1.1 About SEATINI – Uganda**

The Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI) is a regional non-governmental organisation founded in 1996 soon after the WTO Singapore Ministerial Conference, after realising that Africa in particular and Third World countries in general were marginalised in the WTO negotiations and other global processes.

SEATINI-Uganda is the regional coordinating office for East Africa. Although the offices operate independently, they subscribe to the overall SEATINI vision, mission, values and broad objectives. Our mandate is to influence trade, fiscal and trade related negotiations and policies at national, regional and global levels to ensure that they promote sustained development and improve livelihoods at national level and in the East African region. This has been done through information generation and dissemination, capacity building, advocacy, alliance building and networking.

SEATINI Uganda has been supported by the Democratic Governance facility (DGF) to implement an 18 month project titled “*Strengthening Citizens’ Engagement in Revenue Mobilisation and Accountability Policies and Practices*”. The overall objective of the project is to Strengthen Citizens’ engagements in Revenue Mobilisation and Accountability Policies and Practices. The project will empower citizens as taxpayers to demand for accountability on how revenues are mobilized to benefit the different groups in society through improved social services and infrastructure. One of the preliminary activities of the project is to conduct a research on the impact of harmful tax incentives and exemptions in Uganda.

## **1.2 Background to the research**

Tax incentives have traditionally been used by governments as tools to promote a particular economic goal. They are preferential tax treatments that are offered to a selected group of taxpayers and take the form of exemptions, tax holidays, credits, investment allowances, preferential tax rates and import tariffs (or customs duties), and deferral of tax liability.<sup>1</sup> Many countries across the globe offer tax incentives with the belief that they lead to the attainment of public policy objectives that would ordinarily be accomplished through public (revenue) spending or as an avenue of encouraging activities that will lead to setting up of investments especially Foreign Direct Investments that would provide jobs and contribute to future revenues. However when extravagantly awarded, such incentives could be costly to economies especially amongst Low Income Countries including Uganda. This is largely attributed to weak legal and policy frameworks that are skewed towards attracting foreign direct investment and give discretionary powers to the Minister of Finance to award tax exemptions. There is also no clear guideline and routine review of the impact or benefits accruing from tax incentives, exemptions and holidays that justifies their continued existence as revealed by 2017 Annual Report of the Auditor General<sup>2</sup>.

The tax incentives given particularly to multilateral companies have for so many years continued to take away critical revenues that would have been useful in other sectors of the economy such

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<sup>1</sup> <http://www.un.org/esa/ffd/publications/design-and-assessment-of-tax-incentives-in-developing-countries.html>

<sup>2</sup> <http://www.oag.go.ug/wp-content/uploads/2018/01/Annual-Report-of-the-Auditor-General-FY-2017.pdf>

as trade, education, water and environment, and Education. There is no clear evidence of the benefits that such incentives have accrued to the economy and therefore tax incentives that outstrip their benefits are harmful to the economy. Therefore there is need for CSOs and CSO platforms to advocate for the review of the policy and legal regime on tax incentives and exemption to remove the existing discretionary powers of the Finance Minister and put in place clear guidelines on the award of tax exemptions and incentives.

It is upon this background that SEATINI Uganda and Democratic Governance Facility (DGF) seek to conduct a research on the impact of harmful tax incentives and exemptions in Uganda.

### **1.3 Specific objectives of the research**

1. Examine the policy and legal regime for tax incentives and exemptions in Uganda.
2. Analyse the tax incentives and exemptions given out in FY 2017/18 and their implications on domestic resource mobilisation and service delivery
3. Make policy and practice recommendations on the key considerations to addressing harmful tax incentives and exemptions in Uganda

### **1.4 Target users and beneficiaries:**

The outcomes of the research will target various players including:

- 1) Ministry of Finance Planning and Economic Development,
- 2) Uganda Investment Authority
- 3) Auditor General
- 4) Uganda Revenue Authority
- 5) Civil Society Organisations
- 6) Government officials
- 7) Media
- 8) Community based organisations
- 9) Local Government Officials
- 10) Private Sector General Public (tax payers)

### **1.5 Research Methodology**

The study will involve the collection of both primary and secondary data using appropriate data collection methods. The consultant is expected to make use of documents available at relevant government's offices (Policy documents, research studies), financial and statistical data on tax and general academic literature on taxation. The consultant will also make consultations and interviews with key stakeholders from the Ministry of Finance Planning and Economic Development; Uganda Investment Authority and other key MDAs, among others.

### **1.6 Deliverables**

The key deliverables for this assignment will include:

- An inception report detailing the methodology to be adopted in conducting the study and a detailed work plan for the assignment.



- Draft reports to be presented to SEATINI for review and validation. The first draft will be presented to a spectrum of stakeholders in a validation meeting while the second draft will be presented to SEATINI for final review and input.
- The final research report incorporating issues raised from the validation and input from SEATINI. Maximum number of pages 35-40 pages.

It is expected that the study will focus on the following thematic areas:

- Examining the policy and legal regime for tax incentives and exemptions in Uganda.
- Analysis of the tax incentives and exemptions given out in FY 2017/18 and their implication on domestic resource mobilisation and service delivery
- Key policy and practice recommendations on the key considerations to addressing harmful tax incentives and exemptions in Uganda

### **I.7 Academic Qualifications**

At least a master’s degree in a relevant field in the area of planning, public policy, development economics, Law and tax.

Experience and deep understanding of how tax incentives and exemptions are awarded, cost benefit analysis and work in the various markets and Development areas.

### **I.8 Time Frame**

<b>Activity</b>	<b>Responsible</b>	<b>Timelines</b>
Expression of Interest	Consultant	31st October 2018
Selection of Consultant	SEATINI / DGF	5 <sup>th</sup> November 2018
Signing of Contract	SEATINI / Consultant	7th November 2018
Submission of Inception Report	Consultant	9 <sup>th</sup> November 2018
Carrying out the study	Consultant	12 <sup>th</sup> November 2018
Submission of first draft	Consultant	30 <sup>th</sup> December 2018
Validation meeting	Stakeholders	7 <sup>th</sup> December 2018
Submission of 2 <sup>nd</sup> draft by the consultant	Consultant	12 <sup>th</sup> December 2018
Final Report Submitted	Consultant	By 14 <sup>th</sup> December 2018

### **I.9 Submission of proposal**

Interested candidates should submit their technical and financial proposals addressed to the Country Director: SEATINI Uganda, email: [seatini@infocom.co.ug](mailto:seatini@infocom.co.ug), [nregina@seatiniuganda.org](mailto:nregina@seatiniuganda.org). P.O.Box 3138, Kampala, Uganda, Plot 806.Block 213. Bukoto – Kisaasi Road by **Wednesday 31<sup>st</sup> October 2018**.



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The technical proposal should include the proposed methodology, the qualifications of the consultant and referees for previous similar work done in the past. The financial proposal should highlight the expected fee for the work. (Technical and Financial proposal should be presented in or one envelope).