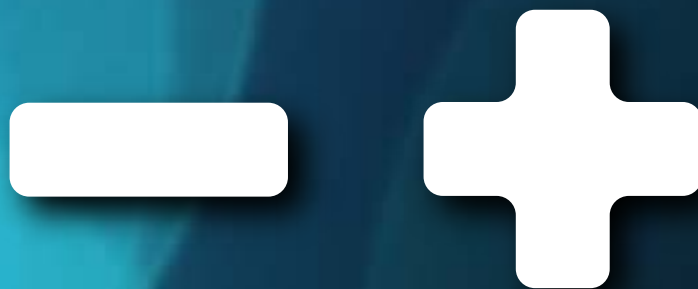


EAST AFRICAN REVENUE AUTHORITIES REGIONAL COMPARATIVE REPORT



Financial Year 2023/24
REPORT
NOVEMBER, 2024



COMPARATIVE

REPORT

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ACRONYMS

AEO	Authorized Economic Operator	Mn	Million
AMU	Arab Maghreb Union	MSMEs	Micro, Small and Medium Establishments
ASYCUDA	A system for Customs Data	MTRS	Medium Term Revenue Strategy
ATAF	African Tax Administration Forum	NOM	New Operating Model
ATO	Australian Tax Office	OBR	Office Burundais des Recettes
BIF	Burundian Franc	OECD	Organization for Economic Cooperation and Development
CET	Common External Tariff	OSBP	One Stop Border Post
CG	Commissioner General	PAYE	Pay-as-You-Earn
CIT	Corporate Income Tax	PIC	Port Improvement Committee
COMESA	Common Market for Eastern and Southern Africa	PIT	Personal Income Tax
CoO	Certificate of Origin	PRN	Payment Registration Number
CRM	Client Relationship Management	RA	Revenue Authorities
DMR	Domestic Resource Mobilisation	RDB	Rwanda Development Board
DRC	Democratic Republic of the Congo	RECTS	Regional Electronic Cargo Tracking System
DST	Digital Service Tax	RRA	Rwanda Revenue Authority
DTS	Digital Tax Solution/Stamps	RwF	Rwandan Franc
EAC	East African Community	SADC	South African Development Community
EARA	East African Revenue Authorities	SADC	South Africa Development Community
EARACG	East Africa Revenue Authorities Commissioners General	SAGA	Semi-autonomous Agency
EARATC	East African Revenue Authorities Technical Committee	SARS	South Africa Revenue Service
EBM	Electronic Billing Machine	SCT	Single Customs Territory
EBMS	Electronic Billing Machine System	SDG	Sustainable Development Goals
ECOWAS	Economic Community of West African States	SSP	South Sudan Pound
ECTS	Electronic Cargo Tracking System	SSRA	South Sudan Revenue Authority
EFD	Electronic Fiscal Device	TARU	Taxpayer's Account and Reconciliation update
EFRIS	Electronic Fiscal Receipting and Invoicing Solution	TIMS	Taz Invoice Management System
ERP	Enterprise Resource Planning	TMEA	TradeMark East Africa
ESM	Enterprise Service Delivery	TZS/Tshs	Tanzanian Shilling
EU	European Union	UGX	Ugandan Shilling
FY	Fiscal Year	URA	Uganda Revenue Authority
GDP	Gross Domestic Product	USD	United States Dollar
GFC	Global Financial Crisis	VAT	Value Added Tax
IMF	International Monetary Fund	WCO	World Customs Organisation
KPRL	Kenya Petroleum Refinery Limited	WHT	Withholding Tax
KRA	Kenyan Revenue Authority		
Ksh	Kenyan Shilling		

MESSAGE FROM THE CHIEF EDITOR

It is a great pleasure and honor to present the eighth edition of the EARA's Regional Comparative report for FY 2023/24. The report presents analysis and comparisons of the revenue performance across EARAs, trends in collections, macroeconomic indicators in key performance areas and recommendations for improvements.

In this publication, a comparison of different tax heads as a share to GDP and total Revenue has been made. In addition, the publication analysed the EAC's countries' public debt to GDP ratio, and a comparison of composition of Public debt (Domestic vs. External debt). It is still our belief that this publication will continue to add knowledge, inform tax administrators, policy makers and the general public in the region.

I would like to express my appreciation to the EARACGs for the general guidance and support, EARATC Leadership for the coordination and management, and the editorial team (members of the Research and Planning subcommittee) for the timeless efforts and collectively putting together different information to come up with this publication.

Saada Y. K. Alluy
Manager Fiscal Policy Advisory.
Tanzania Revenue Authority.

EARATC CHAIRPERSON'S STATEMENT

It is with great honor that I present to you Comparative Revenue report publication of FY 2023/24, that supports evidence based tax policy and administration practises. Your continued trust, encouragement and support are what give us energy, enthusiasm, confidence and motivation to strive for improvement. As a result, this Publication has become the basic text for our Revenue Authorities, a visible sign for the EARATC's move to greater transparency and continued focus on developing partnership.

This publication gives a synopsis of EAC regional revenue performance during the financial year 2023/24 and a trend for previous years.

In FY 2023/24, EAC Partner States had varied experience in economic growth, Kenya and Burundi witnessed slowdowns while Tanzania, Uganda and Burundi realized increase. It was however noted that OBR and Rwanda achieved the revenue target at 100.7% and 100.1% respectively. All other RAs were in the range of 93.5-97.5% of their respective targets. All RAs however registered a positive revenue growth compared to the previous years with services and industry sectors remaining the main contributors to revenue collected

The report further highlights a number of revenue administrative reforms that facilitated revenue mobilization and tax policy reforms for FY 2023/24; the Lane Performance; Intra-Region trade.

I take this opportunity to thank the EARACGs for TIRELESS SUPPORT and guidance, and to all EARATC Members for the tireless efforts in compiling and publishing this report. A special word of appreciation to the TRA Management team and editorial team for making this possible and adds to the body of knowledge.

MR. Beatus Nchota
EARATC Chairperson
Tanzania Revenue Authority

EARA CG's STATEMENT

Revenue collection in the current era is the result or function of three interrelated factors, first is the state of the economic environment which sets the tone for the overall collection climate as well as the tax policy governing domestic and international trade taxes administrations. Second is the effectiveness and efficiency of the tax administration systems, and this also represents the capacity and ability to effectively collect the optimum amount of revenues from the economy.

Third, is the confidence and trust put by the public to the Government and Revenue Authorities in respect of the amount of revenue collected and spent, as this has influence to the taxpayer's voluntary compliance behaviors. To unveil the challenges associated with revenue collections, Commissioner Generals in EARAs continue to explore ways of sharing challenges, experiences and solutions through collaborative researches and analytical reports.

We are pleased to present the 8th edition of the EARAs Regional Comparative Report for FY 2023/24. The publication is a proof of our determination and commitment to cooperate in tax and related matters in the region. It is our belief this publication will support in decision making across the region and has become a benchmark for tax practitioners, Revenue Authorities in EAC, within Africa and beyond.

We take this opportunity to thank the Heads of Delegation in each EARA for their valuable contributions to this publication. The engagement and cooperation of staffs across RAs demonstrate our commitment and ability to work together and produce meaningful output as reference to the tax administration EAC.

EARA COMMISSIONER GENERALS



Mr. Yusuph Mwenda
CG - TRA



Mr. Humphrey Wattanga
CG - KRA



Mr. John R. Musinguzi
CG - URA



Mr. Ronald Niwashentu
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Mr. Said A. Mohamed
Ag. CG - ZRA

1. INTRODUCTION

This report provides an overview of the tax landscape in East Africa for the financial year 2023/24. It compiles information from East African Revenue Authorities (EARAs) on tax performance, trade improvements, challenges to revenue mobilization, policy reforms and success stories which have improved the operation of revenue authorities in the region.

The report comprises fifteen sections structured as follows:

Section 1 highlights the macro-economic conditions within which revenue authorities (RAs) operate. Section 2 provides an overview of the overall revenue performance of each RA. Section 3 identifies and details the primary challenges faced by RAs. Section 4 delves into the key modernization projects/reforms in the EARAs. Section 5 presents a breakdown of revenue collection by tax type. Section 6 offers a detailed analysis of revenue collection by economic sector. Section 7 details a comparative analysis of administrative indicators implemented RAs. Section 8 presents a thorough analysis of macro-economic trends in the region. Section 9 reports on the business environment for each RA. Section 10 provides insights into lane performance. Section 11 focuses on intra-regional trade. Sections 12 and 13 elaborate on tax policy and administrative reforms in each RA respectively while Section 14 outlines the current tax structure in RAs and the last Section 15 concludes the report and provides recommendations for Authorities.

1.1 Operating Environment 2023/24

Table 1 summarises the key Macroeconomic indicators for each of the EAC countries. Most of the countries in the region experienced constant or accelerated real economic growth since last year along with currency depreciation. There are large variations in the inflation rates in the region.

More detailed information on the macroeconomic environment is narrated in section 8.

Table 1: Operating Environment FY 2023/24

Country	Real GDP growth%	Currency against USD	Headline inflation%
Burundi	2.8	2,856.3	19.4
Kenya	5.5	144.2	6.3
Rwanda	9.3	1289.2	8.1
Tanzania	5.2	2,603.3	4.3
Uganda	6.0	3,881.9	3.3

Source: EARAs

1.1.1 Burundi

In the fiscal year 2023/24, Burundi's macroeconomic landscape witnessed volatility, marked by decreasing the inflation rate from 26.1% to 19.4%. Simultaneously, the Burundian Franc (BIF) depreciated, shifting from 2,321.7 BIF per USD to 2,856.3 BIF per USD. The performance of the economy was satisfactory, the growth of the economy was 2.8% in FY 2023/24 below the real economic growth of 5.8% in FY 2022/23.

1.1.2 Rwanda

In the fiscal year 2023/24, Rwanda's macroeconomic performance has been improving. Inflation declined from 17.9% in 2022/23 to 8.1% in 2023/24 whilst the Rwandan Franc (RwF) depreciated from 1,075.0 RwF per USD to 1,289.2 RwF per USD. Despite these challenges, Rwanda maintained strong real economic growth, expanding from 8.1% in FY 2022/23 to 9.3% in FY 2023/24.

1.1.3 Kenya

Kenya's macroeconomic performance has remained resilient despite specific challenges. Kenya's real economic growth decelerated slightly to 5.5% in FY 2023/24 from 5.8% in FY 2022/23. Inflation decreased marginally from 7.0% in 2022/23 to 6.3% in 2023/24, while the Kenyan Shilling (Ksh) depreciated from Kshs 126.2 Ksh per USD to Kshs 144.2 per USD.

1.1.4 Tanzania

Tanzania has consistently sustained low and stable prices and facilitates the growth of economic activities though the shillings faced pressure. Inflation decreased slightly from 4.6% to 4.3% in 2023/24. The Tanzanian Shilling (Tsh) depreciated from 2321.7 Tsh per USD to 2603.3 Tsh per USD. Tanzania's real economic growth is maintained at 5.2% in FY 2023/24 as it was in FY 2022/23.

1.1.5 Uganda

Uganda's macroeconomic landscape has rebounded. Particularly, the inflation rate has significantly decreased from 9.2% in 2022/23 to 3.3% in 2023/24. The Ugandan Shilling (UGX) has depreciated, shifting from 3754.8 UGX per USD to 3881.9 UGX per USD. Despite exchange rate depreciation, Uganda's real economic growth has realised slight Increase in growth rates from 5.3% in FY 2022/23 to 6.0% in FY 2023/24.

1.1.4 Zanzibar

Zanzibar has demonstrated a stable macroeconomic environment with overall consistency in key indicators, since fiscal year 2023/24. The inflation rate has decreased from 6.26% in 2022/23 to 5.0% in 2023/24. Zanzibar real economic growth has exhibited a positive trend, progressing from 5.0% in FY 2022/23 to admirable 7.4% in FY 2023/24.

2. REVENUE PERFORMANCE

The primary goal of Revenue Authorities within the East African Community (EAC) is the effective collection of revenue. Assessing the performance of various revenue streams serves as a pivotal key performance indicator for each Revenue Authority. Revenue performance evaluation involves gauging the total revenue collected against predetermined targets, analysing growth concerning the previous year's collections, and determining the proportion of tax revenue in relation to the country's Gross Domestic Product (GDP).

This section presents performance ratios, revenue trends, growth patterns, and tax ratios for each economy within the East African Community.

Figure 2: Domestic and International Trade Taxes Contribution to Total Revenue in 2023/24



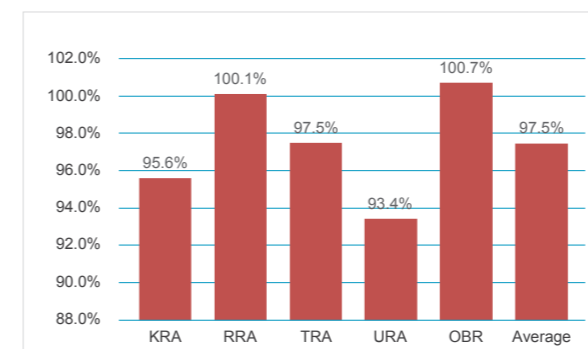
Source: EARAs

2.1 Overall Revenue Performance

Overall revenue performance across the EARAs varied in FY 2023/24 as shown in figure 1. Two RAs surpassed its revenue target, RRA at 100.1% and OBR at 100.7%. By contrast, KRA, TRA and URA missed their targets by 4.4%, 2.5% and 6.56% respectively. In the South African benchmark case, SARS surpassed its target by 0.5%, registering 100.5%, which was above the EARAs average of 81.2% (figure 1).

Figure 2 compares the contribution of both domestic and international trade taxes to total revenue collections in FY 2023/24 where the average share for domestic and customs for the EAC region were 64.3% and 33.1% respectively.

Figure 1: Comparison of Revenue Collections Performance in 2023/24



Source: EARAs

2.2 Revenue Growth

Across all EAC partner states, revenue growth has displayed significant volatility in the past five years, accompanied by an average growth rate of 13.3% in 2023/24. Among the five members countries under report, OBR, TRA, RRA and KRA recorded the highest performances with growth rate of 19.5%, 14.5%, 13.1% and 11.1%, respectively. In contrast, URA reported the lowest growth rates of 8.30%. The variance in growth rates underscores the diverse fiscal dynamics and performance trajectories within the EAC region during the year under report.

EAC countries have typically had higher revenue growth compared to the South African benchmark which registered a growth of 3.2% in 2023/24.

Figure 3: Revenue Growth Trends



Source: EARAs

2.3 Tax/GDP ratios

The tax-to-GDP ratio serves as an indicator reflecting the proportion of a country's GDP that is collected as tax revenue, offering insights into the government's influence over the nation's economic resources.

In the presented table, South Africa and OECD are included for comparison and, as expected, were both higher than the tax-to-GDP ratios across all EAC partner states.

In the fiscal year 2023/24, Tanzania realized growth in its tax-to-GDP ratios. The slight growth was to 13.0%. However, Rwanda, Kenya, Burundi, and Uganda experienced slightly decrease, with ratios of 14.9%, 17.0%, 13.8%, and 13.5%, respectively.

The variation in growth patterns and levels of the tax-to-GDP ratios demonstrate the diversity across the EAC in the state of the fiscal landscape.

Table 2: Tax to GDP Ratios across the EAC

Country	2019/20	2020/21	2021/22	2022/23	2023/24
Kenya	14.6%	13.7%	15.0%	14.2%	13.8%
Rwanda	16.2%	16.3%	15.8%	15.0%	14.9%
Tanzania	12.2%	11.6%	12.5%	12.7%	13.0%
Uganda	12.1%	13.0%	13.5%	13.7%	13.5%
Burundi	16.5%	17.0%	17.6%	18.0%	17.0%
South Africa	23.7%	22.3%	24.8%	25.1%	24.5%
OECD Average	33.4	33.5%	33.2%	34.0%	34.2%

Source: EARAs

3. CHALLENGES FACED BY EARAS DURING FY 2023/24

3.1 Burundi

The major challenges faced by the OBR include:

- Shortage of fuel affected the flow of imports and local business through high transport cost.
- Large Informal sector operators.
- Budget Pressure.
- Partial digitalization of DTD services

3.2 Kenya

Challenges faced by the Kenya Revenue Authority include:

- Delayed remittance of funds to counties affected key tax heads such as VAT and PAYE.
- Low remittance of installment taxes by banks especially in the first installment.
- Slowdown in business activities during the electioneering period and immediately after the elections

3.3 Rwanda

Challenges faced by RRA include:

- High inflation rates driven by Food & Beverage prices
- Policy changes - new PAYE brackets.

3.4 Tanzania

Challenges encountered by the Tanzania Revenue Authority include;

- Fictitious electronic stamps in the market.
- Low level of taxpayer compliance. (proper EFD 7ETS usage, smuggling).
- Dumping of Transit Goods.
- Untimely payments of VAT withheld among withholding Tax gents (Government agencies).

3.5 Uganda

Challenges faced by the Uganda Revenue Authority include:

- Rampant smuggling still evidenced by the number of seizures of items like, assorted Items, bags, textiles, footwear, and motor vehicles spares. Most impounded cases have been recorded on the Uganda, Tanzania and Congo borders.
- Prohibition of some Ugandan exports to the neighboring markets.
- Budget constraints amidst increasing targets.
- Geopolitical tensions in the neighboring countries, war between Ukraine and Russia.

3.6 Zanzibar

Some of the challenges faced by ZRA in 2023/24 includes:

- Low levels of Voluntary Compliance in Hospitality Industry (Hotel Sub-Sector) due to under declaration of accommodated guests.
- Growing of Informal Sector which has not been captured in Tax Net.

4. KEY MODERNIZATION PROJECTS/ REFORMS IN EARAS, FY 2023/24

Revenue Administrations in the EAC region made significant efforts in designing and implementing various projects aligned with their strategic plans, with a main focus on Domestic Resources Mobilization (DRM) and national and international development agendas. Key projects and achievements made in each revenue authority includes the following.

4.1 Burundi

1. OBR carried out the expansion of the deployment of the Online declaration and payment system (e- KORl) which enhanced the mobilization of Domestic Revenue.
2. Undertook the expansion and deployment of the Electronic Billing Machine (EBMS) which enhanced the VAT control and mobilization.
3. Continued expansion of the number of products under automated customs values control system (ASYVAL).
4. Customer Support Programs such as tax education, stakeholder engagement, customer visits, Taxpayers day and award which aim to modernize services and improve relations, voluntary compliance and revenue enhancement.
5. Joined and Rolled out the EAC Regional Electronic Cargo Tracking System (RECTS).
6. Rolled out of the EAC Certificate of Origin.

