

**TAXING THE INFORMAL SECTOR IN UGANDA, CHALLENGES, POSSIBILITIES
AND OPPORTUNITIES.**

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**A RESEARCH REPORT SUBMITTED TO THE MAKERERE UNIVERSITY AS A
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ABSTRACT

In the recent years, Uganda Revenue Authority has significantly increased attention to the challenges of taxing small businesses in the informal sector. This has been manifested through programmes such as the Taxpayer registration programme (TREP) where more than 500 casual graduate trainees were recruited to move door to door registering the informal tax payers for Tax identification Numbers (TINs), The amendment of the presumptive taxpayer rates of taxes in the 2014/2015 tax amendment Act and recently the May 2016 Business forum where a discussion about the informal sector at Kampala Serena Hotel. However, much of this recent effort has remained focused on comparatively technical issues of revenue maximization and policy design.

The study sought to study the challenges, possibilities and opportunities of taxing the informal section by study the three specific objectives such as to investigate the challenges in taxing the informal sector in Uganda, to assess the methods of revenue collection from the informal sector by the Uganda Revenue Authority and to analyze the opportunities open to the Uganda Revenue Authority on taxing the informal sector in Uganda. This was done using a descriptive research design and sample size of 165 respondents, collecting primary data from Professionals in private practice, Hotels and Guest Houses, Restaurants and drinking bars, various road side traders, street hawkers, mechanics, hair dressing and barbing saloons, general provisions shops, (aka super markets) dealers in second hand clothing, handbags and shoes, etc, using a multi-dimensional sampling method. The data was analyzed using Ms excel and tables and the findings were presented using tables, pie charts.

The study established the major challenges of taxing the informal sector include the lack of political will to fund and undertake proper census of the operators in the informal sector which could have discovered many businesses operating without paying taxes. It also established that the lack of a special database for the informal sector by the Uganda Revenue Authority is also another challenge of taxing the informal sector. The study also established that proper structures of tax base and templates for assessing and collecting taxes from the informal sector has not been properly expressed and need reform to meet the standards of the informal sector.

The study concluded by recommending for the strengthening political and administrative commitment, reorganizing tax administration for example segmental organisation and the Block Management System (BMS) picking lessons from Tanzania and emphasizing transparency, services and engagement.