

SEATINI-UG WEEKLY NEWSLETTER

Meeting with Local Government leaders on Local Government Financing in Arua & Pader districts.

SEATINI-Ug in partnership with Community Empowerment for Rural Development (CEFORD), Women and Rural development Network (WORUDET) and OXFAM organized a stakeholders meeting in the districts of Arua & Pader in northern Uganda to discuss the current status of revenue mobilization, allocation and utilization in the respective districts, disseminate the findings from the study on revenue mobilization in Uganda conducted in Arua & Pader districts and thereafter discussing ways of improving revenue mobilization.



SEATINI-Ug hired consultants to undertake a study which analyzed Uganda's current tax

systems and practices at national and local levels by examining the opportunities and challenges of increasing domestic revenue and assessing the participation of citizens, CSOs and NSAs in taxation and revenue generation. The study focused on URA at national level in Arua & Pader as well as the local level. The study specifically analyzed revenue performance for four financial years (2011/12-2015/16). Both qualitative and quantitative methods were used which utilized

“LOCAL REVENUE IN THE TWO DISTRICTS CONSTITUTED AN AVERAGE OF 1.7% AND 0.8% OF TOTAL REVENUE BETWEEN FY2012/13 AND 2015/16 RESPECTIVELY”

four primary data collection methods: secondary document review, key informant interviews (KIIs), focus group discussions (FGDs) and case study.

At local government levels, local revenue mobilization efforts are based on the local Government Act, 1997 (as amended) which allows local Governments to levy, charge and collect fees and taxes. However local revenue performance in the two districts visited during this study was very

dismal. Local revenue in the two districts constituted an average of 1.7% and 0.8% of total revenue between FY2012/13 and 2015/16 respectively. However local revenue performance for urban authorities (Arua municipality and Pader town council) was better than districts ie 9.0% and 13.2% of total revenue between FY 2012/13 and 2015/16 respectively.



Among the study findings were bottlenecks in taxation and revenue generation at national level including; the fast growing informal sector which accounts to 43.1% of Uganda’s GDP; ineffective implementation of tax policies; wide range of tax incentives and exemptions; tax avoidance by mainly multinational corporations; taxation regime which is not clearly understood by most tax payers and the high corruption levels that have led to revenue leakages.



Majority of the citizens interviewed during the study were aware of direct taxes, fees and levies imposed by local governments such as market dues, business/ trading licenses, business registration fees, local service tax, occupation permits etc. Many citizens were not aware of how their tax was assessed and calculated. The assessment process which is done by the local authorities does not provide sufficient information to the tax payers and the assessors don’t seek for the involvement of the tax payer either. This has resulted into the current taxation system to be deemed as unfair in many cases.

Recommendations.

- Local government officials need to interact more with the business community in order to forge better working relations to solve the challenges facing revenue mobilization. This also called for better understanding of the tax payers by the tax collectors at county and sub-county levels as well as introducing quarterly interactions by local government leaders with the business community and other tax payers.
- Local government officials need to improve supervision and monitoring within their respective regions as well as have an improved and positive attitude towards revenue collection.
- There is a human resource gap in both Arua and Pader town council and thus a need to increase staffing to cover the field visits and train revenue collection staff with the necessary skills.
- Further educate the locals about the need to be tax compliant for better service delivery in their regions. Poor attitude of locals paying tax has resulted in low revenues. An example cited by the Arua Resident District commissioner (RDC) was the

deficit of 1.2BN youth fund which has not yet been paid back by the youths. This has forced the local officials to use all necessary means including the help of police to recover this money.

- Local government officials in low revenue collection areas like Pader town council to have exchange visits with their counterparts in high revenue collection areas. This will enable them learn and improve on their collections.
- Politicians advised to reduce interference in the revenue collection process where they mislead the public by at times instructing them not to pay tax. This hinders progress as it was seen in the development of the new Arua market where such challenges surfaced.
- Need to strengthen the database on revenue management. In this case the Arua local government finance department pledged UGX 2 million shillings to help in the assessment process especially at the sub-county level.

- Many locals in both Arua and Pader town council are not well informed about the benefits of paying tax which in turn has resulted in the low tax collections. It was noted that radio talk shows are key in sensitizing the public.
- There is a need to clearly identify who should collect tax, there is quite a number of imposters who actually collect revenues on their own behalf and not the local council. A proposal to reduce cash based payments to tax collectors which in turn will reduce on the losses currently incurred.

In conclusion, SEATINI-Ug was acknowledged for its support in improving local revenue collection and mobilization in Arua and pader districts. The leaders promised to enforce the findings and recommendations from the study undertaken in both districts in order to further improve and increase on revenue collections in their respective town councils.

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