4.2 Kenya

1. Rolled out the implementation of Electronic Tax Invoice Management System (eTIMS).
2. Upscaling and expansion of the scope of KRA M-service and Staff Mobile App.
3. Implementation of amnesty initiative to enhance applications & payment of principal tax.

4. Completed roll out of unified payroll by December 2023.
5. Completed installation of LAN in 34 out of 36 KRA stations, new WAN in 23 stations and WAN backup in 12 KRA stations.
6. Enhanced iTax to support attachment of supporting documents for return amendments.
7. Completed 17 integrations: 7 internal systems and 10 with external systems

4.3 Rwanda

1. RRA organized the 21st Taxpayer Appreciation Day to acknowledge taxpayers for their contributions through compliance in tax payment.
2. Modernized service delivery through digital solutions by introducing my RRA Unified system for enhanced taxpayer services.
3. Introduced Voluntary disclosure Incentives and encouraged taxpayers and urges American and European Chambers of Commerce to take advantage of voluntary Tax Disclosure Incentives.
4. Launched two-day taxpayer outreach program focused on unresolved tax-related issues.

4.4 Tanzania

1. Establishment of customs laboratory to enhance efficiency in trade facilitation.
2. Modernization of Customs processes and administration (classification and auto valuation of goods) through enhancement of various modules (AI, data mining) in TANCIS.
3. Reviewed the TRA structure to increase efficiency and Establishment of new offices to bring services nearer to taxpayers.
4. Tax Systems Enhancements: a number of system are at enhancement stage (Enterprise Resource Planning (ERP), HADC Phase 2 and IDRAS) to increase efficiency in revenue mobilization and integration with Public and private sectors systems.
5. Deployment of enterprise services delivery management (ESM)
6. Automation of Block Management System (BMS) in order to enhance taxpayers monitoring, compliance as well as revenue collection.

4.5 Uganda

1. Operationalization of the Client Relationship Management (CRM) tool.
2. Integration of more services in the Ask URA App: Income Tax for Small Businesses and Motorvehicle Advance income tax, Search, and certification and also optimized.
3. Implementation of the mobile office concept through the existing Tujenge buses has continued to help in increasing onboarding of new tax payers from hard to reach areas as well as towns without URA presence.
4. Launched the digital strategy which will provide simplified services to clients through seamless channels.
5. Reviewed the URA Structure to improve service delivery, and increase efficiencies.

4.6 Zanzibar

1. Development of new Zanzibar Integrated Domestic Revenue Management System (ZIDRAS).
2. Continuing Development and Implementation of Virtual Fiscal Management System (VFMS) for issuing of electronic receipts.
3. Introduced the New ZRA Disaster Recovery Site (DRS) in Pemba.
4. Development of ZRA FUNGUKA APP for taxpayers and public at large to enable submit their concerns or opinions based on ZRA Operations.

5. REVENUE PERFORMANCE BY TAX TYPE

5.1 Domestic Taxes against International Trade Taxes

In a strategic shift from heavy reliance on international trade taxes, EAC countries are fostering trade facilitation while simultaneously boosting domestic tax revenue. This dual strategy aims to provide governments with essential financial resources for meeting their needs and progressing toward Sustainable Development Goals (SDGs). Central to this approach is the collective effort by EARAs to enhance domestic revenue mobilization through administrative reforms, focusing on improving compliance among businesses and professionals and increasing the formal sector's role in economic activities.

contribution of domestic taxes to the total revenue of EAC Partner States were 64.7%, highlighting a significant emphasis on tapping resources within the domestic sphere. In contrast, customs taxes contributed an average of 35.3% to total revenue in the region.

Figure 4 depicts the contribution of domestic taxes for the Revenue Authorities in Rwanda (RRA), Kenya (KRA), and Uganda (URA), with all three tax administrators surpassing the EAC average for domestic taxes contribution in the fiscal year. However, none of the tax administration reported lower than the EAC average rate of 26.6% with regard to contribution of customs taxes' to total revenue (figure 5).

In the fiscal year 2023/24 the average

Figure 4: Contribution of Domestic Taxes to Total Revenue



Source: EARAs

Figure 5: Contribution of Custom Taxes to Total Tax Revenue



Source: EARAs

The contribution of domestic taxes to total revenue provides a metric for tracking the expansion of domestic tax revenue mobilization efforts. This gives revenue administrations direction as the EAC moves on with the common market protocol to achieve tax harmonization and the elimination of unfair tax competition.

However, growth in the contribution of domestic taxes to total taxes continues to be slow. Despite the government's efforts to promote regional and global trade integration and raise domestic tax collection, the contribution of customs taxes to total revenue has remained relatively stable. As countries reorganize in regional trade blocs such as SADC, COMESA, ECOWAS, EU, EAC, and EAC-EU, EPA, trade facilitation becomes increasingly important among member states.

5.2 Determinants of the Domestic Tax Performance

In the context of many developing countries, the pursuit of additional revenue in any form is crucial, but the primary emphasis lies in enhancing domestic revenue mobilisation. The effective mobilisation of domestic revenues is of paramount importance, as inadequate funding from this source could impede governments in

achieving the SDGs. To fortify domestic resource mobilisation in EAC region, collaborative efforts among member countries are imperative to reinforce the capacity for domestic revenue collection and management.

Particularly, during FY 2023/24, none of the revenue authorities meet their domestic tax targets. KRA, RRA, TRA and URA fell short of their domestic tax collection targets after recording a performance of 87.5%, 98.5%, 95.97% and 96.75% respectively.

The factors influencing the performance of Domestic taxes for EAC countries are explained under each revenue authority:

Uganda Revenue Authority (URA)

- Growth in PAYE collections from key players in some sectors attributed to general increase in staff salaries and expansion of business resulting into recruitment of more staff. All major sectors registered growths during the period including mining and quarrying sector by 48.95%, public administration sector by 46.63 %, construction by 34.33 %, and Financial and Insurance sector by 16.37 % among others compared to the same period FY 2022/23.

- Continuous engagements with taxpayers especially companies in the Manufacturing sector and construction sector, petroleum and mining activities, civil servants in accounts in order to improve on timely payments and filing ratios performance.
- WHT below performance was partly due to low tax remittance from key tax payers particularly in the categories of withholding tax on general supplies, government payments, Dividends and management primarily due to low business volumes.
- Growth in Income Tax collections from key players in some sectors attributed mainly to increased profitability and Compliance Management Initiatives. The financial sector contributed the most to corporation tax revenue at 24.56 %, followed by manufacturing at 21.41 %, information and communication at 15.63 %, and wholesale and retail at 14.88 %
- Rental and presumptive tax performance was attributed to intensified emphasis on compliance focused field inspection, return vetting and close monitoring of Arrears' portfolio which culminated into an increase in payments by some of the top taxpayers.
- VAT Performance was affected by macroeconomic volatility and soaring high inflation which affected market demand and sales, Selective EFRIS invoice issuance which affects market as potential buyers resort to purchasing from sellers not using EFRIS as their products are cheaper. Strikes by the Business community and traders to protest the cost of putting in place the Electronic Fiscal Receipting and Invoicing System affected projected revenue from this sector in the fourth quarter of FY 2023/24 hence low collections.
- Excise duty performance was affected by exit of key players that closed or ceased operations in Uganda, citing a challenging economic environment typified by falling revenues, low returns, and slow growth.

Rwanda Revenue Authority (RRA)

- The PAYE fell short due to underperformance in the public administration sector, which experienced a decline caused by the phase out of certain projects and the absence of bonus pay-outs compared to the previous period.
- Corporate Income Tax (CIT) and Personal Income Tax (PIT) collections did not meet targets due to increased corporate spending and declines in the ICT and manufacturing sectors, which reduced taxable income growth. Profit Tax:
- VAT: the proportion of taxable sales declined from 55.4% in 2022 to 52.8% corresponding to Rwf 23.4 bn of net VAT.
- Excise Tax: the volume of petroleum imports decreased by 3%, impacting excise revenue from customs and resulting in a shortfall of Rwf2.9 billion.

Kenya Revenue Authority (KRA)

- Withholding taxes: enhanced remittance of Interest and Dividends (mainly from the Finance & Insurance sector), and Management fees from (mainly from Financial & Insurance, ICT, Manufacturing, Professional, Scientific & Technical, etc) and
- enhanced remittance from Ministries, Department, Agencies (MDAs) and Counties with growths of 82.7% and 21.1% respectively.
- Corporation Tax: collection amounted to Kshs 278,156 million in FY 2023/24 against a target of Kshs 297,728 million, accruing a deficit of Kshs 19,572 million. The decline in performance was attributed to the decline in profitability in key sectors of Finance & Insurance, Information & Communication, and Manufacturing.
- Key sectors like Finance & Insurance, Information & Communication, and Manufacturing experienced declines in instalment remittances of 2.4%, 12.3%, and 13.0% respectively attributed to reduced profitability reported by taxpayers across these sectors;

- PAYE shortfall against the target was attributed to;
- Late exchequer disbursement to various Government agencies resulting in a resultant spill-over effect of Kshs 474 million that was due in June 2024.
- Non-payment of bonuses by various firms
- Utilization of refunds to offset PAYE tax liabilities by some LTO taxpayers
- Reduction in average monthly cash pay per employee over time from a high of Kshs 79,019 million in January-June 2023, down to Kshs 74,397 million in July-December 2023, and remains at an average of Kshs 77,102 million in January-May 2024
- Domestic VAT: The above target performance was attributed to the growth in remittance from all sectors except four sectors (Electricity, Oil & Gas, Professional, Administrative & Support, and Transport Sectors).
- Excise Duty on Financial Services & Airtime: The tax head recorded a performance rate of 102.1% and a growth of 15%. The performance was driven by the increase in remittance from both banks and other financial institutions (Telcos, etc.)
- Excise Duty Domestic slightly missed the target by Kshs 319 million, mainly due to:
- Dip in revenue from wines & spirits and cosmetics by 0.1% and 7.7% respectively due to a decline in deliveries by 11.6% and 4.2% respectively.

Tanzania Revenue Authority (TRA)

- Corporate Tax; the performance was attributed by Increase in the price of Gold during the year has resulted into upward amendment of provisional taxes, improved business environment in the banking sector which recorded growth in the financial services such as loan portfolio, total deposit, digital channels and forex income and early engagements and Close monitoring of taxpayers' compliance to ensure timely, accurate declaration and payment.

- Employment Taxes; the main reasons for attained performance were Government hiring of new staff in the Public sectors and related organizations, increased number of employees to tourism sectors as a result of increased tourism activities brought about by Government's investing on advertising tourism, close follow up and monitoring of the regular Employment tax payments and recovery of the tax arrears and current assessments.
- Individual Income Tax; the performance was attributed by some taxpayers who failed to honor their instalment arrangements during the year.
- Withholding Taxes; the main reason for good performance was due to increase in the number of transactions that attracts withholding taxes. Such transactions type include dividends, Capital Gain and Management fees.
- Excise Duty; the performance was largely attributed by increase in production of excisable products such Natural Gas-Industrial use, Soft drinks & Bottled water, Cement and Money transfer,
- VAT; the under performance was due increased illegitimate transactions (fictitious receipts), under invoicing and improper uses of EFD machines; , huge VAT relieved for government projects for the period under review and unpaid VAT by some players whose VAT was directly collected as non-tax revenue through Treasurer's Account
- Other indirect taxes-Billboard fees and Property rate; Misallocation of revenue collection targets while the mandate to collect was shifted to LGA effective from July 2023 and January 2024 for Billboard fees and Property Rate respectively.

5.3 Personal Income Tax (PIT)

Personal Income tax is a the direct tax levied on individuals' incomes, including wages, salaries, business profits, and other earnings. It is typically calculated based on a taxpayer's total income for a specific period, often a year of Income, after allowing for deductions and exemptions as prescribed by the law. The tax is usually progressive, meaning higher-income individuals are taxed at higher rates. Notably, in developed countries belonging to the Organisation for Economic Co-operation and Development (OECD), PIT, particularly through PAYE, makes a substantial contribution to revenue generation, averaging 23.85% of GDP. However, in many developing countries, PIT remains a relatively minor source of income, primarily due to challenges such as low compliance among employers, a significant informal sector, and exemptions within tax codes.

PIT, beyond its financial significance, serves as an indicator of tax culture, reflecting the level of faith in the tax system, and underscores the efficiency of revenue administration in a given economy. It is imperative for revenue authorities to focus on strategies to enhance compliance in direct income taxes, ensuring that eligible taxpayers fulfil their tax obligations accurately.

Figure 6 provides a comparative analysis of PIT performance for EAC countries in relation to South Africa. In the fiscal year 2023/24, the average PIT contribution to total revenue for EAC countries was 18.7%, markedly below South Africa's 37.4%. Among EAC nations, the highest PIT contribution to total revenue was observed in Kenya (KRA) at 25.4%, followed by Rwanda (RRA) at 23.6%, Tanzania (TRA) at 18.9%, Uganda (URA) at 17%, and OBR at 8.4%.

Figure 6: PIT Growth and Share to Total Revenue in EAC Region Compared to South Africa FY 2023/24



Source: EARAs

Figure 6 also shows a comparative PIT growth in the region during the period under report and its benchmark to South Africa. OBR had the highest annual growth rate in FY 2023/24 of 26.3% while KRA had the lowest growth of 8.6%. It is worth noting that the average PIT growth in EAC region is higher than the EAC average (13.4%) and even the lowest growth in the region.

5.4 Corporate Income Tax

Like PIT, Corporate Income Tax (CIT) remains a vital source of revenue that governments around the world use to finance their expenditures. It includes withholding tax (advance corporate income tax collected at importation and provision of services to authorised bodies).

The average CIT contribution to total revenues is 16.5 percent for EAC countries in 2023/24. RRA recorded the highest CIT contribution than all other EAC countries at 21.6%, followed by TRA (21.1%), URA (16.09%), OBR (12.1%) and KRA (11.56%) respectively.

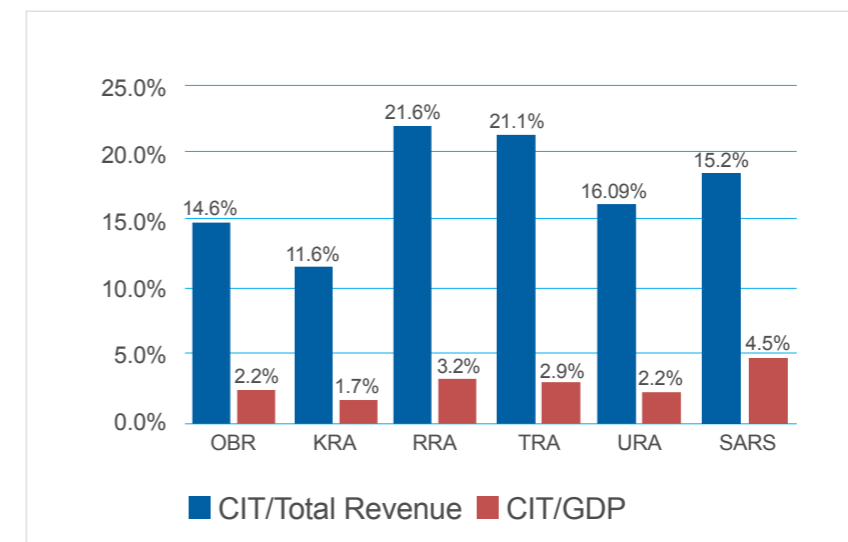
The ratio of CIT to GDP averaged 2.4% for EAC countries which was below 4.5% recorded by SARS in South Africa in 2023/24. The revenue authorities with support from governments are urged to put more efforts into improving the compliance of corporations by ensuring correct reporting of their tax affairs, intensify audit techniques and analyse deeply the impact of exemptions and other incentives on revenue generation.

Corporate Income Tax Productivity

CIT productivity is calculated as the ratio of the CIT revenue collected to GDP divided by the CIT tax rate.

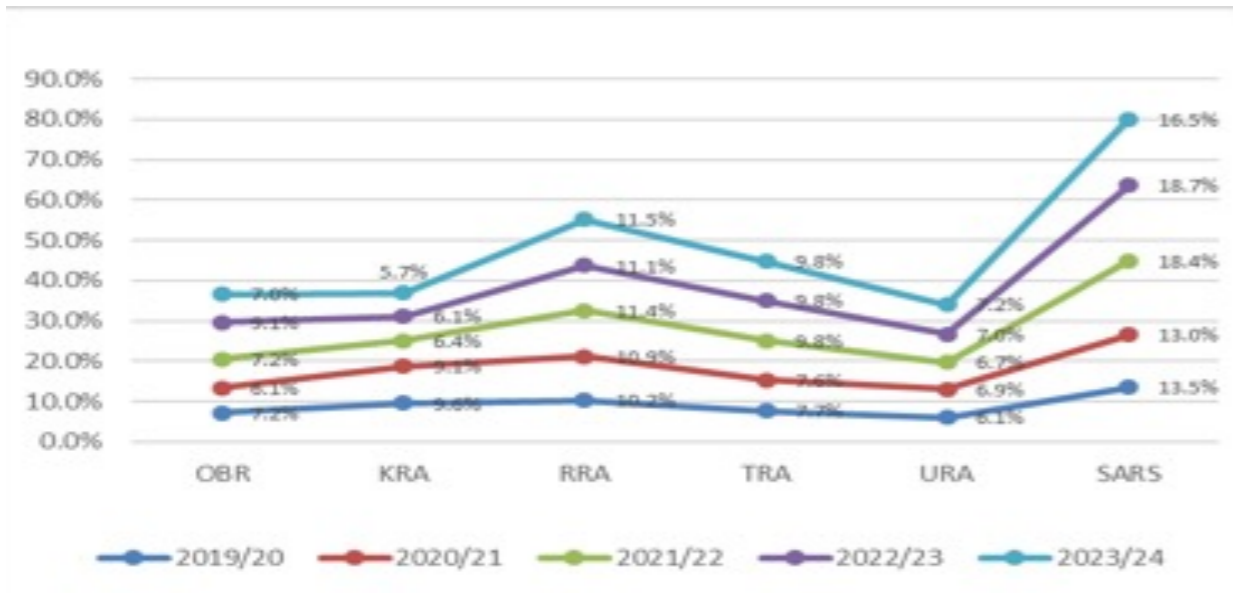
Figure 8 below shows that CIT productivity for FY 2023/24 had very slight variations compared to FY 2022/23. The 2023/24 CIT productivity averaged 8.3% compared to 8.6% in FY 2022/23 which is also much lower than 16.5% recorded by SARS. During the fiscal year 2023/24, KRA, URA and OBR recorded CIT productivity below the EAC average i.e., 5.7 percent, 7.2 percent and 7.0 percent respectively.

