

School of Law receives the Makerere University Research and Innovations Grant Supported by the Government of the Republic of Uganda.

The Commercial Law department of the School of Law is set to implement a one year research project with funding from the Makerere University Research and Innovations grant supported by the Government of Uganda.

Professor David Justin Bakibinga is the Principal investigator and will work with a team of staff from the Commercial Law department that is headed by Dr. Phiona Mpanga.

The Project namely, Enhancement of Tax Revenue through Digitalisation: Filling Gaps in the Current Legal, Policy and Institutional Framework seeks to evaluate the current legal framework and make some proposals for reform in the recently introduced digitalisation project in Uganda Revenue Authority (URA).

In this program, URA has increasingly relied on integrated tax administration system, e payments, and digital stamps, e-invoicing, e-receipting and electronic fiscal devices (EFDs). It has also been a pioneer of the Taxpayer Register Expansion Project which involves the use of ICTs and adoption of digital technologies such as e-registration, e-tax, e-filing, e-auditing and e-licensing.

The Research project therefore will set out to address the gaps and challenges identified that may affect the operationalization of the innovations through ensuring that the digitalisation efforts are done within an appropriate legal framework to avoid protests from taxpayers given the inadequate attention paid to the legal and policy framework for tax digitalisation.

Title of the Research/Innovation project:	Enhancement of Tax Revenue through Digitalisation: Filling Gaps in the Current Legal, Policy and Institutional Framework
Principal Investigator (PI)	David Justin Bakibinga
Composition of the Research team	Dan Ngabirano, Ahumuza Dianah, Ronald Kakungulu Mayambala
College/Department	School of Law, Commercial Law Department
Project summary	<p>In a bid to enhance revenue collection, the Uganda Revenue Authority (URA) recently launched a digitalisation project that among others involves use and reliance on integrated tax administration system, e payments, and digital stamps, e-invoicing, e-receipting and electronic fiscal devices (EFDs). The URA is also a pioneer of the Taxpayer Register Expansion Project which involves the use of ICTs and adoption of digital technologies such as e-registration, e-tax, e-filing, e-auditing and e-licensing.</p> <p>Digitalisation helps simplify tax procedures thereby making it convenient for tax payers to comply. It reduces on corruption by lessening direct interaction between tax payers and officials. This in turn improves the credibility of the tax administration machinery and plugs revenue leakages. Thirdly, digitalisation significantly reduces on the cost of tax administration and compliance. Finally, it facilitates collaboration between different agencies which is critical for detection of financial crimes.</p> <p>That said, for digitalisation to succeed it must be supported by a robust legal and policy framework that among others establishes key institutions and promotes such aspects as self-policing, data</p>

	<p>protection, data integrity, transparency and public participation. As it is, digitalisation was introduced haphazardly without a comprehensive legal and policy framework. Currently some aspects like digital stamps are being challenged by key tax payers before courts of law. In light of this, the project seeks to evaluate the current framework and make some proposals for reform to avoid any future challenges.</p>
Duration	1 year
Problem and solution	<p>Although digitalisation of tax processes and procedures is a commendable innovation to the extent that it has the potential to boost tax revenue collections, its success greatly depends on the existence of a more robust legal and policy framework. As it is at the moment, the process of digitalisation was haphazard and in some cases incremental. The legal and policy framework governing digitalisation of tax processes and business registrations is highly inadequate. In fact, the law where it exists is scattered in different legislations. Some of the provisions such as those that require businesses to administer stamps are presently being contested before courts of law. There is also a further risk that similar other provisions will be challenged for either being in conflict with other existing laws or the constitution. For example, through data exchange, digitalisation weakens data protection and increases the risk of loss of personal privacy, which is protected under the Constitution.</p> <p>In this respect there is need for a more comprehensive law on digitalisation of tax processes and business registrations. There is also need for harmonisation of provisions on digitalisation with other existing laws and those in other countries especially in the East African region.</p>
Proposed solution	<p>The project seeks to develop proposals for a more robust, comprehensive and coordinated legal and policy framework for digitalisation of tax processes and business registrations in Uganda. In pursuit of this objective, the project will evaluate the adequacy of the existing framework and identify any gaps that limit their effectiveness. In addition to this, there will be a review of relevant provisions in other related laws in order to reduce on the possibility of overlaps and conflicts.</p> <p>In addition, the project team will interact with various stakeholders including tax officials, groups of tax payers, civil society and the academia for purposes of a) understanding some of the challenges they face as a result of increased digitalisation of tax process and business registration b) determining the extent to which some of these challenges can be attributed to gaps in the law c) how best the law can resolve existing challenges</p> <p>Finally, in making proposals for a comprehensive legal and policy framework, the study will draw on experiences and lessons from other countries within the region that have recently digitalised their tax systems in a bid to boost their tax revenue collections. These include for instance Kenya, Tanzania and Rwanda.</p>
Relevance of the proposed solution	The National Development Plan II identifies domestic revenue mobilisation as one of the key priorities for Uganda if it is to achieve

