



POLICY BRIEF ON TAX EXPENDITURES IN UGANDA

**A focus on Uganda's Tax Expenditures Report for
FY 2019/20**

TERMS OF REFERENCE



Introduction

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 with support from USAID-Nathan Associates under the Domestic Revenue Mobilisation for Development (DRM4D) activity is implementing a project titled *Scaling up Citizens' Voices for Tax Justice in Uganda*. The overall goal of the project is to promote fair, equitable and inclusive resource mobilization, allocation and accountability leading to improved service delivery at the national and sub national levels. One of the preliminary activities of the project is to develop a policy brief on the impact of tax expenditures in Uganda.

Problem

Tax expenditures are special provisions within the tax laws that benefit specific activities or groups of tax payers. They can take the form of rate reliefs, exemptions, zero-ratings, credits or deferrals. Tax expenditures have often been used to provide a form of subsidy to influence or incentivise engagement in certain activities such as increased investment in key sectors which will create forward and backward linkages to create more jobs and increased revenue in the long run.

Whereas it is critical to grant these incentives to achieve the above-mentioned objectives, it is also important for Government to periodically assess and report on the impact of these incentives. The impact ranges from number of jobs created, investment attracted, exports and revenue foregone.

During the month of June 2021, Uganda published its first tax expenditures report. According to the report, in FY 2019/20, total revenue foregone due to tax expenditures amounted to **UGX 5,030.45 billion**. As a percentage of Gross Domestic Product (GDP), this translated to **3.64%**, a decline by **0.07%** from **3.71%** registered in FY 2018/19. In FY 2019/20, the largest share of these tax expenditures were registered in international trade taxes (**UGX 2,129.38**



billion) while VAT tax expenditures registered **UGX 1,857.75 billion** and income tax tax-expenditures stood at **UGX 1,043.32 billion**.

Despite the fact that the report was published and shared widely, there is still limited understanding among stakeholders on tax expenditures in the Ugandan context and their overall impact on domestic revenue mobilisation.

Therefore, while basing on the recently released report on Tax expenditures for FY 2019/20, SEATINI Uganda with support from USAID, would like to develop a policy brief on tax expenditures in Uganda.

Purpose of the policy brief

The overall purpose of the tax expenditures policy brief is to identify gaps in the tax expenditures and make recommendations for maximising social and economic benefits.

Specific Aspects to be Covered

The policy brief is expected to cover the following aspects:

- An analysis of tax expenditures in the Ugandan context.
- Assessment of the impact of tax expenditure on Domestic Revenue Mobilization in Uganda
- A review of the Tax expenditures report for FY 2019/20 highlighting the strengths and gaps.
- Recommendations on measures that can be adopted to maximise social and economic benefits from tax expenditures.

Duration of the Development Process

The Development of the policy brief will be one month

Activity	Responsibility	Timelines
Expression of Interest	Consultant	1 st November 2021
Selection of Consultant	SEATINI Uganda	5 th November 2021
Signing of Contract	SEATINI Uganda/Consultant	9 th November 2021
Submission of Inception Report	Consultant	3 rd November 2021
Submission of first draft	Consultant	25 th November 2021



Validation Meeting	SEATINI/Consultant/USAID	29 th November 2021
Submission of Final policy brief	Consultant	3 rd December 2021

Management of the Process

- The consultant will be working closely with SEATINI Financing for Development / Tax Justice Team.
- The Executive Director of SEATINI Uganda will oversee the process.

Consult requirements

The suitable consultant shall have the following qualifications:

- At least a master's degree in a relevant field in the area of planning, public policy, development economics, law and tax.
- A thorough knowledge of the Uganda's tax system and analytical skills.
- Excellent skills in written and spoken English.

Method of Application

Interested consultants should submit a proposal to briefly describe how the consultant intends to undertake this assignment and possible sources of information/data. Applicants should also explain how their professional experience matches the skills and qualifications listed. The proposal should include:

- Expression of Interest (maximum 1 page).
- The methodology to be used.
- CV(s) including contact details for references.
- Financial proposal.
- Sample of related work on tax and related issues written by the applicant (articles, books, studies, among others)

Proposals should be submitted by COB on 1st November 2021 to info@seatiniuganda.org and cc: nregina@seatiniuganda.org with the subject: **Policy Brief on Tax Expenditures**