Figure 7: Comparison of CIT Share to Total Revenue and GDP in the EAC Region and South Africa In FY 2023/24



Source: EARAs

Figure 8: CIT Productivity Rate



Source: EARAs

5.5 Value Added Tax

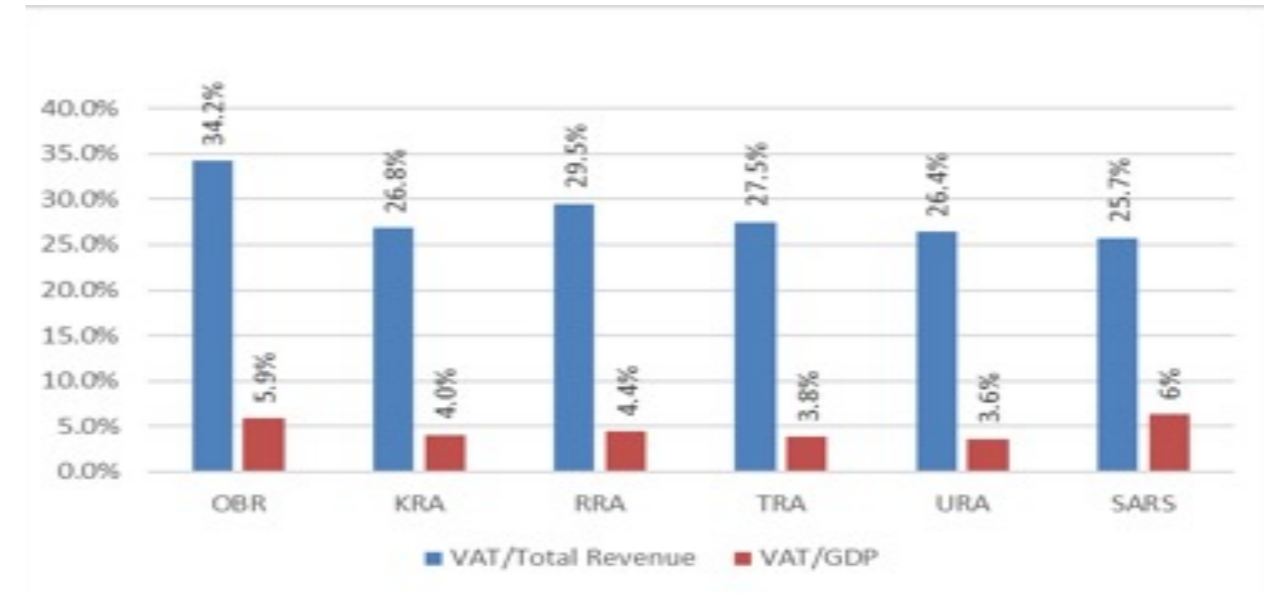
Value Added Tax (VAT) is a consumption tax levied on the value added at each stage of the production and distribution of goods and services. It is ultimately borne by the end consumer but is collected by businesses at each stage of the supply chain.

During the fiscal year 2023/24, the performance of VAT across the EAC partner states was noteworthy, with two countries meeting their targets while the other three fell short of their respective targets. The reported performance rates were 116.1% for OBR, 100.4% for RRA, 91.8% for KRA and 90.7% for the TRA. Burundi (OBR) had the highest VAT contribution to total revenue in the region in FY 2023/24, at 34.18%

followed by Rwanda (RRA) 29.5%, TRA 27.5%, KRA 26.8% and URA 26.4%. This highlights the importance of VAT as a major revenue contributor and its crucial role in shaping the fiscal framework of EAC countries.

Compared to South Africa, Figure 9 shows that the VAT contribution to total revenue is higher for all partner states than for South Africa. However, South Africa has a slightly higher VAT/GDP ratio of 6.3%, implying that the lower VAT/total revenue percentage is due to more non-VAT sources of revenue, as opposed to less efficient VAT collection.

Figure 9: Comparison of VAT Performance in the EAC Region and South Africa for FY 2023/24

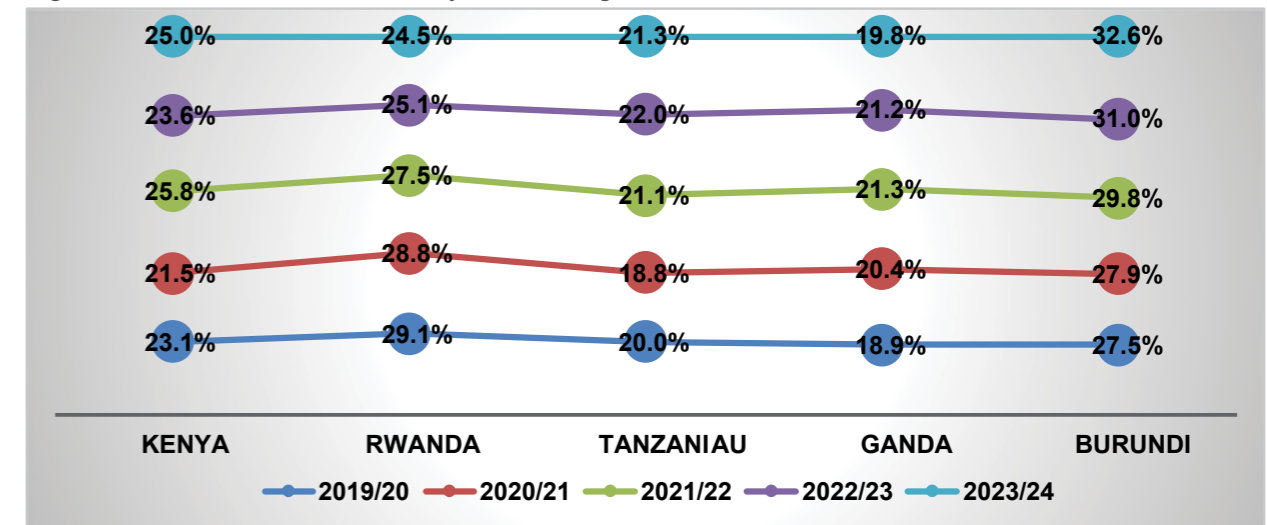


Source: EARAs

VAT Productivity: This indicator is the ratio of VAT collections to GDP divided by the nominal VAT rate. It also measures how well VAT is administered in a country.

Figure 10 below shows that the VAT productivity has been fluctuating over the years in all countries in the region. The average VAT productivity for EAC partner states fell slightly from 25.0% in FY 2022/23 to 24.5% in FY 2023/24. Revenue Authorities In EAC partner states have recorded the following performances on VAT productivity In 2023/24, Kenya (25.02%), Rwanda (24%), Tanzania (21.3%), Uganda (19.8%) and Burundi (32.6%).

Figure 10: Trend of VAT Productivity in EAC Region and South Africa



Source: EARAs

5.6 Customs Duties

African countries, like all other countries over the world, have continued to focus on regional integration to promote trade among them. The Economic Community of West African States (ECOWAS), Arab Maghreb Union (AMU), South African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC) are some of the regional trading blocs. The major motive of region integration in Africa, especially in East Africa is to strengthen trade facilitation and thus, member countries are expected to put more focus on domestic revenue mobilization instead of relying on international trade taxes.

5.6.1 Customs Duties Performance

In terms of performance, the average customs taxes performance among partner states during fiscal year 2023/24 indicated to increase from 95.6 percent in 2019/20 to 98.4 percent in 2023/24. RRA and OBR surpassed its target with a performance of 101.5% and 108.56% respectively. KRA, TRA and URA achieved 94.1%, 99.90% and 88.02% respectively of their targets.

Factors affecting the performance of custom duties in FY 2023/24:

Burundi Revenue Authority (OBR):

The performance of International trade taxes was due to the Increase of the list of products controlled through ASYVAL module for customs valuation- ASYCUDA World.

Kenya Revenue Authority(KRA):

- Oil taxes had a performance of 94.1% and a growth of 10.3% in FY 2022/23. The key factors impacting oil taxes are a low fuel consumption levels noted in the country, with petrol and diesel consumption dropping by 67.0% and 4.5% in the period July – December 2023.
- Non-Oil taxes recorded a performance rate of 94.9%. Despite overall non-oil import values growing by 17.4% in FY 2023/24, all key tax heads (Import duty, VAT on imports, Excise

on imports, IDF, RDL, etc) in this category performed below target mainly attributed to decline in bulk cargo import values by 17.0% and slow growth of Containerized cargo Twenty Foot Equivalent Units (TEUs) and Motor vehicle numbers by 2.2% and 3.7% respectively.

Rwanda Revenue Authority (RRA):

- The CIF growth was 13% lower than both 28.5% observed in the previous year and projected growth of 15.5%.
- The growth rate of imports from the rest of the world (ROW) decelerated from 23.5% in the previous period to 12.2% in the current period, leading to a
- lower overall growth in import value and subsequently lower import duty collections.
- The slowed growth of ROW imports led to a decline in ROW imports as share of total CIF, from 82.1% to 76.4%. ROW face higher taxes compared to those from the East African Community (EAC), and so the composition change reduces potential customs revenue.

Tanzania Revenue Authority(TRA):

- The major reason for the impressive performance of international trade taxes was due to Increase in importation of petrol and diesel by 21.7 percent and 10.5 percent respectively.

Uganda Revenue Authority (URA):

The performance of international trade taxes was due to:

- Low diesel and Kerosene import volumes by 11.71 percent (150.27 million litres) and 69.34 percent (114.22 million litres) respectively due to; volatility of crude oil prices, supply disruptions attributed to the middle East, Russia-Ukraine war as well as the attack on Israel-Gaza strip on the red sea.
- Increased importation of items that attracts low tax band. Based on import duty paid,

77.38% of imported goods were cleared under the 0% tariff band, an increase from 72.28% in the previous year. On the other hand, the 10%, 25%, and 35% tariff bands accounted for 11.24%, 6.83%, and 3.85% of total import value, respectively. Additionally, cargo eligible for East African Community (EAC) preferential treatment rose by 3.28%. This trend reduces the taxable base, indicating that while total import volume/value may be growing, it does not necessarily lead to an increase in international trade revenue collection.

- Increased imports of dutiable goods by 4.21 percent leading to a surplus in import duty. These Included: personal motor vehicle imports, woven fabrics, pre-fabricated building material, Portland cement, goods motor vehicle among others.
- Absence of Statutory Instrument on the Export of Gold: A total net weight of 46,008.16 kilograms of gold with export levy assessed worth UGX 34.58 billion was exported mainly to; United Arab Emirates, China, India and Italy. However, only UGX 3.36 billion in export levy for 4,441.22 kilograms of gold exported was paid while UGX 32.22 billion for gold exported equivalent to 41,566.93 kilograms remains uncollected due to lack of statutory instruments to enforce the payments yet gold alone contributes a significant percentage of 20.32 percent of the export levy annual target.
- Implementation of Import Substitution and Other Government Policies adopted by Government of Uganda to promote exports and encourage domestic production for exports. This resulted into implementation of a number policies that negatively impacted on international trade tax revenue collections

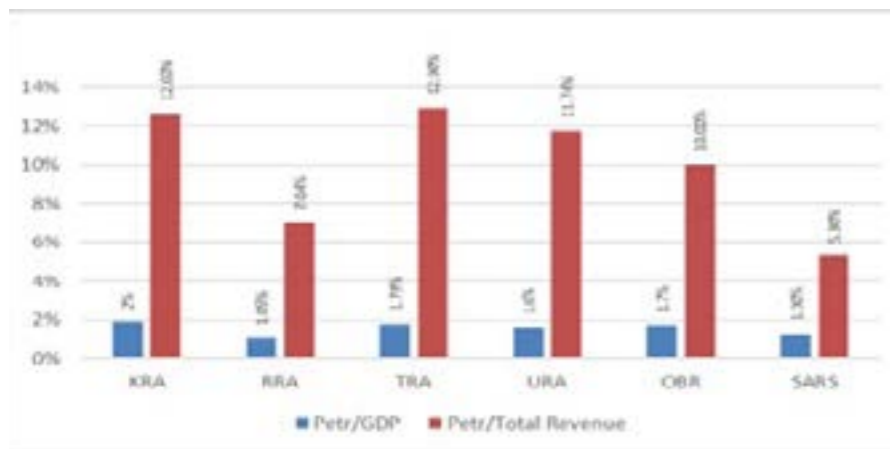
and these included; preferential treatment for EAC imported goods, application of zero tariff bands for (raw material, capital goods and medicines), preferential treatment for industrial park imports, imports for government projects, high tariff rates for imports of textiles and garments and implementation of government to government framework on the importation of fuel that led to revenue forgone and affected revenue collections.

5.7 Contribution of fuel to Total Revenue

The importance of oil to both an economy and tax revenues is indisputable. Thus, petroleum tax trends are of interest to tax administrators and governments. The petroleum revenue is generated from various taxes items that are imposed on petroleum products in each of the EAC members in the region. Figure 11 compares the petroleum tax in the EAC region and South Africa, it shows that, in FY 2023/24 the contribution of petroleum tax to total revenue on average increased from 9.4% recorded in 2022/23 to 10.9% in FY 2023/23. However, the current record is still higher than 5.2% recorded by South Africa in 2023/24.

The analysis indicates that Rwanda (RRA) and Burundi (OBR) recorded petroleum tax contributions to total revenue below the region average, while Kenya, Tanzania and Uganda recorded petroleum tax contributions to total revenue above the average. The average ratio of petroleum taxes to GDP in the region was 1.6% surpassing South Africa's 1.3%. Rwanda was the exception, recording a lowest rate of 1.1%, below the average.

Figure 11: Comparison of Petroleum Tax in the EAC Region and South Africa, 2022/23



Source: EARAs

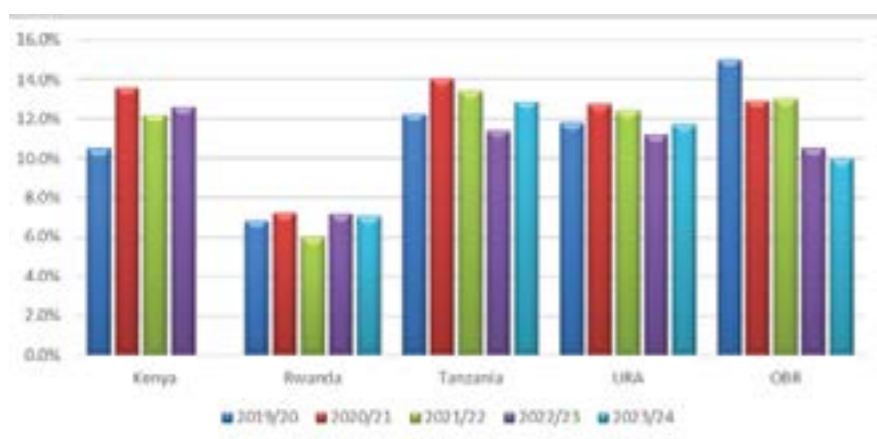
5.7.1 Petroleum Tax Contribution to Total Customs Taxes in the EAC Region

Figure 12 illustrates the trajectory of petroleum tax contributions to total customs taxes in the East African Community (EAC) region from the fiscal year 2019/20 to 2023/24. Over this period, there have been fluctuations in the contribution of petroleum taxes to total customs taxes across all EAC countries, signifying varying trends.

The average contribution of petroleum taxes to total customs taxes reached 10.4% with exception to Kenya, representing a huge decrease of 0.2% points compared to the recorded average of 10.6% in the fiscal year 2022/23.

Comparing the fiscal years 2022/23 and 2023/24, there were slight changes in the share of petroleum tax in total customs taxes for specific EAC countries. Rwanda experienced a decrease from 7.17% to 7.04%, while Uganda witnessed a slight increase from 11.21% to 11.74%, similar to Tanzania from 11.4% to 12.9%. Burundi showed a decrease from 10.5% to 10.0%.

Figure 12: Petroleum Tax Contribution to Total Customs Taxes in the EAC Region



Source: EARAs

6. REVENUE BY ECONOMIC SECTOR

The economy is broadly grouped into three major sectors, Agriculture, Forestry and Fishing; Industry and Construction; and Service sector. This section presents the assessment of an evaluation of the contributions from these sectors towards both revenues and GDP in the EAC region. The distribution of sectors within the economy, coupled with their respective roles in generating tax revenues, serves as a significant indicator of a nation's economic development level and its capability to mobilise internal resources.

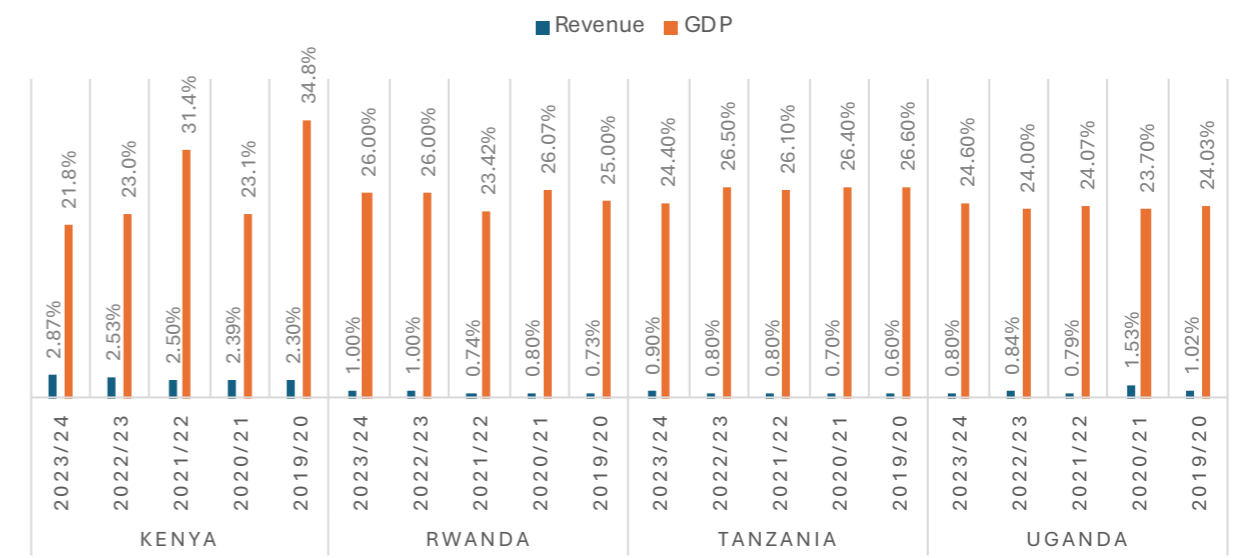
Understanding the sectoral share in the economy is crucial as it provides insights into the diversification of economic activities. Additionally, analysing the corresponding contribution of each sector to tax revenues offers a nuanced perspective on a country's fiscal dynamics. This dual examination sheds light on the country's economic structure, development trajectory, and its ability to harness internal resources for sustained growth.

