FOR GOD AND MY COUNTRY

PARLIAMENT OF UGANDA

MINORITY STATEMENT ON THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2025

MAY 2025

1.0 Introduction.

The Tax Procedures (Amendment) Bill ,2025 was read for the first time on Thursday 27th March 2025 and referred to the Committee on Finance for scrutiny and report back to the House.

The object of the Bill is to amend the Tax Procedures Code Act, Cap. 343, **to provide for the use of the national identification number and the registration number as a tax identification number**, to provide for a gaming and betting centralized payment gateway system, to provide for a penal tax for failure to use or integrate with the gaming and betting centralized payment gateway system, to modify the penalties for non-compliance with the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) to make them progressive and fair.

The Committee on Finance, Planning and Economic Development scrutinized the Bill and prepared a report.

Pursuant to Rule 214(b) of the Rules of Procedure of the Parliament of Uganda, this Minority Statement indicates dissenting opinions from the majority of the Committee.

2.0 Areas of dissent.

a) Negative Impact of Doubled EFRIS Penalties.

b) Lack of studies to support tax bills.

c) Bloating the tax register.

d) Exclusion of non-resident potential taxpayers

e) Data integrity and Security Concerns.

f) Lack a comprehensive taxation policy in the country.

g) Instability of the tax regime coupled with Multiple taxes are crippling businesses in the country.

3.0 Dissenting Observations.

3.1 Negative Impact of Doubled EFRIS Penalties: A Proposal for a Capped Penalty not exceeding 10 million.

The Government's proposal to double the penalty for non-compliance with the Electronic Fiscal Receipting and Invoicing System (EFRIS), irrespective of the transaction value, is a counterproductive measure, particularly burdensome for taxpayers, the proposed doubling of this structure risks imposing crippling financial penalties.

Consider, for instance, non-compliance related to a UGX. 100 million transactions. Doubling the penalty would result in an exorbitant UGX 200 million levy- a sum substantial enough to severely impact, or even force the closure of a business. While penalties should serve as a deterrent, they must not become a cause of widespread business failure.

Therefore, we propose a reform of the penalty regime that aims to punish non-compliance without jeopardizing business continuity. Our recommendation is that the penalty should be equivalent to the amount of tax owed on the receipt of goods or services not issued by the non-compliant taxpayer, but with a capped maximum penalty of UGX 10 million. This approach would effectively deter non-compliance while preventing the devastating consequences of excessively high penalties.

Enforcing unreasonably high penalties carries significant ramifications, potentially leading to the closure of businesses. This outcome would represent a double loss- both for the government, through lost revenue and economic activity, and for the individuals and the communities dependent on these businesses. A capped penalty, linked to the tax owed, offers a more balanced and sustainable approach to ensuring EFRIS compliance.

3.2 Lack of studies to support tax bills.

Hon. Speaker, we continue to process tax bills that are not supported by studies contrary to Parliament's recommendations. In its report for FY 2024/25, the Committee of Budget recommended that, going forward, '' Studies be instituted by MoFPED to assess the effectiveness, efficiency, and impact of the tax exemptions in greater detail.''

recommendation of Parliament that while considering Bills for the FY 2023/24, every Bill should be accompanied by a stand-alone evaluation or regulatory impact assessment. **Hon. Speaker**, it is disappointing for the same committee of Finance to continue supporting and approving bills it knows that don't adhere to its recommendations every Financial year.

We continue witnessing a lack of appropriate studies for the current tax bills. For instance, while appearing before the Committee of Finance to process the tax bills, the Minister projected that tax proposals for FY 2025/26 would generate **UGX.538.6 billion**. Additionally, he projected to generating UGX. **1,885 billion** from URA administration measures, making a total of **UGX. 2,423.6** while targeting a Domestic Revenue growth of UGX. **4,836.74 billion.** The Government doesn't explain how it intends to raise the remaining **UGX. 2,413.14 billion. This confirms that government revenue projections are made without studies to support the tax proposals.**

Failure of URA to achieve targeted revenue projections further confirms our claim. For instance, in the Fiscal Trends for FY2023/24, URA had targeted to raise UGX. 29,218.98 in revenue but only managed to collect UGX. 27,301.22 billion, leaving a revenue gap of UGX. 1,917.76 billion.

Table 1. The Medium Term Revenue Projections FY 2022/23-FY 2029/30.

	2022/23	2023/24	2024/25	2025/26
	Actual	**Actual**	**Estimated Revenue**	**Estimated Revenue**
Total Revenues (Net Tax + NTR)	22,567.46	27,782.30	32,006.86	36,818.66
Net Tax Revenues	**23,732.99**	**25,719.59**	**29,368.46**	**33,592.53**
NTR	1,834.47	2,062.71	2,638.40	3,226.13

Source: Draft Estimates of Revenue and Expenditure (recurrent and Development) FY 2025/26.

Table 2. Fiscal Trends (FY2016/17 = base year)

Indicator	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Net URA Collections (Shs Bn)	**19,263.00**	**21,658.01**	**25,209.05**	**27,301.22**
Gross Revenues (Shs Bn)	19,649.87	22,098.06	25,752.05	27,938.49

Net URA Targets (Shs Bn)	**21,638.65**	**22,363.51**	**25,151.57**	**29,218.98**
Revenue shortage	**(2,375.65)**	**(705.5)**	**57.48**	**(1,917.76)**

Source: URA & UBOS.

c) Budget Frame Paper FY 2025/26 revenue targets, when compared to the 1st and 2nd Budget Call Circular's revenue projections, indicate very wide variations, suggesting a lack of studies underpinning these projections.

