Uganda is losing approximately Shs160 billion annually due to foregone Corporate Income Tax mostly from multinational companies as a result of tax holidays, according to Uganda Revenue Authority (URA).

Next to corporate tax avoidance via profit-shifting to tax havens, numerous and generous tax incentives are among the main causes of lower effective tax rates and, lower Corporate Income Tax revenues.

This analysis took advantage of the digital tax administrative data available at the URA's research lab that provides information on non-compliance for evidence-based policy making.

URA, which collaborated with the United Nations University under the World Institute for Development Economics Research, observed that less than 15 percent of firms in Kampala pay both corporate income tax and local trade licence fee.

This was correlating with businesses neighbour by inadequate infrastructure impeding them to pay local taxes.

"The aggregate estimated revenue loss due to non-compliance in Kampala by businesses amounts to approximately $2.675m in 2022, exceeding 2 percent of the Kampala City Authority's total budget for the 2022/23 financial year," notes part of the research paper.

Previously, a company would carry over all its calculated losses but now it is only allowed to carry 50 percent of its losses which Treasury envisages could reduce the gap if properly implemented.

According to Economic Policy Research Centre (EPRC), top performers in corporate income tax in Africa are resource rich like Zambia and Algeria. But for Uganda's case, this needs to go up because of Uganda's oil. It will go to four percent of GDP.

"We need to deduct our expenses in tax holidays," said Paul Lakuma, a research fellow at EPRC.

He said there is need to do tax education, resolve tax disputes and use URA research lab's data to understand taxpayers' behaviour.

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