6.1 Agriculture

Despite the substantial employment of a significant portion of the population in the EAC region, the contribution of agricultural activities to revenue collection remains relatively insignificant. This is primarily attributed to the prevalence of subsistence and small-scale farming practices. Although agriculture makes a substantial contribution to GDP averaging 24.2% in the fiscal year 2023/24, the average proportion of this collected as tax revenue averages merely 1.4%. It is worthy noting that Kenya continues to surpass the average at 2.90%.

As illustrated in Figure 13, agriculture plays a key role in the GDP of all EAC countries. However, the underperformance of the agriculture sector in generating tax revenue can be attributed to factors such as tax exemptions and the limited modernization of agricultural practices to leverage revenue from value addition.

Figure 13: Percentage Contribution of Agriculture in Total Revenue and GDP



Source: EARAs

6.2 Industry & Construction

Industry and construction economic activities comprise mining and quarrying, manufacturing, construction, electricity and gas and water supply. The industry and construction sector plays a crucial role in terms of the countries' economic growth and development and provides a substantial tax base for government revenue mobilisation.

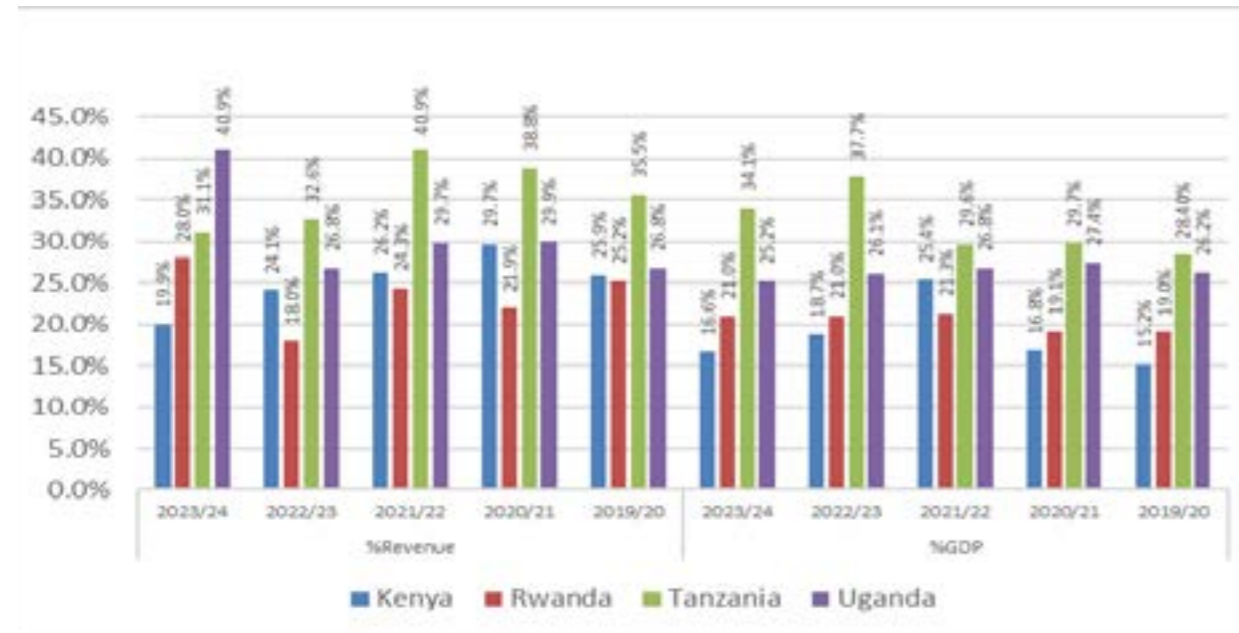
The industry sector in the region is viewed to be highly formal compared to other sectors, granting a tax handle with the potential to generate more revenues. Consequently, the sector contributes a bigger share of tax revenue than to the GDP averaging 26.9% of the total revenue compared to 24.2% to GDP in FY 2023/24 (Figure 15).

Analysis of figures 15 shows a rebound of 1.5% increase of the sector contribution to tax revenue in FY 2023/24, compared to the previous year. The increase was attributed to a significant growth of 56% and 7% point in sector contribution to total revenue recorded by Rwanda and Uganda respectively in comparison to FY 2022/23.

The contribution of tax revenue collected from the sector to total taxes in FY 2023/24 were 31.1% registered by TRA, 28.7% in URA, 28.0% RRA and 19.8% in Kenya by KRA.

Most of the revenue realized from this sector was derived from the manufacturing economic activities in all countries in the region compared to construction, mining and other activities. Although industrial economic activities the sector contribute a significant share of tax revenue in the region, it is characterised by a large number of micro and small-scale industries such as agro-processing, artisans, subcontractors, small scale miners, carpentry and tailoring, which a number of them are informal, and not effectively captured in tax base. Mining and construction economic activities are some of the hard to tax sectors, they involve extensive capital investments, thus tax a experience revenue leakages due to tax planning resulting into tax avoidance and profit shifting.

Figure 14: Industry as a Percentage of Revenue and GDP



Source: EARAs

6.3 Services

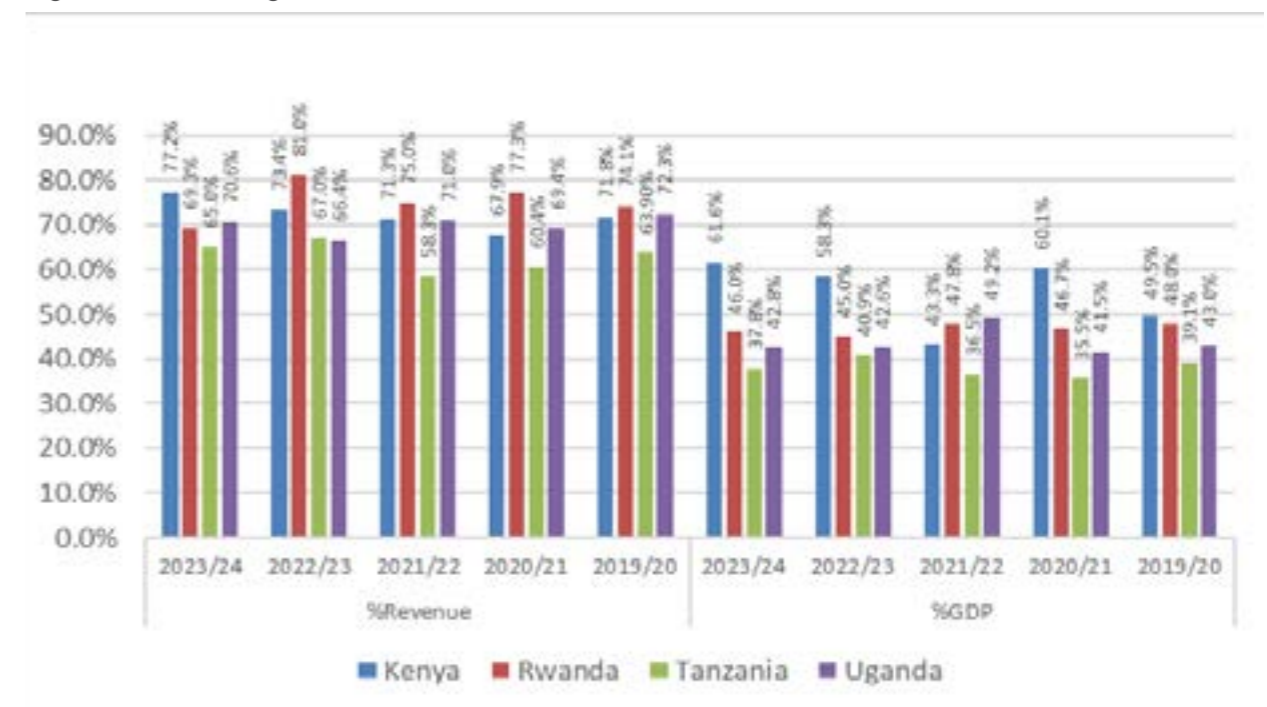
The major economic activities falling under the service sector category in the EAC region include trade (wholesale and retail), hotels and restaurants, transport and storage, financial services, information technology, public administration, professionals, scientific and technical services, education, human health and social work activities. Additionally, other economic activities within this sector include arts, entertainment and recreation, activities involving households as employers, and extraterritorial organisation activities.

Services sector is the primary contributor to tax revenue generation in the EAC region, accounting for an average of 70.5% of tax revenues across the region. Notably, proportion contribution to government revenue is significantly higher than the sector contribution to Gross Domestic Product (GDP), which averaged 47.0% in FY 2023/24.

The main economic activities which are major contributors to tax revenues include financial services, information and communications, public administration, trade activities, transport and storage and hotels, and restaurants. However, it is noted that there is a significant portion of economic activities within this sector operate informally or engage in e-commerce, posing tax administration challenges especially in wholesale and retail trade, transportation, hotels and restaurants, and professional services.

This practice implies that, directing efforts towards formalizing businesses within the service sector holds the potential for increased tax revenue. This underscores the need for enhanced tax administration measures in the services sector to broaden the tax base, address informality, and boost revenue generation from this crucial economic segment.

Figure 15: Percentage Contribution of Service Sector into Revenue and GDP



Source: EARAs

7. ADMINISTRATIVE INDICATORS

The efficiency of any tax administration is measured by the performance of various administrative indicators including the cost of collections, the ratio of revenue collection per staff and population per taxpayer per staff. Revenue authorities are required to ensure they minimise the administrative costs of tax collection to ensure the greatest benefit to the government and to taxpayers. The aggregate cost of collection can vary greatly depending on what is included. The cost of collection may include tax collection, but also:

- Customs administration
- Sub-national taxes and fees collection
- Investment in future operational efficiency
- Changes to tax policy to more/less costly areas

The administrative cost of collection is therefore difficult to compare across countries. In East African Revenue Authorities, customs collection is often included as part of the overall cost of collection. This can be misleading when it is compared to countries where customs costs are very low or customs are administered by a separate body.

7.1 Cost of Collection

Figure 16 shows measure of efficiency in revenue collection by each of the revenue authorities in EAC. It displays varying trends across the different revenue authorities and indicates different proportions. There may be differences in compilation between revenue authorities that make these ratios difficult to compare, as noted previously.

In the fiscal year 2023/24, the average cost of tax collection in the region was recorded at 2.1%, notably higher than the 0.71% reported by South Africa in the same period. Kenya, Uganda and Tanzania recorded a collection costs of 1.39%, 2.2%, and 2.7% respectively, which is an increase from 2.2% and 2.1% reported in FY 2022/23 for Tanzania and Uganda. Kenya, on the other hand, registered a decrease from 1.42% in the FY 2022/23. Tanzania and Burundi experienced an increase from 2.20% and 2.93% in FY 2022/23 to 2.70% and 23.12% in FY 2023/24, respectively (figure 16). In Tanzania the increase in cost is explained by massive investment in modernization of tax administration systems.

As expected from a higher tax-to-GDP economy, the South African benchmark has a lower cost of collection than EAC countries. South Africa has maintained its the cost-of-collection over the the past two years, which only Kenya in the region recorded a lower cost of collection.

Figure 16: Comparative Cost of Revenue Collection in EAC Countries and South Africa



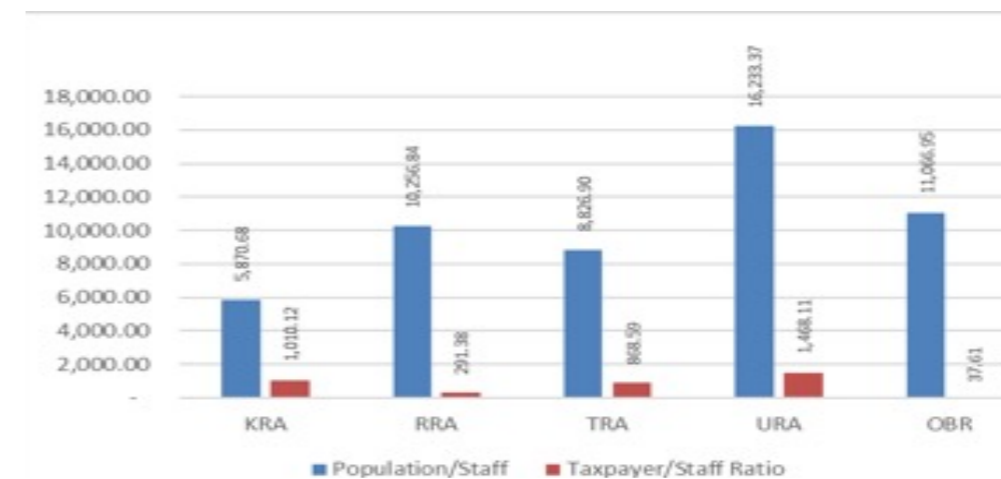
Source: EARAs

7.2 Population/Taxpayers per Tax Administrator

Figure 17 shows both the ratio of population to tax administration staff, as well as the taxpayer to tax administration staff ratio. The population to staff ratio shows a number of people in each country one revenue staff member might be required to handle. The taxpayer registry to staff ratio shows the number of registered taxpayers a revenue staff is supposed to serve.

The two indicators tell different stories. By comparing the ratios for one country, one can get a sense of the size of the taxpayer registry relative to the population. By comparing across countries, one can get a sense of how many staff are employed to collect taxes from its base.

Figure 17: Population/Taxpayer per Tax Administrator



Source: EARAs

7.3 Revenue to Staff

This sub-section presents another measure of revenue efficiency by calculating the amount of revenue that is collected by one staff of the tax administration. This metric also incorporates the underlying economic environment and thus countries with well established infrastructure will have a higher aggregate income per staff member to tax.

In 2023/24, URA had the highest ratio of revenue to staff numbers than any of the revenue authorities in the region at 2.4 whilst OBR recorded the lowest ratio in the region at 0.6 dollars as summarised in figure 18 below.

Figure 18: Tax Revenue (\$ million) per Tax Administrator



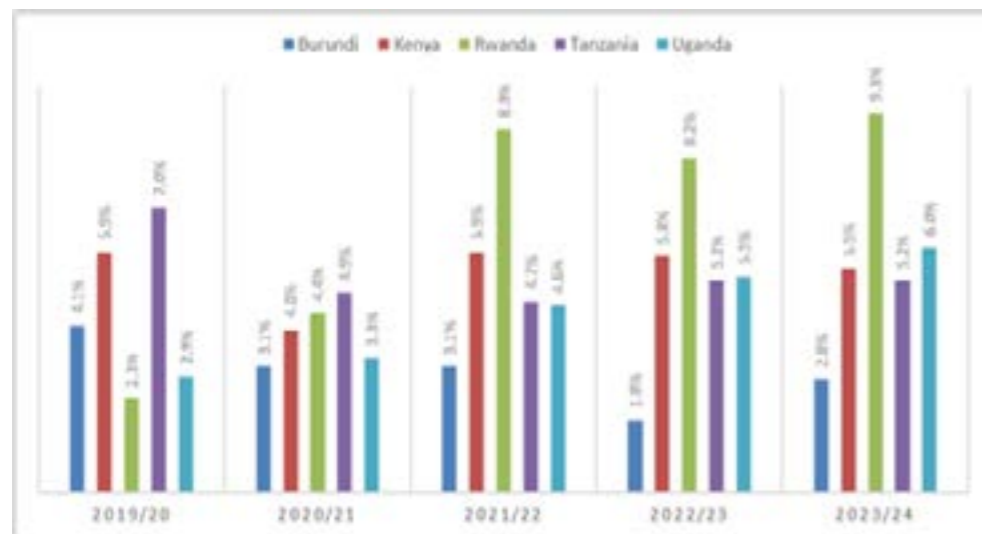
Source: EARAs

8. MACROECONOMIC INDICATORS

8.1 GDP Growth Rates

The real GDP growth rate is one of the macroeconomic indicators used to measure economic performance for countries. For EAC countries, real GDP growth rates fluctuated indicating accelerations and decelerations overtime. The average real GDP growth rate for EAC countries increased by 0.3 point (from 5.3% in 2022/23 to 5.8% in 2023/24). In FY 2023/24, Rwanda experienced the highest growth in real GDP at 9.3%, while Burundi's registered a lowest growth rate of 2.8%.

Figure 19: GDP Growth Rate in Real Terms

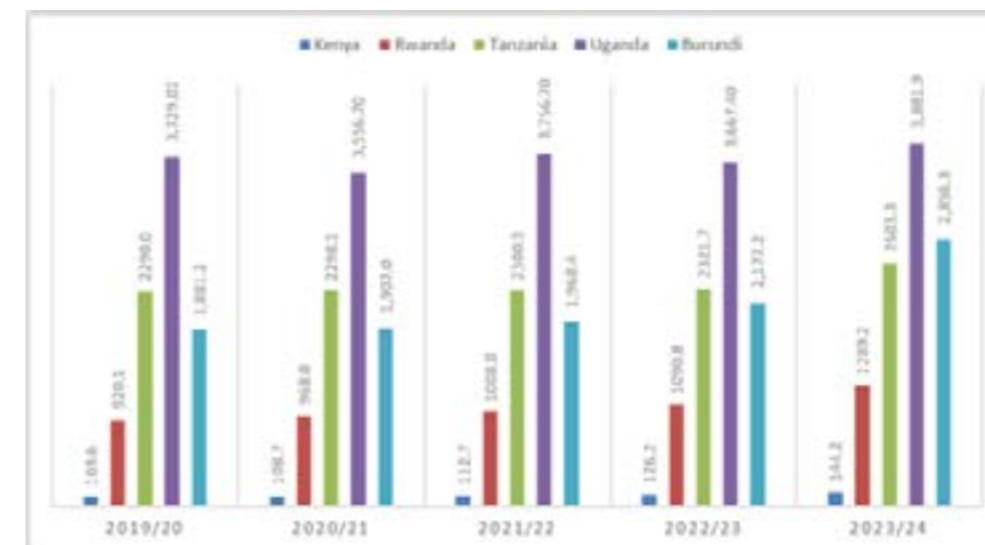


Source: EARAs

8.2 Exchange Rates

During FY 2023/24, all EAC countries experienced exchange rate volatility against the US Dollar. Kenya's exchange rate gradually depreciated over the years, rising from 103.6 in 2019/20 to 144.2 in 2023/24. Similarly, Rwanda saw its currency weaken, moving from 920.1 in 2019/20 to 1,289.2 in 2023/24, respectively. Tanzania's exchange rate increased slightly from 2,290 in 2019/20 to 2,603.3 in 2023/24. Uganda's exchange rate showed fluctuations, initially appreciating from 3,729.01 in 2019/20 to 3,556.70 in 2020/21, before depreciating to 3,756.70 in 2023/24. Burundi's currency steadily depreciated, rising from 1,881.2 in 2019/20 to 2,856.3 in 2023/24.