The 1st BCC (dated 13th September 2024) projected Domestic revenue at **UGX.33.182 trillion** with a budget of **UGX. 57.441trillion.** The 2nd Budget Call Circular, issued three months later on the 13th February 2025, projected domestic revenue at **UGX. 35,692.9** with a budget of **UGX.66.086 trillion.** On the 25th of March 2025, barely one month later, the proposed domestic revenue amounted to **UGX. 36,818.66 billion** for a budget of **UGX. 71.96 trillion.** The frequent changes in revenue targets imply a lack of lack of thorough studies to support tax proposals.

Table showing frequent changes in domestic revenue projections between 13th Sept 2024 to 25th March 2025,

Period	**Date**	**Domestic Revenue Projection (trn)**	**National Budget (trn)**
1st BCC	13th sept 2024	33.182	57.441
2nd BCC	13th Feb 2025	35.692	66.086
Current	25th March 2025	36.818	71.96

Source; MoFPED & LOP'S Compilation.

3.3 Bloating the tax register.

Not everybody with the NIN is a tax payer, Minors will clog the tax register

Risk of poor people falling under the tax bracket. Tax register will be inflated with a huge subsistence sector. Once on a tax register, you are under obligation to declare income.

The country needs to improve the capacity of NIRA to issue National Identity Cards and NINs in time. Many Ugandans don't have National Identity Cards and some have their IDs expired. Implementing NINs as TINs will leave out potential taxpayers. Historical delays in NIRA operations and now the need for seamless integration with URA systems will most likely clog the system. The current infrastructure is not robust enough to manage the large scale data processing and verification efficiently.

Making NINs mandatory for tax payers is going to exclude many marginalized groups from formal economic activities and access to essential services.

b) Exclusion of Non-resident potential taxpayers.

The proposal is to substitute section 4 to provide for the following as the Tax Identification Number (TIN); For a tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information is problematic. The proposal needs to clearly address how individuals from jurisdictions without double taxation treaties with Uganda will be handled. Relying solely on NINs might create complications for these individuals in fulfilling their tax obligations.

c) Data integrity and Security Concerns.

Adopting NINs instead of TINs erodes Data Privacy by linking the National Identification database with the tax systems raises serious concerns regarding data privacy and the potential for misuse of sensitive personal information. Secondly, with the rampant cybercrimes, assurance of the security of the integrated system against cyber threats and unauthorized access is paramount.

We must first put in place robust data protection measures and legal frameworks before integration of people's data. Weaknesses in either NIRA or URA systems could lead to data breaches with severe consequences. It must be clear at this

stage to know the responsibilities of either party. Besides, the Bill doesn't have penalty clauses for those who might abuse it. This system if not implemented with adequate safeguards and penalty clauses.

3.3 Lack a comprehensive taxation policy in the country.

Hon. Speaker, in our various Minority reports, we have always advised government to develop a comprehensive taxation policy in the country. With time even the majority reports joined us in agitating for the same. For instance, in its report, the Budget Committee on the Annual budget estimates for FY 2024/25 (BUD2-24 Report) recommended Government to develop a National Tax Policy that would form the basis for effective tax legislation and tax administration.

Hon. Speaker, the MoFPED presented tax bills which were referred to the committee of Finance for processing. The committee had a retreat on the same. From the discussions, it became clear that the bills were lacking in clarity. Towards the end, two bills were referred back to the MoFPED for redrafting. The MoFPED together with URA, confirmed having presented bills which were wanting and demanded more time for consultation. In the FY 2024/25, the Committee on Finance Planning and Economic Development had recommended that wider consultations on tax policy design be prioritized prior to drafting tax policies into law and to avoid tax policy reversals. Why should the recommendations of Parliament continue to be ignored every Financial year?

3.4 Instability of the tax regime coupled with Multiple taxes are crippling businesses in the country.

While taxes are crucial for a country's development, a multitude of taxes and complex tax procedures have placed a significant burden on businesses, hindering their growth, profitability, and overall sustainability. A typical business pays corporation income tax, VAT, Excise on locally manufactured or imported goods and services. It further pays P.A.Y.E, Withholding Tax, stamp duty to mention but a few.

Rt. Hon. Speaker, the cumulative effect of multiple taxes significantly erodes profits leaving businesses with little profits for reinvestment and expansion. It is high time, this Government streamlined the tax system, reduce the number of levies, simplify tax compliance and provide a more conducive business environment.

Rt.Hon. Speaker, the frequent amendment of tax laws has presented challenges for both the tax payers and Uganda Revenue Authority in administering taxes. Previous Reports from the Committee on Finance regarding Tax Bills attributed this

issue to the lack of a comprehensive tax policy. While processing the FY 2024/25 Tax Bills, the Committee on Finance recommended that the MFPED establish such a policy to ensure, among other things, the stability of the tax regime.

Rt.Hon. Speaker, it is regrettable that this year, the Government is proposing seven tax bills that appear intended to further burden taxpayers without a commensurate improvement in public service delivery. We continue to witness inadequate healthcare services nationwide, a severely underfunded education sector, and the persistent problems of poor roads and floods, to mention but a few critical issues. Taxes must serve as instruments for development, not solely as mechanisms for revenue collection.

The Front Bench spearheaded by the Ministry of Finance, Planning and Economic Development in collaboration with URA proposes new proposals every year and this House- Parliament of Uganda legislates to increase taxes on the very people who elected us. New taxes upon old ones are cumulatively added on the already heavy tax burden faced by most Ugandans. While, it is the obligation of tax payers to pay the taxes due, it is equally an obligation of Government to offer services to its citizens in equal measure. Rt. Hon. Speaker, Countries that pay heavy taxes have their services improved across the board.

I beg to submit.

SN	Name	Signature
1)	NABUKEERA HANIFA HUSSEIN	[signature]
2	KARIM MASABA	[signature]
3	SSEMUJJU IBRAHIM	[signature]