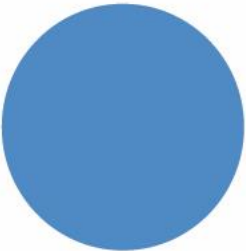




Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

TAX GAP TOOLKIT IMPLEMENTATION: UGANDA'S EXPERIENCE



OUTLINE

1. Introduction
2. Requirements
3. Estimation
4. Progress
5. Key Lessons
6. Next Steps

INTRODUCTION

- Collaboration between UNU-WIDER and Uganda Revenue Authority started in 2018.
- URA Research data lab established in 2022.
- Tax gap toolkit implemented under partnership.
- Technical capacity to use the toolkit has been developed.



CIT GAP ESTIMATION REQUIREMENTS

Data

- ✓ Corporate Income tax returns
- ✓ Audit data

Note: Important to have more than one period for comparison purposes

Other

- ✓ Stata Software
- ✓ Intermediate Stata skills
- ✓ Higher computing power
- ✓ Readme files offer good guidance

CIT GAP ESTIMATION

Estimation

Selection of key variables to include in the model - Risk parameters

Identification of variables important in the estimation

Run the machine learning model using the identified variables

Compare with the ordinary regression model

Key findings

- Machine learning model produces better results compared to the ordinary regression model
- Ability to produce results by category in real figures and percentage

Progress

CIT gap estimates obtained

- Overall gap
- By year (2013/14 - 2019/20)
- By sector (wholesale and retail trade, construction, manufacturing)

Other variables identified in the estimation could be added to the risk parameters

KEY LESSONS



- ✓ Clear understanding of the data
- ✓ Higher computing power – big data
- ✓ Patience is needed when running the model as it may be time consuming

OPPORTUNITIES



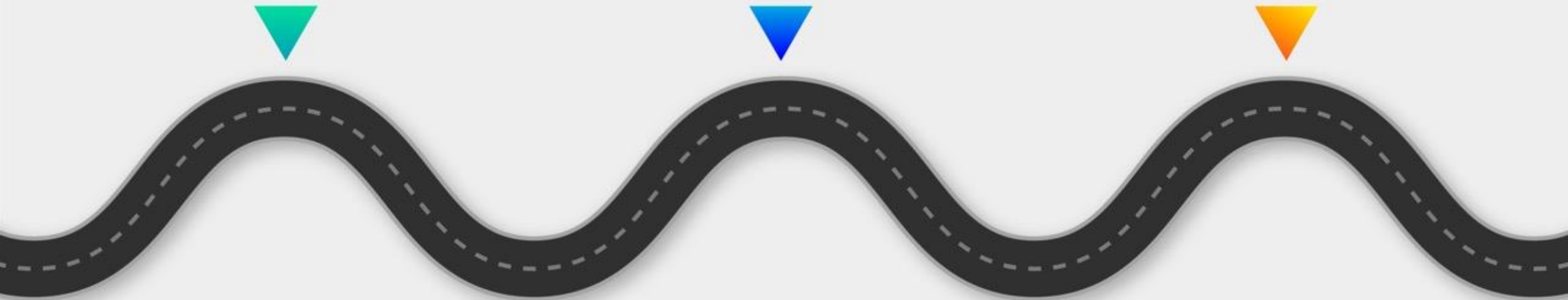
- Annual computation of the tax gap across tax heads and sectors can be done.
- Target efforts to particular tax heads and sectors with higher tax gaps.
- Results can be used as a proxy for effective tax risk management by tax head and sector.
- Identify compliance issues as inputs to the compliance improvement plans.

NEXT STEPS

Incorporate toolkit and tax gap analysis in URA risk management

Extend estimation to other tax types and categories

Use alternative estimation approaches to verify findings from Bottom-up



Track tax gap indicator in performance monitoring

Use assessment data to estimate the tax gap

Thank You