Figure 20: Exchange Rate against the US Dollar



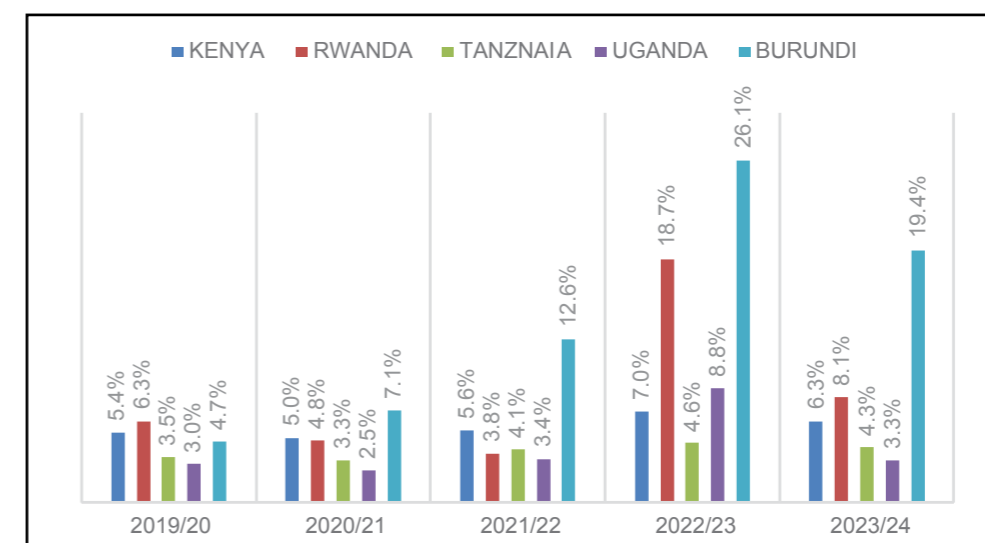
Source: EARAs

8.3 Headline Inflation

Headline inflation is the measure of the relative changes in prices of all goods and services in the consumption basket. It is more useful for the typical household because it reflects changes in the cost of living. Consumers' behaviour can be affected by the high inflation rate which in turn affects the purchasing power of consumers and tax collection (specific rates in particular).

In FY 2023/24, Burundi recorded a highest inflation rate of 17.25% that shows decreasing in comparison to 19.4% registered in FY 2022/23. Rwanda followed with the second-highest inflation rate of 8.1%. Uganda, Kenya and Tanzania recorded 3.3%, 6.3% and 4.3% respectively.

Figure 21: Inflation in the EAC



Source: EARAs

8.4 Tax/Budget Ratio

This ratio indicates the proportion of the national budget which is funded by taxes revenues collected from the economy. The tax-to-budget ratio exhibited variability across all EAC countries, averaging 62.6% in the fiscal year 2023/24. This is an Increase from an average of 56% recorded in FY 2022/23. Notably, OBR, TRA and URA all experienced Increase in their respective tax-to-budget ratios. Interestingly, Kenya was the sole country to observe a downward trend in the tax-to-budget ratio, descending from 64% in FY 2022/23 to 62% in FY 2023/24 (refer figure 22).

Figure 22: Tax to Budget Ratio



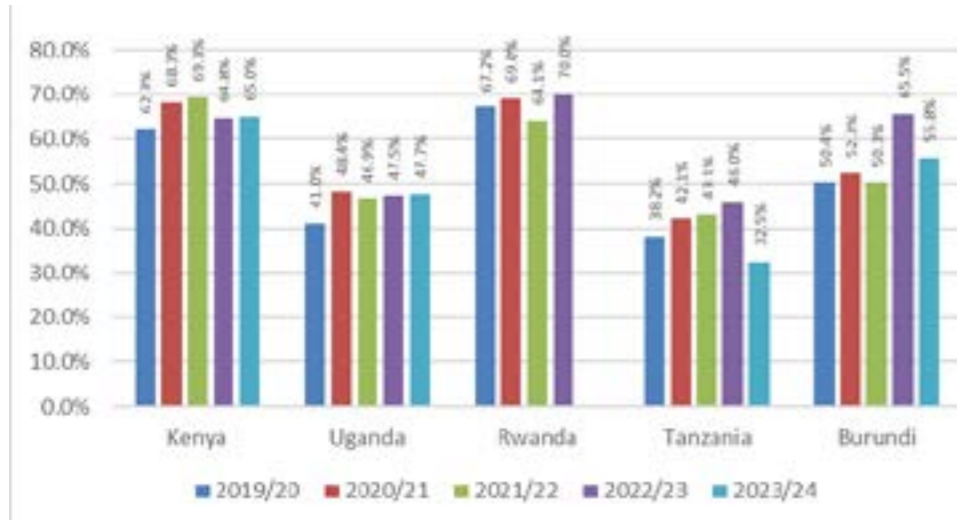
Source: EARAs

8.5 Total Public Debt to GDP Ratio

Many countries in the world, like countries in the EAC region, need sovereign debt to finance their fiscal deficits. The ratio- of Total Public Debt to GDP rcompares the country's debt relative to its gross domestic product in a period of year.

Figure 23 indicates that the total public debt to GDP ratios in EAC Partner States have experienced fluctuations. Tanzania has witnessed a steady increase in its ratios from 38.2% in FY 2019/20 to 46% in FY 2022/23, and later decrease to 32.5% in FY 2023/24. In the FY 2023/24, The total public debt to GDP ratios were reported as 47.7% for Uganda, 65% for Kenya and 55.8% for Burundi.

Figure 23: Total Public debt to GDP



Source: EARAs

9. LANE PERFORMANCE

Lane performance is an important measure in custom operations that reflects the utilisation of various channels (lanes) based on the level of risk assessment in customs operations. To streamline trade and enhance the efficiency of customs clearance, customs management should prioritise minimising both the cost and time associated with importing products into the country. Where risks are lower, less validation is required and this lowers costs and time. In the region, there are four common lane clearance channels, each indicating different risk levels in the clearance process:

Green Lane: Goods passing through the green lane do not require document or physical verification, and there are no post-clearance audits.

Blue Lane: No document or physical verification is needed, but there is a possibility of post-clearance audits.

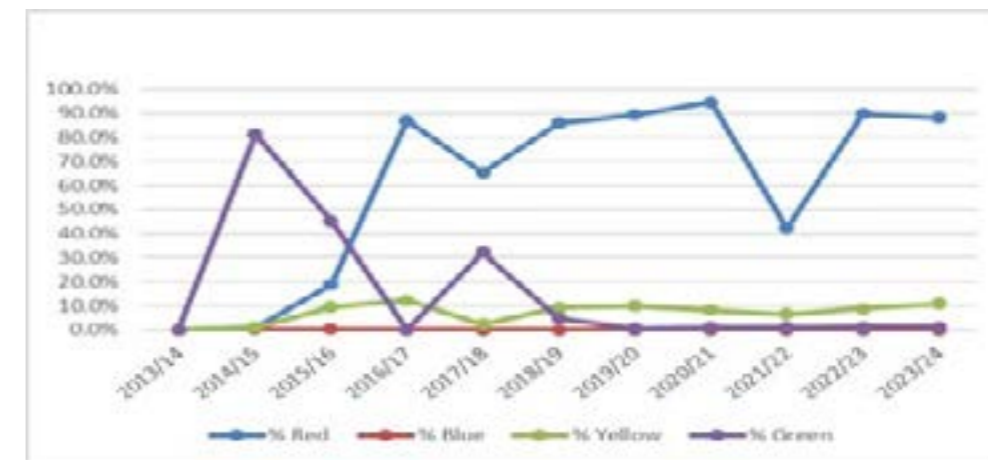
Yellow Lane: Documents are verified, but there is no physical verification. Post-clearance audits are possible.

Red Lane: Both physical and document verification are conducted, with the potential for post-clearance audits.

9.1 Burundi

In Burundi, the majority of the imported goods are usually cleared through the red channel, with green and yellow lanes as alternatives. This indicates elevated costs and prolonged clearance times. However, there's a slight shift noted, as the red channel decreased from 94.5% in 2020/21 to 88.1% In 2023/24, marking a trend that began in the same period.

Figure 24: OBR Lane Performance

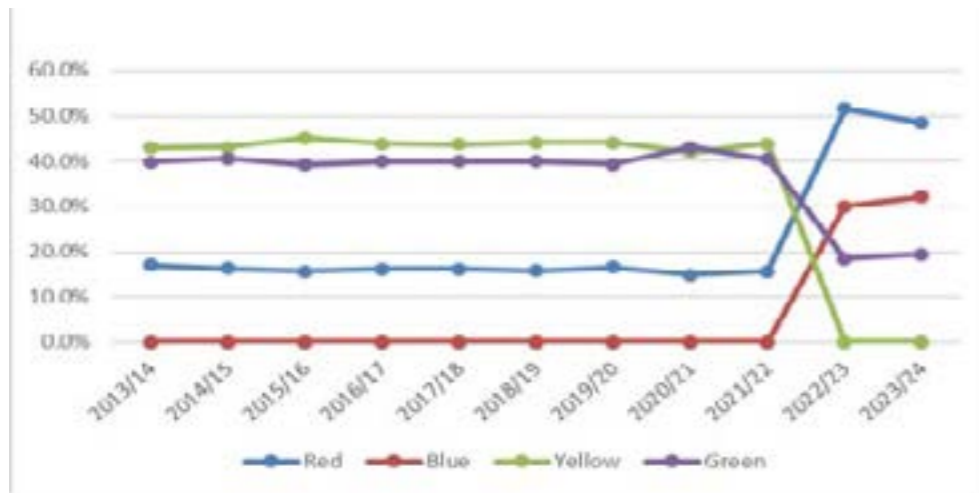


Source: EARAs

9.2 Kenya

Kenya uses four channels to clear Imported goods. Channels in use are red, yellow, blue and green. The analysis indicates that, for the period from FY 2013/14 to FY2021/22 most imported goods in Kenya were cleared through the yellow and green channels while few goods were cleared through the red channel. However, in FY 2022/23 and FY 2023/24 the situation changed where more than 80% are cleared through red and blue channel. This implies that the cost and time taken to clear goods is high and slow for most firms.

Figure 25: KRA Lane Performance

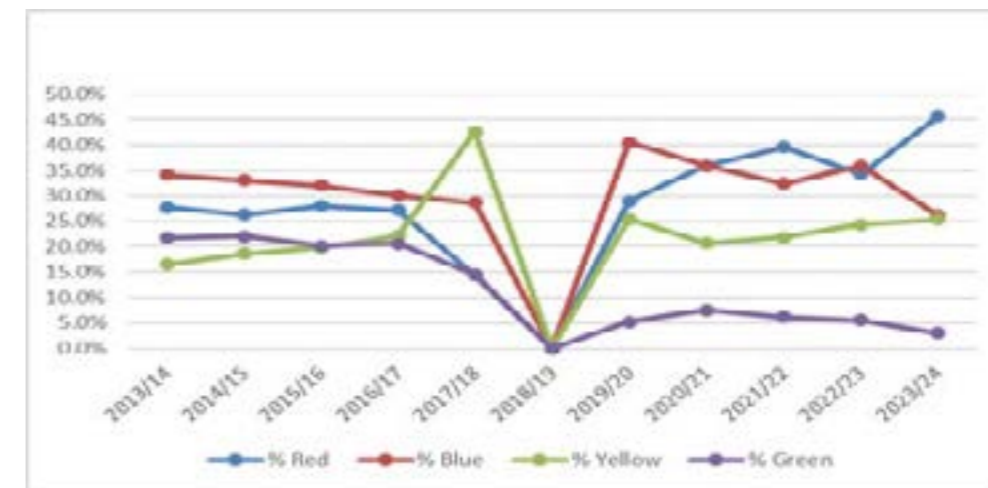


Source: EARAs

9.3 Rwanda

During the fiscal year 2013/14, Rwanda consistently used all four clearance channels. However, starting from the fiscal year 2017/18, Rwanda Revenue Authority has been observed to significant shift towards the red channel, accompanied by a notable decline in the usage of other channels. The use of the red channel surged from 14.3% in 2017/18 to a peak of 45.6% in 2023/24, while the green channel decreased from 14.4% to 3.0%. Although both the yellow and blue channels experienced gradual changes, the blue channel remained the preferred choice for clearing most goods in Rwanda, averaging at 29.9%, followed by the red channel at 28.0%, the yellow channel at 21.5%, and the green channel at 11.5%. See Figure 26 for the distribution.

Figure 25: RRA Lane Performance

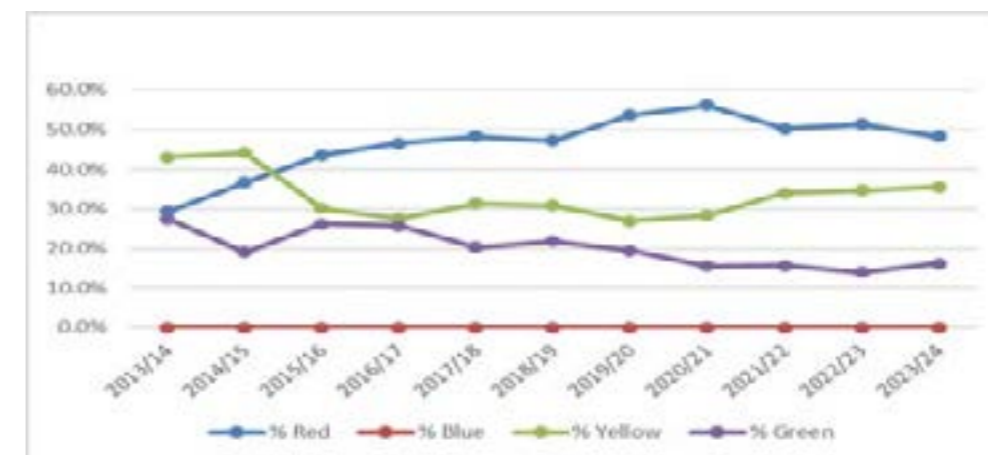


Source: EARAs

9.4 Tanzania

During the past five years from FY2017/20 through 2023/24 more than 59% of Imported goods in Tanzania were cleared through the red lane with fewer utilizing the yellow and green channel. The status suggests elevated costs and extended clearance times, emphasizing the need to allocate additional resources for efficient clearance processes without necessitating physical verifications. Analysis of the current Lane Performance reveals a decrease in goods cleared through the red channels from 51.4 percent in 2022/23 to 48.3 percent in 2023/24. Notably, there is also a slightly increase in goods cleared through the yellow and green channels, in 2022/23 in comparison to 2023/24.

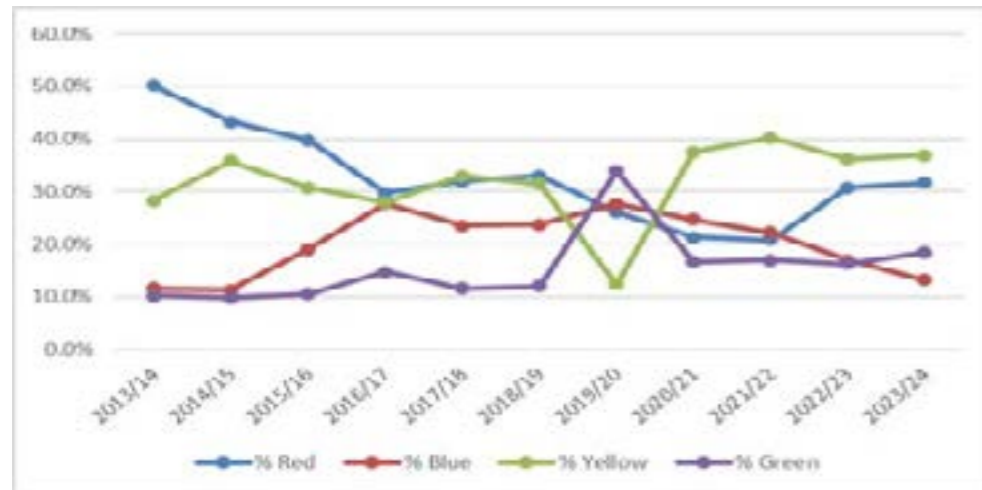
Figure 26: TRA Lane Performance



9.5 Uganda

Uganda predominantly employs the red and yellow channels for the clearance of goods. In the fiscal year 2019/20, there was a notable increase in goods passing through the green channel, reaching 33.9%, only to decline to 16.7% in the subsequent fiscal year. The primary channels for clearing goods in Uganda, ranked by the average size of goods cleared, are red (31.35%), yellow (36%.90), green (18.37%), and blue (13.5%).

Figure 27: URA Lane Performance



Source: EARAs

10. INTRA-REGIONAL TRADE ANALYSIS

This section builds on a series of analyses conducted in previous years on the EAC intra-regional trade statistics, presenting trade dynamics for the years 2019 to 2023. The section analyses data from the East African Community Facts and Figures report produced annually by the EAC secretariat which captures both the formal and informal trade dynamics within the region.

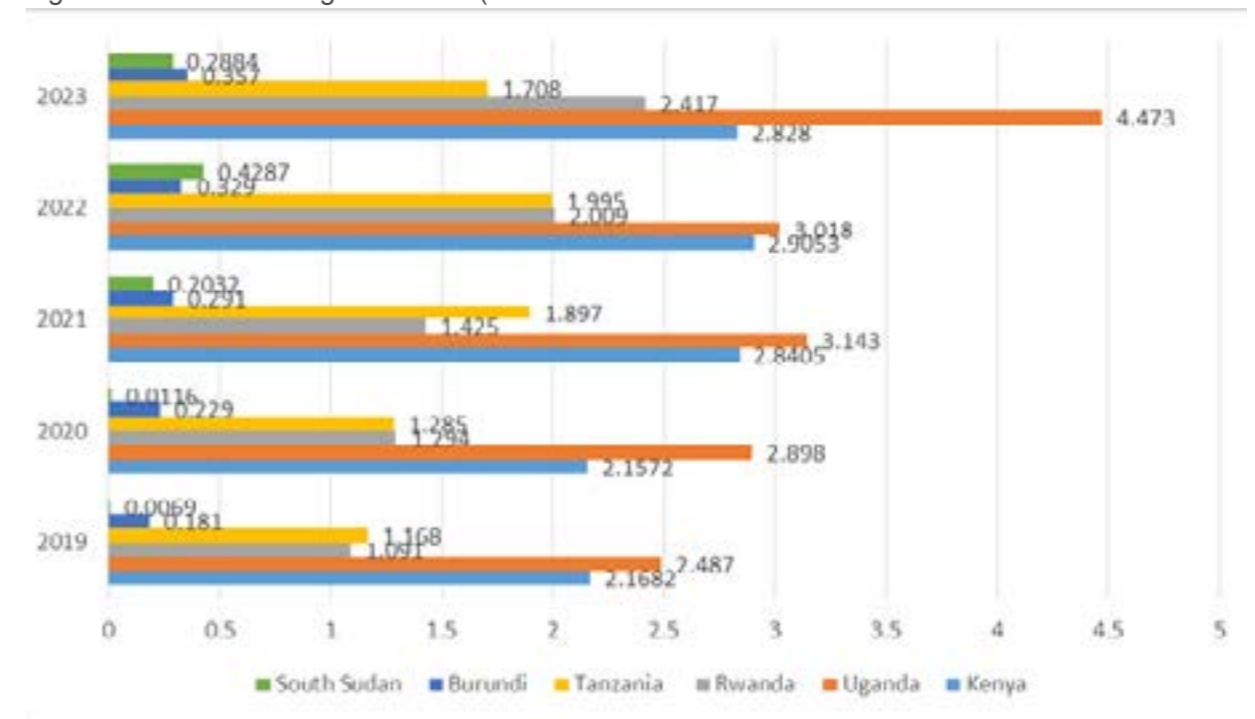
10.1 Total Imports and Exports.