	<p>middle-income status. In this regard it places a lot of emphasis on broadening the tax base through among others bringing the informal sector under the tax bracket and increased collections of corporate tax. In equal measure, NDP also recognises the role of ICTs in reducing the cost of doing business.</p> <p>Digitalisation if effectively done has the potential to increase revenue collections through simplification of tax compliance, enrolment of more tax payers, reduction on tax administration costs, curbing corruption and plugging revenue leaks. In this way it directly contributes to the NDP II objectives to enhance domestic revenue collections and deployment of ICTs to reduce on business costs.</p> <p>More importantly, the use of digital systems to enhance tax revenue collections enables the government to provide public services like health and education to its people. By doing so the country is able to meet its obligations under international law and most recently the SDGs. This project seeks to develop proposals for a more robust legal and policy framework, which as pointed out, is a precondition for the success of any tax digitalisation endeavour.</p>
Innovation Objectives	<p>To review and evaluate the current legal, policy and institutional framework on tax digitalisation and business registration in Uganda</p> <p>To strengthen existing legal, policy and institutional framework on digitalisation of tax administration in Uganda</p> <p>To harmonise laws relating to digitalisation of tax administration and collection in Uganda with other existing laws</p> <p>To harmonise Uganda’s tax digitalisation laws with those of other countries in the East African region.</p>
Methodology	<p>This will include;</p> <ul style="list-style-type: none"> - Legal review and analysis of laws and policies relating to digital taxation and business registration in Uganda. These include the Constitution, Access to Information Act, Data Protection and Privacy Act, Uganda Revenue Authority Act, Excise Duty Act, Tax Procedure Code Act, Local Government Rating Act, Trade Licencing Act, Business Names Registration Act, Draft Open Data Policy among others. - Make reference to similar laws in other countries especially those in the region such as Kenya, Tanzania and Rwanda. This will ensure that there in harmony between Uganda’s laws and those of other countries in the region. - A review of existing literature on digitalisation and taxation. In this regard academic texts and other materials such as reports of the various government agencies and newspaper articles with a view of understanding key essentials of digitalisation that should be included in the proposed legal and policy framework.

	<ul style="list-style-type: none"> - Conduct interviews with diverse groups of tax payers in five different regions across the country (central, north, west, south and east). - Conduct key informant interviews with at least 20 government officials drawn from diverse agencies including Uganda Revenue Authority (URA), Kampala Capital City Authority (KCCA), Uganda Registration Services Bureau (URSB), Uganda National Bureau of Standards (UNBS), selected local governments and the Ministries of finance and ICT among others. - Hold one day meeting with the different stakeholders to consider and validate the draft report.
Outcome/Impact	<p>The project is meant to benefit both the government of Uganda and the taxpayers. On the part of the government, the project seeks to ensure that its digitalisation efforts are done within an appropriate legal framework to avoid protests from taxpayers. Currently, the legal and policy framework for tax digitalisation is inadequate. Secondly, a section of taxpayers have challenged the legality of digital stamps before courts of law. Digitalisation has also increased risks to personal privacy. By strengthening and reforming the current framework, the government will have addressed a number of key concerns that are currently responsible for protests and challenges to tax digitalisation.</p> <p>On the side of the taxpayer, tax digitalisation poses a number of risks such as loss of privacy. Secondly, some aspects like digital stamps require taxpayer investment to succeed. This is different from the approach taken by other countries where it's instead the tax body to make such investment. A clear and robust legal framework will help enhance the protection of the rights of taxpayers</p>