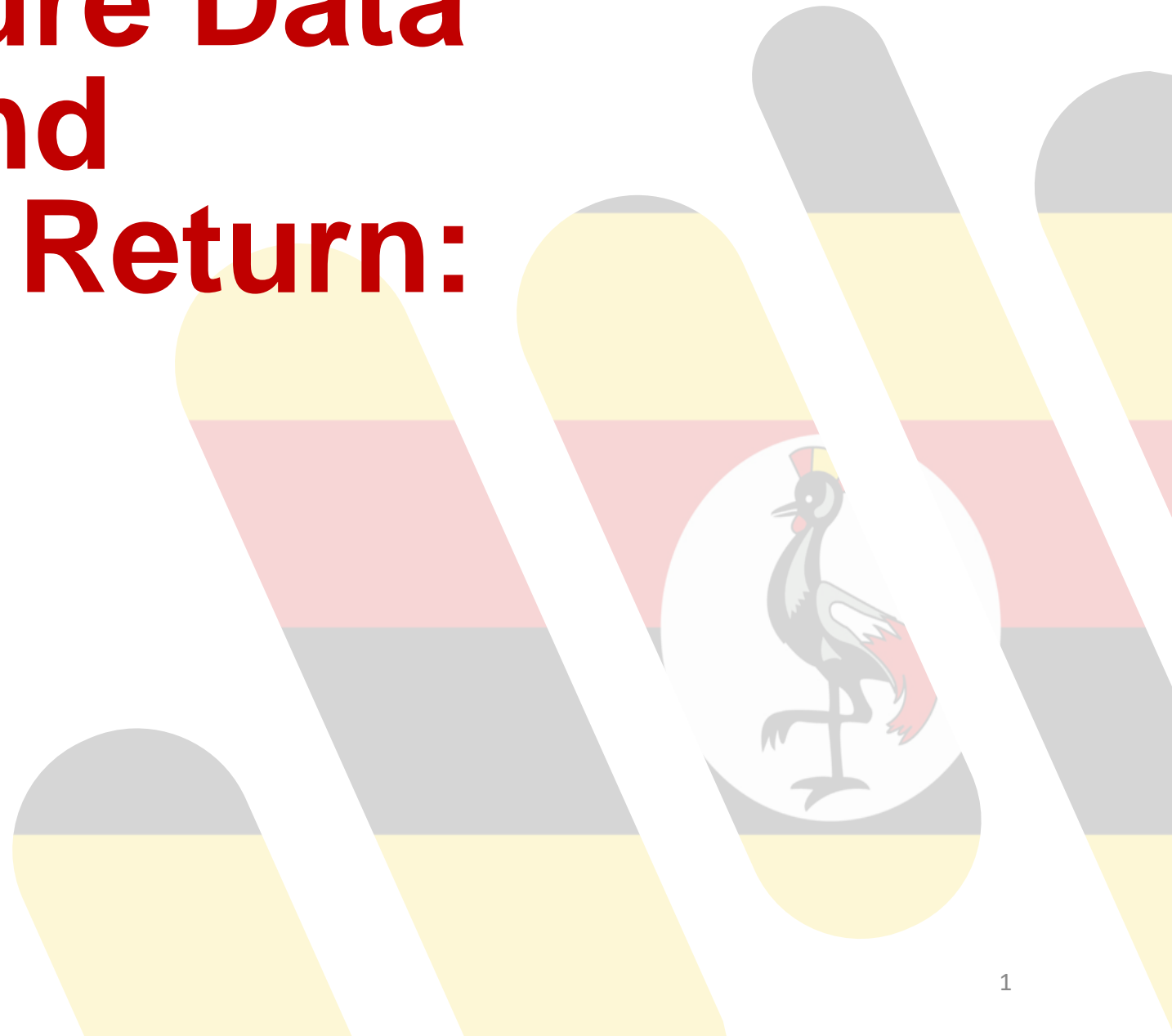


# Tax Expenditure Data Challenges and Business Tax Return:

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# Challenges with TE data

- The tax expenditure repository is not static, suggesting that the number of tax expenditures keeps changing. Tax returns cannot reflect such changes immediately
- Many recipients of tax exemptions somehow believe they are not compelled to file tax returns with the URA, and subsequently, the requisite data does not exist
- With VAT, how data is structured in the electronic system means that it is impossible to estimate VAT foregone on exempt or zero-rated local sales at the *item* level.
- Tax expenditures are provided to achieve specific goals, which also differ depending on who is getting the expenditures. Tax returns are designed without consideration of such goals.

# Steps taken to address the challenges

## 1. Designing Business Tax returns to gather additional data for Tax Expenditure Analysis.

### ▪ **Key Aspects**

- Investment capital and shares
- Imports (value)
- Purchases from the domestic markets
- Tax incentives enjoyed by tax type
- Tax Incentives received by type
- Policy objectives/purpose of the Incentives
- Benefits – Taxes, Investments, Job creation, and other benefits
- VAT at item level

## 2. Collaboration.

- Work with Tax Policy and Uganda Investment Authority

# E.g. Income Tax Return

| Schedule 1 - Computation of income from business and profession |  |
|---|--|
| 3) Less   |  |
| a) Exempted income (if included in Profit and Loss Account)     |  |

Firms required to declare exempt income, but the return does not specify the source of the exempt income

Can make estimation of revenue foregone difficult – need to know the beneficiary and which kind of exempt income they might have to assign this as a TE.

Blessings to you