Kenya maintained the largest share of intra-regional trade, followed by Uganda. As depicted in Figure 29, Uganda's total trade within the region fell in 2022, whilst Tanzania's trade continued to grow, bringing the two countries to near parity.

Kenya continues to dominate exports to the region with a total of 9.326 (US\$B), with Uganda historically serving as the largest importer from the other partner states with a total of 7.845 (US \$ B). Since 2019, there has been a general increasing in exports, particularly from Kenya and Tanzania to the region.

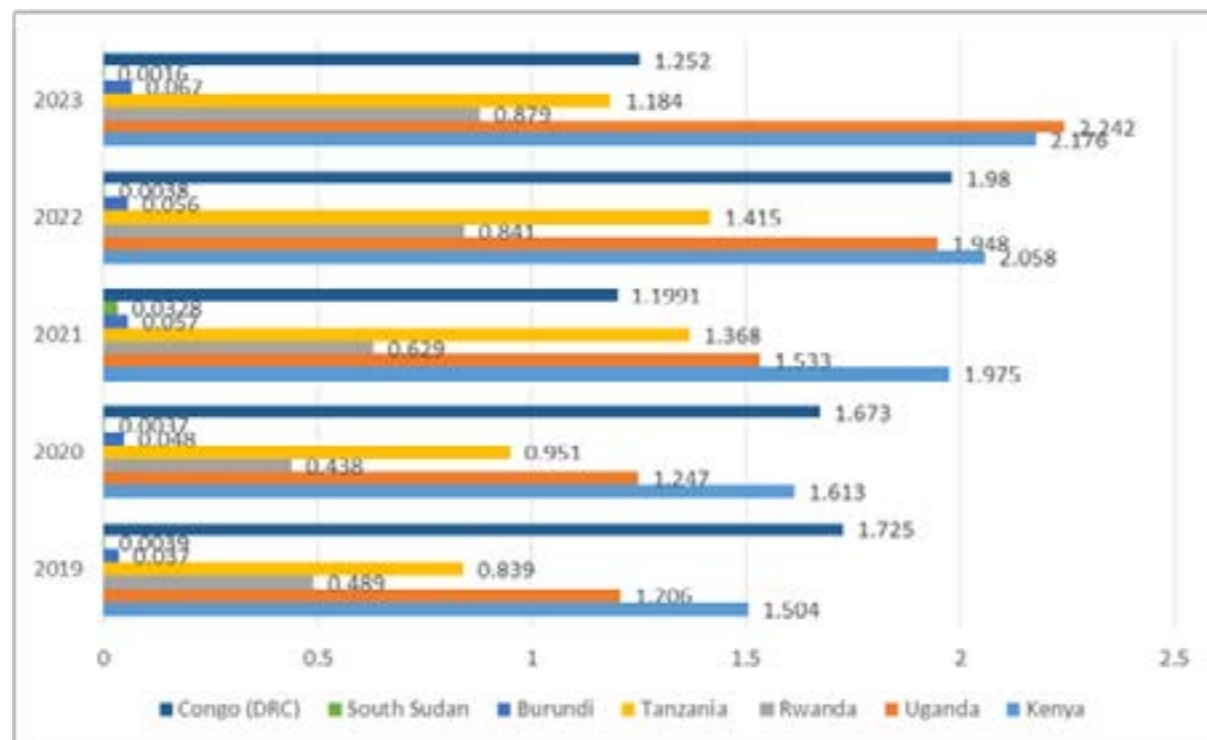
Democratic Republic of Congo (DRC), Tanzania, and Burundi experienced fluctuations, with a respective decrease of 23%, 17%, and 9% in exports to the region five years where South Sudan seemed to have 0% contribution of export In the region for five years. Import dynamics reveal a reduction between 2022 and 2021 for Uganda and Kenya by 35% and 2%, respectively. In contrast, Rwanda, Tanzania, DRC and Burundi saw increased imports from the region in the same period, rising by 22%, 10%, 8%, and 5%, respectively.

Figure 28: Total Intra-Regional Trade (USD Million)



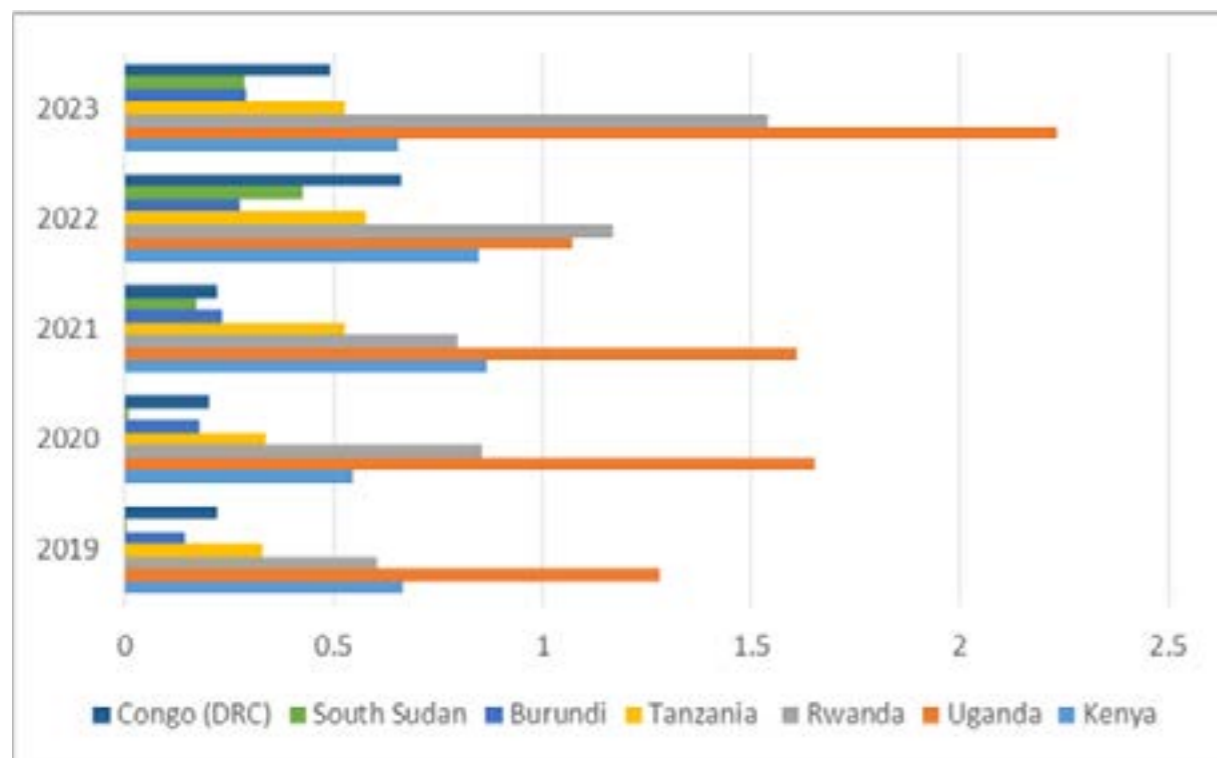
Source: EAC Trade and Investment report, 2023

Figure 29: Total Exports (USD Million)



Source: EAC Trade and Investment report, 2023

Figure 30: Total Imports (USD Million)



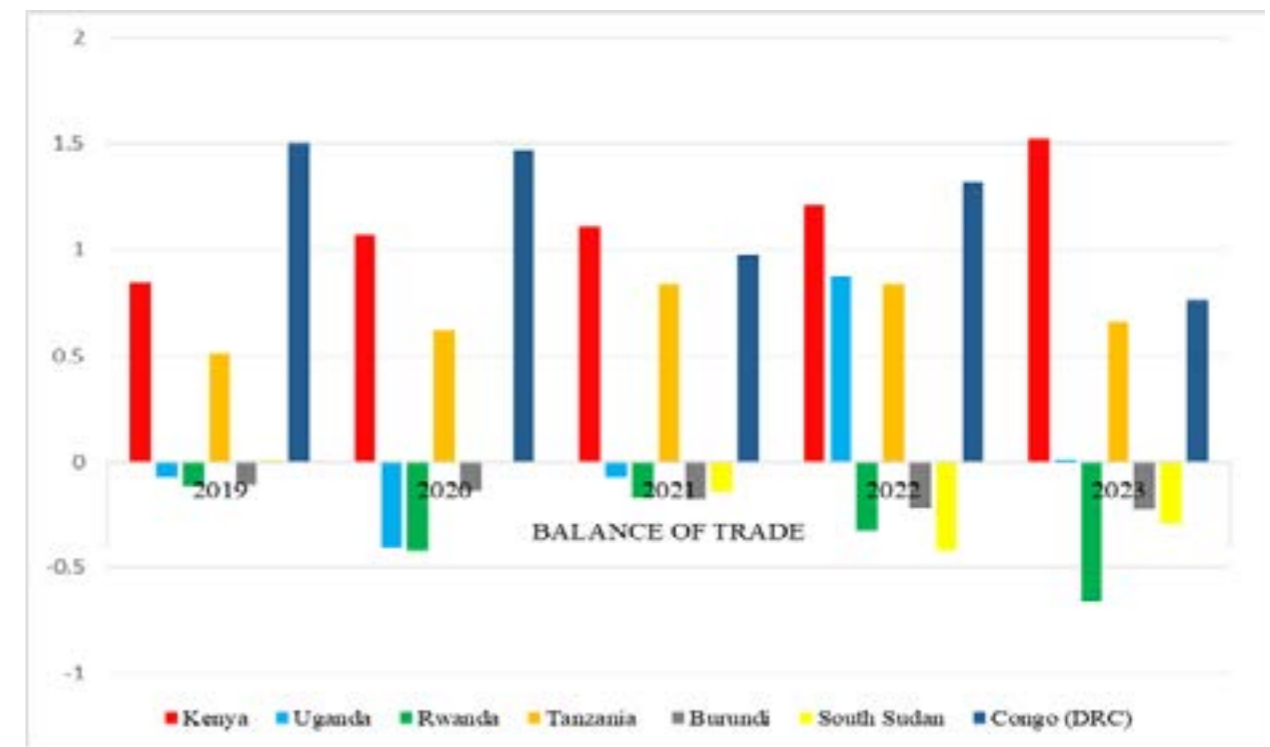
Source: EAC Trade and Investment report, 2023

10.2 Balance of Trade

The balance of trade section merely looks at which countries are net importers, exporters and how these positions fluctuate over time in the region. This position is determined by subtracting a country's imports from its exports to the region and the balance gives its trade balance (surplus or deficit). A positive balance (surplus) illustrates a net exporter position whereas a negative balance (deficit) indicates net importer position.

Kenya, Tanzania and Democratic Republic of Congo (DRC) had a positive trade balance on Intra - EAC Trade with EAC partner States for the whole period of five years from 2019 - 2023 while Uganda experienced a positive trade balance only from 2022 and 2023. Conversely, Rwanda, Burundi and South Sudan experienced a deficit trade balance for the whole five years as illustrated on figure 32.

Figure 31: Trade Balance, EAC Members (USD Million)



Source: EAC Trade and Investment report, 2023

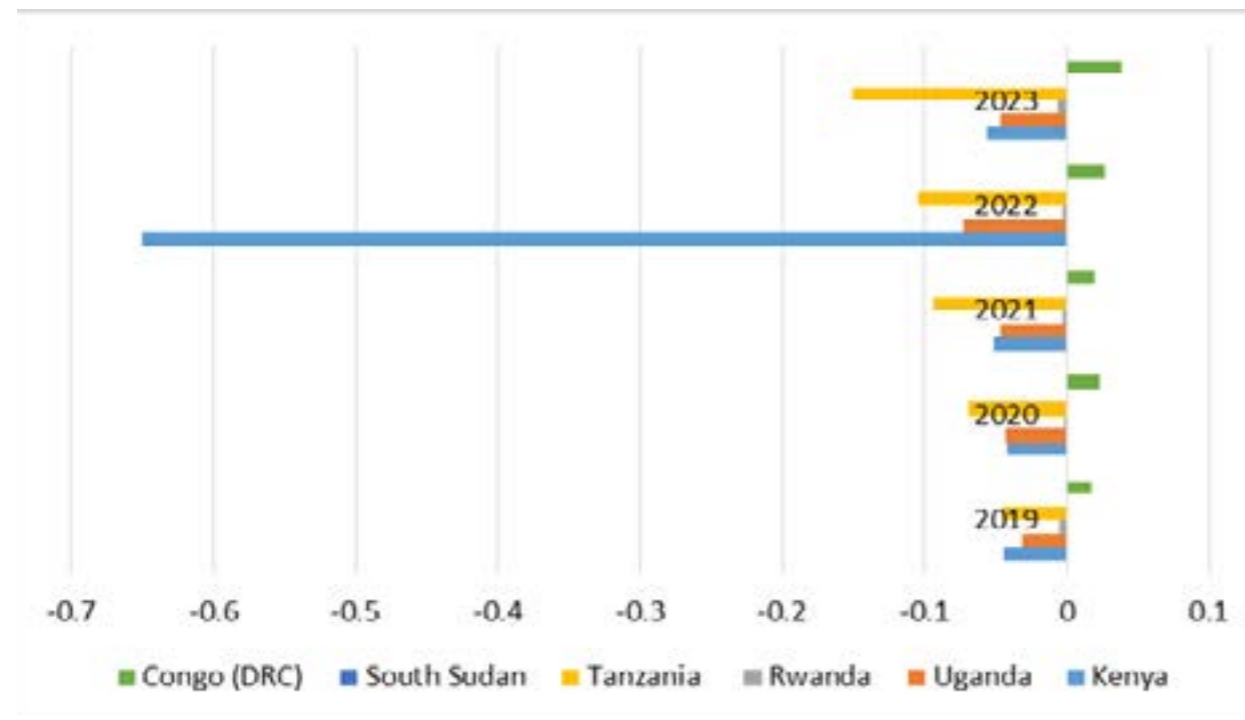
10.3 Individual Country Patterns within other EAC Member States

This section breaks down the overall trade balances into specific country trade dynamics with the other partner states.

i. Burundi

Burundi experienced a trade deficit with all partner states from 2019 to 2023. Notably, it exhibited a positive trade balance with DRC for the whole period of five years from 2019 to 2023 as shown on a figure 33.

Figure 32: Burundi Trade Balance with EAC Member States (USD Million)

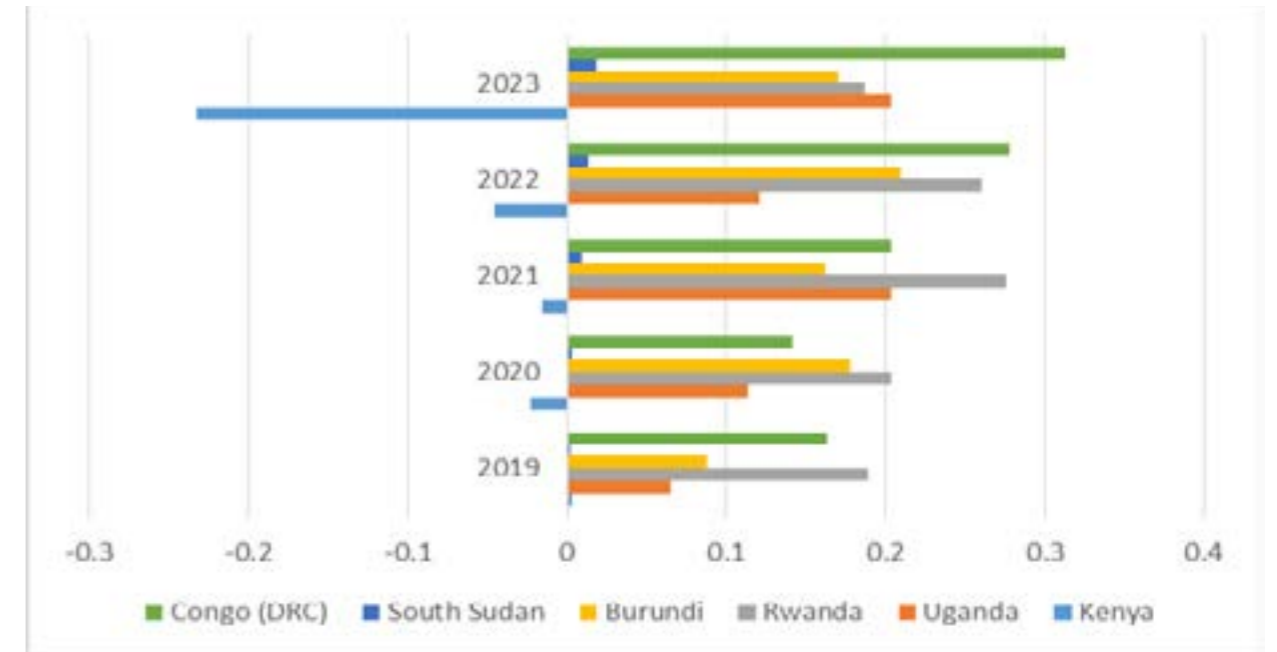


Source: EAC Trade and Investment report, 2023

ii. Tanzania

Tanzania has consistently maintained favourable trade balances with Burundi, Rwanda, South Sudan, DRC and Uganda. Its trade surpluses in Intra trade- EAC growing positive from 2021 and 2022.

