TAX

URA targets 18% tax-to-GDP ratio as govt battles years of stagnation

After years of revenue stagnation, URA's ambitious reforms aim to widen the tax base and push the tax-to-GDP ratio to 18 percent.

URA's strategy seek to raise the country's tax-to-GDP ratio from about 13 percent to 18 percent through digital and institutional reforms. PHOTO / FILE

Tax-to-GDP. |

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Uganda's tax-to-GDP ratio had for several years stagnated at about 11 percent, before rising to 13.7 percent about five years ago.

But despite the rise, the ratio is still too low to help the country achieve critical development targets.

The low ratio underscores persistent challenges in domestic revenue mobilization and heavy reliance on a narrow tax base.

Against this backdrop, Uganda Revenue Authority (URA) has unveiled an ambitious 2025/30 strategy that seeks to significantly boost revenue collection and raise the tax-to-GDP ratio to over 18 percent by the 2029/30 financial year.

According to the report, the strategy is largely anchored in the Domestic Revenue Mobilization Strategy and seeks to reverse years of subdued performance in revenue collection relative to economic growth.

Although the economy has expanded steadily, tax revenues have not kept pace, leaving Uganda below regional and continental averages.

The URA strategy is designed to support the Fourth National Development Plan and government's Ten-fold Growth Strategy, which targets expanding the country's Gross Domestic Product (GDP) from $50b to $500b by 2040.

"Key pillars and initiatives for the URA 2025–2030 strategy include digital transformation and data-driven enforcement, with a shift from reactive to predictive tax administration," the report states.

URA also plans to leverage Artificial Intelligence (AI) and Machine Learning (ML) to detect non-compliance early and improve enforcement efficiency.

Other measures include deepening the use of the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) and expanding digital tax stamps to curb leakages in Value Added Tax (VAT) and Excise Duty.

The strategy also emphasizes data integration, including improved data sharing across government agencies, and the use of National Identification Numbers (NINs) as Tax Identification Numbers (TINs) to simplify registration and broaden the tax base.

Mr Bill Nkeeto, Dean of the Faculty of Business and Management at Victoria University, says that for URA to achieve its targets by 2030, it should focus on high-potential sectors such as oil and gas, tourism, agro-industry, and the ICT and creative arts sector.

He also notes that greater emphasis must be placed on bringing the informal sector into the tax net, which remains largely untaxed despite accounting for a significant share of economic activity.

The tax register, according to URA data, has about 3.5 million taxpayers, but more than 70 percent of Uganda's tax revenue is generated from just about 1,000 taxpayers.

But to achieve the targets, URA Commissioner General John Musinguzi says they will need to boost staff numbers by recruiting about 1,500 new staff to strengthen enforcement and build specialised systems for monitoring compliance in the oil and gas sector. He also notes that there is need to build mechanisms to reduce legal disputes.

"We shall strengthen the use of Alternative Dispute Resolution mechanisms to reduce litigation and speed up revenue recovery, and expand the URA Tax Academy to improve staff training and taxpayer education," Musinguzi says.

Despite the optimism surrounding the strategy, concerns remain over the high tax targets, which could increase pressure on already compliant taxpayers if the tax base is not sufficiently broadened.

The proposed use of National Identification Numbers (NINs) for tax registration has also raised data privacy and protection concerns, which the authority will need to address to maintain public trust.

Analysts note that while the strategy is ambitious, its success will depend on effective implementation, sustained economic growth, and the ability to transition Uganda from years of tax-to-GDP stagnation at around 11 percent to a more robust and inclusive revenue system.

Key figures

13.7%

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1,000

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