Figure 33: Tanzania Trade Balance with EAC Member States (USD Million)

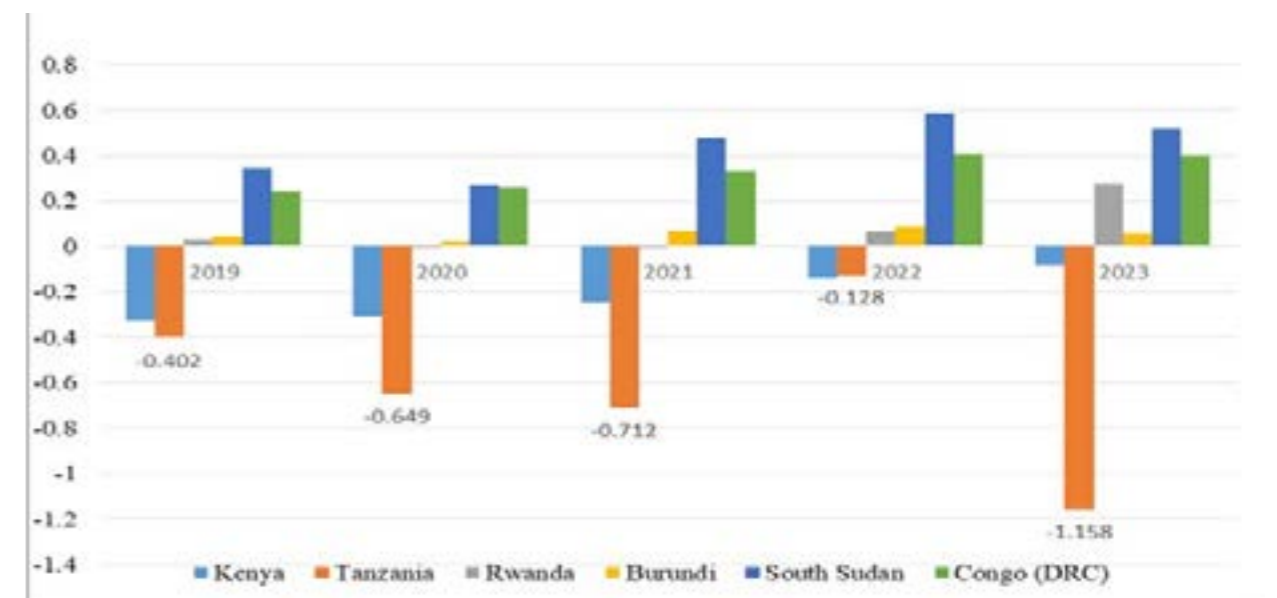


Source: EAC Trade and Investment report, 2023

iii. Uganda

Uganda had a trade surplus with South Sudan, Burundi and DRC for the whole five years from 2019 to 2023 while Rwanda experienced a positive trade balance only 2019, 2022 and 2023, exporting more than it imported from these three countries. Uganda had a trade deficit with Kenya and Tanzania from 2019 to 2023. While Rwanda had negative trade balance between the year 2020 and 2021.

Figure 34: Uganda Trade Balance with EAC Member States (USD Million)



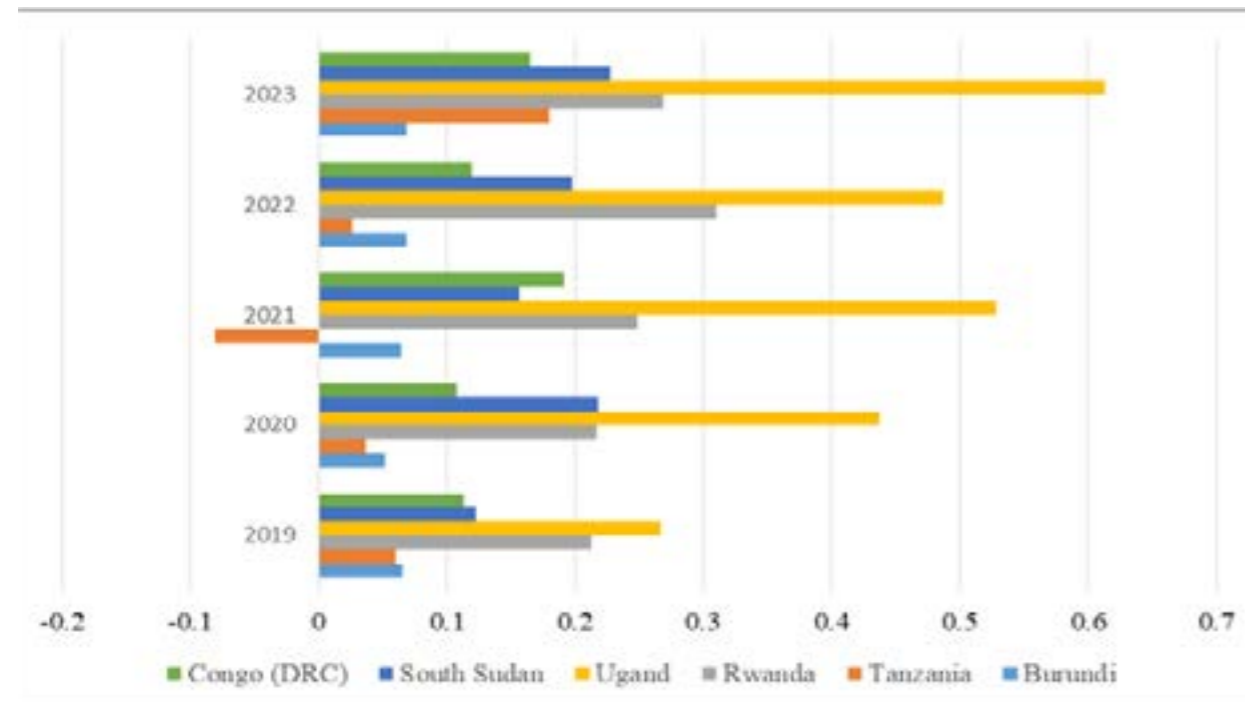
Source: EAC Trade and Investment report, 2023

iv. Kenya

From 2019 to 2023, Kenya maintained its dominance in intra-regional trade within the East African Community (EAC), consistently holding favourable trade balance positions with all partner states. However, Kenya's Intra - EAC total export increased by 5.73% to US\$ 2.147 Bn in 2023 from US\$ 2.0584Bn in 2022. where the level of importation decrease by 22.93% to US\$ 0.6527Bn in 2023 from US\$ 0.8469Bn in 2022.

This shift in the trade balance with Tanzania signifies a change in the dynamics of economic exchanges between Kenya and Tanzania during the specified period. Such variations in trade balances can be influenced by factors such as changes in export-import patterns, economic policies, or shifts in market dynamics between the two countries.

Figure 35: Kenya Trade Balance with EAC Member States (USD Million)

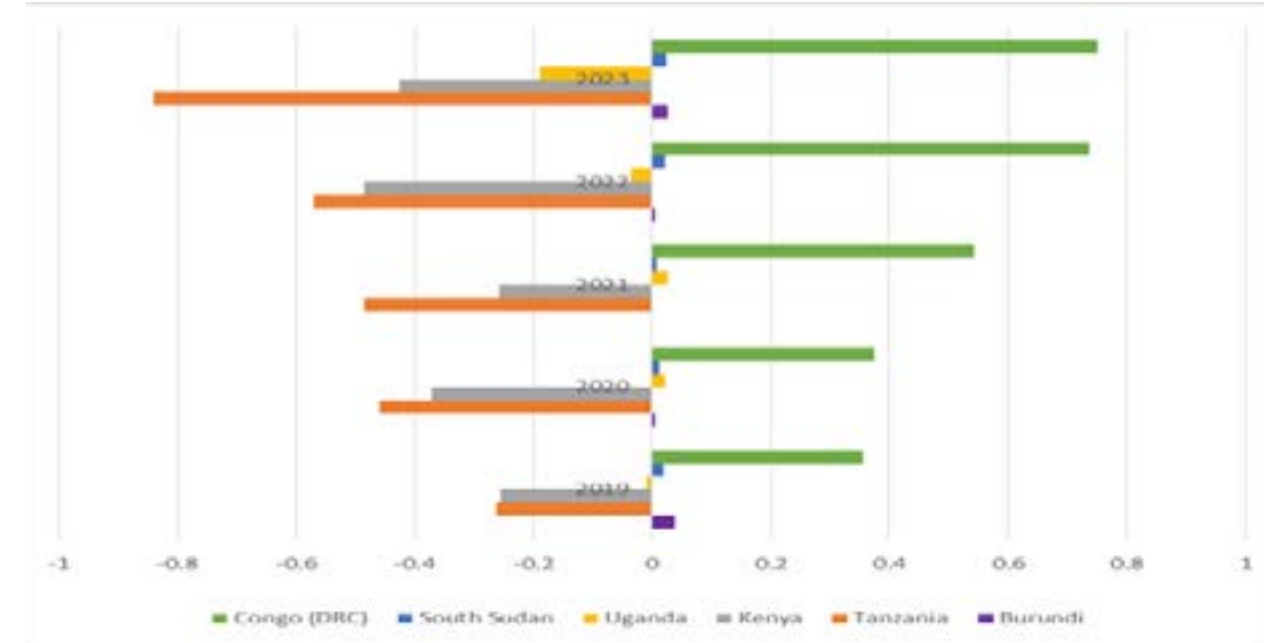


Source: EAC Trade and Investment report, 2023

v. Rwanda

Throughout the period from 2019 to 2023, Rwanda recorded a negative trade balance with Tanzania and Kenya for the whole period of time while DRC, South Sudan and Burundi experienced a positive trade balance and Uganda had slightly positive trade balance between 2020 and 2021. Trade with Uganda exhibited fluctuations, alternating between surplus and deficit.

Figure 36: Rwanda Trade Balance with EAC Member States (USD Million)

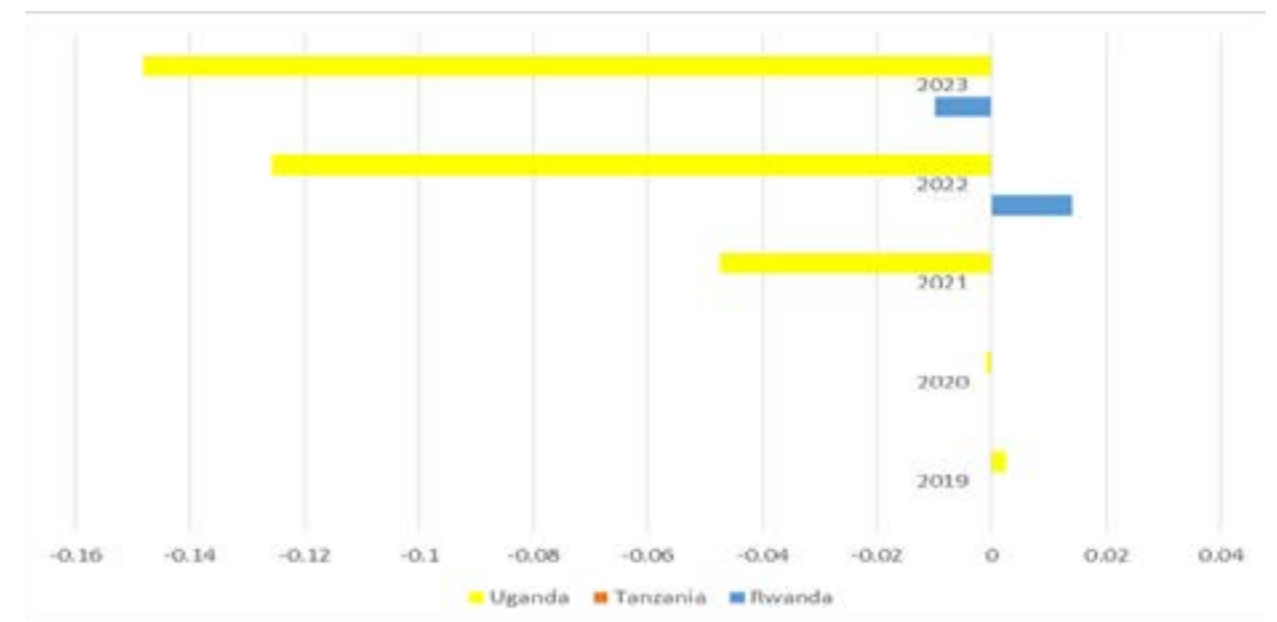


Source: EAC Trade and Investment report, 2023

vi. South Sudan

South Sudan experienced a trade deficit with Uganda and Rwanda from 2020 to 2023 and 2020, 2021, 2023 respectively while a positive trade balance on 2019 and 2022 for Uganda and Rwanda respectively.

Figure 37: South Sudan Trade Balance with EAC Member States (USD Million)



Source: EAC Trade and Investment report, 2023

11. TAX REFORMS IN EAST AFRICAN REVENUE AUTHORITIES

Overtime, Partner States In the EAC region has undertaken significant reforms in their tax structure with the objective of broadening the tax base, safeguard government revenues, promote investment and industrialization, and inclusive social and economic growth. During the FY 2023/24, a number of tax reforms were implemented by the EAC member states. The tax reforms are presented below in each country.

a) Burundi

- Increased the Anti-pollution penalty rate on vehicles aged 10 years and above from 2,000,000 BIF to 3,000,000 BIF.
- Increases the consumption tax per cigarette/tobacco stick from BIF 22 to BIF 40
- Introduced a specific tax on electronic money transfer LUMICASH and ECO CASH mobile financial services at a rate of 22%.
- Introduced a levy of 5% of the market value in the event of the sale of buildings.
- Increased the price of “SMS” from 20 BIF to 25 BIF
- Abolished the Excise duty on sugar on both imported or locally produced sugar during the Budget of 2023/2024 in December 2023.

b) Kenya

Kenya introduced and implemented under-listed tax reforms in FY 2023/24 in order to simplify administration and increase efficiency in revenue collections.

- Increased Excise duty on fees charged for money transfer services provided by a cellular phone service provider or payment service provider licensed under NPS from 12% to 15%.
- Introduced Excise duty on fees charged on advertisement by TVs, print media,

billboards, and FM stations on alcoholic beverages, betting, gaming, lottery, and prize competition at the rate of 15%.

- Introduced Amnesty for interest and penalties.
- Expanded the scope of agency notices as a means of enforcing and recovering unpaid taxes
- Increasing VAT on fuel from 8% to 16%
- Harmonize the rate of IDF from 3.5% to 2.5% and RDL from 2% to 1.5%

c) Rwanda

Rwanda introduced the following tax reforms in FY 2023/24, which were typically revenue reducing measures. The key tax expenditures and tax policy changes were as follows.

- Exemptions from import duty, excise tax, customs withholding, and import VAT for electrical/hybrid vehicles and their spare parts led to foregone revenue of Rwf 40.0 Bn.
- Exemptions of VAT on Rice & Maize flour cost the GoR a total revenue of Rwf 38.2 Bn.

d) Tanzania

- Introduced 2% Income Tax on Sale of Minerals by Holders of Primary Mining License and Artisans Miners.
- Introduced 10% Withholding Tax on Sale of Verified Carbon Emission Reduction (VER).
- Introduced Excise duty on Cement charged at TZS 20 per kilogram.
- Increased Value Added Tax annual registration threshold from 100 million shillings to 200 million shillings.
- Reduced Capital Gain Tax from 10 percent on profits to 3 percent of the sales value or the appraised land value, (whichever value

is higher) regardless of the costs invested in the relevant areas (investment costs) for property sellers who do not keep records of expenses. • Remove VAT exemption on Smartphones, Tablets and Modems.

- Impose Digital Service Tax (DST) under the Income Tax Act, 2004 at the rate of 2%.

e) Uganda

Uganda introduced several tax policy reforms in FY 2023/24, In income tax and VAT in Particular as follows;

Income Tax:

- Removal of Initial allowance deductions-repealed initial allowances of 50% of the cost of items of eligible property placed into service for the first time outside a radius of 50 Kilometers from Kampala; as well as an initial allow- ance of 20% of the cost of a new industrial building for the first year the building is placed in service.
- Exclusion of interest capping on debts owed by micro-finance deposit taking institution and tier 4 micro- finance institutions; extended the exclusion on interest capping applicable to financial institutions to micro-finance deposit taking institutions and tier 4 micro- finance institutions.
- Excluding winnings derived from gaming from with- holding tax; amendment exclud- ed‘winnings from gaming’ implies that a 15% WHT will not apply on payment of winnings from gaming.
- Restrict Section 40A of the TPC to existing commitments (government paying tax on behalf of certain taxpayers).
- Withholding Tax of 10% on Commissions derived from Agency banking.
- Waiver of outstanding interest and penalties for taxpayers that voluntarily pay outstanding principal tax between 1st July 2023 and 31st December 2023 (Tax Amnesty).

Value Added Tax:

- Exempt the supply of animal feeds and mixed components such as eggshells, feed additives, wheat bran, maize bran, premixes, concentrates and seed cake.
- Repeal the supply of all production inputs necessary for processing of hides and skins into finished leather products in Uganda and the supply of leather products wholly made in Uganda.
- Expansion of the scope of supplies considered to be made in Uganda; Amendment expanded the scope of supplies considered to be made in Uganda to include a person carrying on a business outside Uganda and does not have a place of business in Uganda, if the recipient of the supply is not a taxable person or a person who makes a supply with a total annual value in excess of UGX 150 million or a government entity that is not registered.
- Expanding the list of taxable supplies for which VAT input credit cannot be utilized to include;
 - Payments made by a taxable person for enter- attainment, for membership in a club, association or society of a sporting, social or recreational nature. In the past, this input VAT was being claimed by taxpayers on the basis that these payments were in respect to health benefits of the employees and not their entertainment. This amendment clarifies that payments to such establishments are not claimable.
 - Payments made by a taxable person outside Uganda making a supply of services to a on- taxable in Uganda such as non-resident suppliers of electronic services.

Excise Duty:

- Impose a rate of 10% or Shs.75 per litre of mineral water

f) Zanzibar

The key tax reforms introduced in Zanzibar during the FY 2023/24 were under the VAT Act, Excise Duty, Infrastructure Levy, Stamp Duty and Tax Administration and procedure Act. The Key reforms in Zanzibar are presented below.

- Increased the VAT Registration Annual Threshold from Gross Sales TZS 50 million (USD 21,500) to TZS 100 million (USD 43,000).
- Granted VAT Relief for the sale of affordable housing (Affordable Housing Scheme) to improve the quality of housing for citizens as well as reduce the cost of purchasing such houses.
- Granted VAT Relief on the Importation of Aircraft, Aircraft Engines, Spare Parts and maintenance services carried out in Zanzibar.
- Reduced VAT relief rate for Civil Societies from 75 percent to 50 percent.
- Granted VAT relief for the Importation of “Green House” and its equipment to strengthen modern agricultural activities, increase production, reduce food imports and reduce inflation rate.
- Granted VAT relief for the importation of renewable energy equipment in order to improve the investment in electricity and ensure sufficient energy for industrial investment in Zanzibar.
- Charge Infrastructure Tax of one percent (1%) for all goods imported in Zanzibar.
- Grant Infrastructure tax relief to donor funded projects, Government Institutions, United Nations, Embassies and importation of raw materials, industrial inputs and packaging materials for registered manufacturers.
- Amended the Infrastructure Tax Rates for Guests Staying in Hotels in Zanzibar from USD 1 per night per guest to USD for guest staying in five and four star hotel, USD 4 for three and two star hotel and 2 USD for one star and non-star hotels.
- Introduced excise duty of 30% on imported electronic cigarettes and Shisha.

12. ADMINISTRATIVE REFORMS IN EAST AFRICAN REVENUE AUTHORITIES

This section presents some of the key administrative reforms or measures that were undertaken by the Revenue Authorities in the region during the FY 2023/24 for the purpose of simplifying tax administration, expand the tax base, enhancing voluntary compliance and hence increase the authorities abilities in generating additional revenue.

12.1 Burundi

- All large and medium-sized taxpayers are required to make declarations and pay taxes through the e-KORI platform online since August 2023.
- All large and medium-sized taxpayers (operators of general stores, food stores, bars and restaurants, hotels) required to use the electronic invoicing machine (EBMS) for all transactions carried out with their customers. The measure was implemented to provide mechanism for verification of the turnover of the taxpayers and enhance control of domestic VAT collection.
- The total amount of revenue from the sale of travel documents to be paid directly to the account of the public treasury.

12.2 Kenya

- Rolled out the implementation of Electronic Tax Invoice Management System (eTIMS).
- Upscaling and expansion of the scope of KRA M-service and Staff Mobile App.
- Implementation of amnesty initiative to enhance applications & payment of principal tax.
- Complete roll out of unified payroll by December 2023.

12.3 Rwanda

Rwanda implemented a number of administrative measures over the period 2023/24. These include:

- Implementation of Supply Chain & Stock Analysis assisted to contribute 0.6% (equivalent to Rwf 3.1billion) of overall VAT collection and 0.2% (equivalent to Rwf 28.8 billion) of the total turnover declared in calendar year 2023.
- Automation of notifications to non-filers and non-payers every five days after the declaration due date reduced non-filers and non-payers incidences.
- Voluntary Disclosure Scheme contributed to the disclosure of Rwf 14.2 billion, with Rwf 8.8 billion recovered.
- VAT Reward: About 20,757 individuals has been registered for the scheme in two months, and Rwf 9.4 bn turnover was reported, 0.14bn to be rewarded to individuals.
- Arrears Recovery of Rwf 90.9 bn due to simplification of instalment payment requirements (removal of mandatory 25% down payment); Ability to pay a portion of disputed amounts accepted by taxpayers; Deactivation and de-registration of 118,531 taxpayers which encouraged taxpayers with arrears to pay in order to halt accumulating interest and penalties.

12.4 Tanzania

During the period from July to June 2023/24FY, TRA implemented various revenue measures with the objective of simplifying tax payments and administration expand tax base, enhance voluntary tax compliance and domestic revenue mobilization. Among others, the measures included the following:

- Tax register expansion; 111,266 Business taxpayers were added to the tax register.

- Conducted 5,911 cases of audit and established additional revenue TZs 312.3Bn.
- Conducted investigation of 311 taxpayers with additional revenue of TZs 1466.52Bn generated.
- Conducted capacity building to about 7,833 staff benefited from the various trainings (221) sessions during the FY.
- Registered a total of 56 non-resident electronic service providers into the system.

12.5 Uganda

- During the period from July to June FY 2023/24FY, URA implemented various revenue measures with the objective of expanding the tax base, enhance voluntary tax compliance and domestic revenue mobilization. Among others, the measures include.
- Tax register expansion; 1,022,940 new taxpayers were added to the taxpayer register representing a growth of 29.22 % against a targeted growth of 17 %.
- Enforcement interventions; country wide Customs enforcement operations led to a recovery of UGX 149.63 Bn as a consequence of 20,920 seizures. Recoveries were mainly due from under-declaration 46.09 %; mis-description/false documentation 11.25 %; outright smuggling 7.84%, and undervaluation 5.77 %, among others.
- Arrears management; As a compliance improvement strategy, arrears management enables departments to track and maintain a register of all debt which enhances follow up with third parties for recovery execution. This compliance strategy mainly involves ledger reconciliation, taxpayer clearance certificate verification and agency notice issuance.
- Tax investigation compliance initiatives; numerous compliance enhancement initiatives were implemented which included; intelligence gathering, investigation, exchange of information, scientific analysis and forensic document examination to deter, detect and prevent tax fraud and systematic non-compliance tendencies while also looking out for revenue enhancement opportunities. Investigations led to the

identification of recoverable revenue amounting to UGX 334.26 Bn.

- Electronic Fiscal Receipting and Invoicing Solution (EFRIS), is a Government smart business solution that provides businesses with a platform to maintain records in an easy, secure and retrievable digital format, quick processing of tax claims or refunds, fair tax assessments, track and validate business transactions in real time, among others. As at end of the FY, the total EFRIS register stood at 77,967 taxpayers out of which 35,375 are VAT registered taxpayers and 42,592 are not VAT registered.
- During the FY 2023/24, the litigation success rate was 86.89 %. In terms of Litigation, a total of 179 cases (119-Civil, 60-Criminal) were ruled in favour of URA while 27 cases (23 Civil, 4 criminal) were ruled in favour of taxpayers.

13.6 Zanzibar

During the period of July 2023 to June 2024 the following administrative measures were implemented in Zanzibar to enhance revenue mobilization.

- Re-registered all Large Taxpayers in the new Zanzibar Integrated Domestic Revenue Management System (ZIDRAS).
- Increasing the efficiency of ZRA in working professionally, strengthening the quality of tax services in tax regional offices and tax services centers for Unguja and Pemba.
- Recruited 120 new staff to support tax enforcement.
- Increased the scope of using VFMS machines and encouraged the use of the electronic system for issuing receipt. A total of 1,007 new electronic receipt issuing machines (POS) were purchased by 1,117 taxpayers.
- Increased efficiency and transfer of goods from Mainland Tanzania eligible for VAT refund.

13. EARAS TAX STRUCTURES FY 2023/24

13.1 Burundi

Domestic Direct Taxes		
Tax Type	Tax Base	Tax Rates
Residents (PAYE)	BIF. 0 - 1800000 BIF	0% of the amount by which chargeable income is below BIF 1800000
	BIF1800001-3 600 000	20% of the amount by which chargeable income exceeds BIF 1800000 but below BIF 3600000
	Over BIF 3600000	30% is charged on the amount by which chargeable income exceeds BIF 3600000
Residents	The same as for resident	The same as for resident
Non-Residents	The same as for resident	The same as for resident
Corporation Tax	Corporate Profits	30% for resident companies
Withholding tax	Value of supplies to Government and local Authorities & other institutions as specified by the Ministry of Finance	4% for both resident and non-resident.
Rental income	Interest from bank	15% for both residents and non-residents.
	Dividends	
	Royalties	
	Management fees	
	Professional fees	
	Training fees (inclusive of incidental costs)	
	Winnings from betting and gaming	
	Pensions/provident schemes	0% for residents, 5% for non-residents.
	Consultant and agency fees.	
	Telecommunication services/message transmission.	15%
	Final Withholding tax on Gross interest on Government securities	
	BIF 1800001-3 600 000	
	Over BIF 3 600 000	20%
	Based on transfer of property by a person	30%
		15% for both residents and non-residents

Domestic Indirect Taxes			
Tax Type	Tax Base	Tax Rates	Remarks
Excise Duty			
Cigarettes	Retail selling price	22BIF by unit	
Beer		BIF39600 by HL	
Soft drinks		BIF 3000 by HL	
Spirits		BIF125 by liter	
Sugar		600BIF/kg	
Bottled Water		0.42% of production cost	
Plastic shopping bags		50% of their CIF value	
Motor vehicle	Depends on type and size	5-15% of CIF value	
Value Added Tax		ordinary rate :18%	
Value Added Tax		Intermediate rate: 10%	for foodstuffs and agricultural inputs
		Particular rate: 0%	For export and similar transactions

13.2 Kenya

13.2.1 Direct Domestic Tax

The tax structure implemented in Kenya during the Fiscal Year 2023/24 is narrated below. In 2023 the government in Kenya introduces a series of significant tax measures aimed at enhancing revenue collection and addressing various economic and social concerns. These measures reflect the efforts to stimulate economic growth, promoting fairness in taxation, and addressing emerging challenges. From adjustments in withholding tax rates to the introduction of new tax bands and the taxation of digital assets, the Act seeks to reshape the country's tax landscape.

Tax Type	Tax Base Description	Tax Rate	Remarks
Excise Duty	Total excise for electric powered motor vehicles	0%	Introduced Rate
	Cumulative excise on imported gas cylinders	0%	Introduced Rate
	Aggregate excise for imported glass bottles	35.00%	Increased by 10.0%
	Combined excise for imported furniture	30.00%	Increased by 5.0%
	Overall excise on unsaturated polyester	20.00%	Introduced Rate
	Collective excise for Alkyd	20.00%	Introduced Rate
	Total excise on Emulsion VAM	20.00%	Introduced Rate
	Complete excise on Emulsion-styrene Acrylic	20.00%	Introduced Rate
	Cumulative excise on Homopolymers	20.00%	Introduced Rate
	Aggregate excise for Emulsion B.A.M	20.00%	Introduced Rate
	Overall excise for telephone and internet data services	15.00%	Decreased by 5.0%
	Cumulative excise on fees charged for money transfer services by banks, money transfer agencies, and other financial service providers	15.00%	Decreased by 5.0%
	Aggregate excise for fees charged for money transfer services by cellular phone service providers	15.00%	Increased by 3.0%
	Total excise on betting - amount wagered or staked	12.50%	Increased by 5.0%
	Complete excise on gaming - amount wagered or staked	12.50%	Increased by 5.0%
	Overall excise on price competition - the amount paid or charged to participate in a prize competition	12.50%	Increased by 5.0%
	Cumulative excise on lottery (excluding charitable lotteries) - amount paid or charged to buy the lottery ticket	12.50%	Increased by 5.0%
	20% of the value of imported fish	20.00%	Introduced Rate

	Kshs.25 per kg of powdered juice	25/Kg	Introduced Rate
	10% of the value or Kshs.1.50 per Kg of imported cement	10% or 1.5/Kg	Introduced Rate
	15% on fees charged on advertisement by TVs, print media, billboards, and FM stations on alcoholic beverages, betting, and gaming, lottery, and prize competition	15.00%	Introduced Rate
	15% on imported paints, varnishes, and lacquers	15.00%	Introduced Rate
	25% on imported non-virgin test liner	25.00%	Introduced Rate
	25% on imported non-virgin fluting medium	25.00%	Introduced Rate
	25% on imported cartons, boxes, and cases of corrugated paper or paperboard, and imported folding cartons, boxes, and case of non-corrugated paper or paperboard and imported skillets, free hinge lid packets of tariff heading 4819.10.00, 4819.20.10 and 4819.20.90 excluding companies gazetted under the duty remission scheme	25.00%	Introduced Rate
	25% on imported plates of plastic of tariff heading 3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90	25.00%	Introduced Rate
	25% on imported paper or paperboard, labels of all kinds whether or not printed of tariff heading 4821.10.00 and 4821.90.00	25.00%	Introduced Rate
Housing Levy	Employee and Employer Contributions to National Housing Development Fund	1.5% each	Non-refundable levy introduced for both employers and employees.
PAYE Tax Bands	Income between KES 500,000 and KES 800,000	32.50%	New tax band introduced for income in this range.
	Income exceeding KES 800,000	35%	New tax band introduced for income exceeding KES 800,000.
VAT on Petroleum Products	Petroleum products (excluding LPG gas)	16% (increased from 8%)	VAT on petroleum products (excluding LPG gas) increased from 8% to 16%, expected to impact the cost of living.
Exportation of Services	Exportation of services	0%	Tax rate on exportation of services set to 0%, aligning with international norms and standards.

Tax Type	Tax Base Description	Tax Rate	Remarks
Withholding Tax	Content creators' earnings	5%	Reduced from the proposed 15%, aligning with the rate for professional and management fees paid to residents.
MNE's with Permanent Establishment (PE)	Profits attributable to a PE	30% (Corporate Tax) + 15% (Repatriated Income Tax)	Introduced repatriated income tax at 15% to align taxation of PEs with resident companies.
Income tax lowered from 37.5% to 30%			
Turnover Tax (TOT)	Taxable revenue between KES 1 million and KES 25 million	3%	Threshold adjusted from KES 500,000 to KES 1 million, with an increased rate from 1%. Upper threshold reduced from KES 50 million to KES 25 million.
Digital Asset Transfers (DAT)	Digital asset transfers	3%	Introduced 3% tax on digital asset transfers, covering cryptocurrencies and non-fungible tokens.
Monthly Rental Income (MRI)	Monthly rental income	7.50%	Reduced MRI rate to 7.5% per month from 10%
Commercial Vehicle Tax (Advance tax)	Various commercial vehicle categories (e.g., vans, trucks, buses)	Kshs 2,500 per tonne or Kshs 5,000 per year (whichever is higher) for certain vehicles, Kshs 100 per passenger load per month or Kshs 5,000 per year (whichever is higher) for others	Increased rates for certain commercial vehicle categories to generate additional revenue.
Zero-Rated Inbound Sea Freight	Inbound international sea freight services provided by registered companies	0%	Supplies of inbound sea freight services by VAT-registered shipping lines in Kenya are now zero-rated.
Capital gains tax	Transaction value	15%	CGT rate increased from 5% to 15%

Domestic Direct Taxes

Tax Type	Tax Base Description	Tax Rate	Exemptions	Remarks
Corporate Income Tax	Business profits received by taxpayers other than individuals	28% However, a newly listed company on capital market in Rwanda is taxed for a period of five years starting from the date of listing on the following rates: (a) 20% if that company sells at least 40% of its shares to the public; (b) 25% if that company sells at least 30% of its shares to the public.	Income earned by an agriculturalist or a pastoralist on agricultural or livestock activities is exempt if the turnover from agricultural or livestock activities do not exceed twelve million Rwanda francs (FRW 12,000,000) in a tax period.	A newly listed company on capital market in Rwanda is taxed for a period of 5 years starting from the date of listing on the following rates: (a) 20% if that company sells at least 40% of its shares to the public; (b) 25% if that company sells at least 30% of its shares to the public.
Personal Income Tax (Real Regime)	An individual annual income	First year: <ul style="list-style-type: none"> Rwf 0 - 720,000 = 0%; Rwf 720,001 - 1,200,000 = 20%; Above Rwf 1,200,000 = 30% Second Year: <ul style="list-style-type: none"> Rwf 0 - 720,000 = 0%; Rwf 720,001-1,200,000 = 10%; Rwf 1,200,001-2,400,000 = 20%; Above Rwf 2,400,000 = 30% 		The taxable income derives from: <ol style="list-style-type: none"> Employment; Business activities; Investment; Capital gain; Use, sale, lease or free transfer of an immovable and movable properties allocated to the business. Year one started with November 2022, Year two started in November 2023.
Personal Income Tax(PIT) (Lump Sum Regime)	small enterprise (Annual turnover between 12M-20M)	3%		A person who operates a small enterprise may apply to be allowed to opt out of the flat-rate lumpsum taxation scheme, and choose to be subject to actual taxation scheme when he or she decides to carry out accounting in compliance with relevant laws.

Personal Income Tax (Flat Regime)	Micro enterprise (Annual turnover below 12M)	<ul style="list-style-type: none"> 2M-4M=60,000, 4M&1Rwf-7M=120,000, 7M&1Rwf-10M=210,000 10M&1Rwf-12M=360,000 		When he or she opt for the real regime, he or she must inform the Tax Administration and this decision is irrevocable for a period of three (3) years starting from the date he or she has informed the Tax Administration
Withholding tax on payments	payments made by resident persons including tax exempt persons if such payments are made to a person not registered in the Rwandan tax administration or to a registered person who does not have recent income tax declaration.	15%	1° those whose business profit is exempted from taxation; 2° those who have tax clearance certificate issued by the Tax Administration; 3° those who are newly registered during the concerned annual tax period.	
Withholding tax on goods imported for commercial use	Imports CIF value	5%		
Withholding tax on public tenders	The sum of invoice, excluding the Value Added Tax (VAT),	3%		
Capital gain tax	direct or indirect sale or transfer of shares carried out in Rwanda or abroad.	5%	Capital gain from the sale or transfer of listed shares and other securities on the securities exchange operating in Rwanda and capital gain from the sale or transfer of shares or units of the collective investment schemes	

Tax Type	Tax Base Description	Tax Rate	Exemptions	Remarks
Pay As You Earn (PAYE)	Income derived from employment	<p>Year 1: 0 - 60000: 0% 60,000 - 100,000: 20% Over 100,000: 30%</p> <p>Year 2: 0 - 60000: 0% 60,000 - 100,000: 10% 100,001 - 200,000: 20% Over 200,000: 30%</p>	<p>The following taxable payments are excluded from taxable income resulting from employment: The discharge or reimbursement of expenses incurred by the employee: a. wholly and exclusively for business activities of the employer; b. those that are deducted or would be deductible in calculating the employee 's income from all his or her business activities;</p> <p>2° Retirement contributions made by the employer on behalf of the employee to the state social security fund;</p> <p>3° Pension payments made under the state social security system;</p> <p>4° Retirement contributions made by the employer on behalf of the employee and or contributions made by the employee to a qualified pension fund to a maximum of ten per cent (10%) of the employee 's employment income or one million and two hundred thousand (1,200,000) Rwandan francs per year, whichever is the lowest;</p> <p>5° Employment income received by an employee who is not a citizen of Rwanda from a foreign government or a non-governmental organization under an agreement signed by the Government of Rwanda and when the income is received for the performance of aid services in Rwanda;</p>	<p>Year one started with November 2022, Year two started in November 2023.</p>

			<p>6° Employment income received from an employer who is not a resident in Rwanda by a non-resident individual for the performance of services in Rwanda, unless such services are related to a permanent establishment of the employer in Rwanda.</p> <p>Persons that are exempted from employment income in Rwanda as provided for by International Agreements due to services rendered in the exercise of their official duties are the following:</p> <p>1° any foreigner who represents his or her country in Rwanda;</p> <p>2° any other individual employed in any Embassy, Legation, Consulate or Mission of a foreign state performing state affairs, who is a national of that state and who owns a diplomatic passport;</p> <p>3° any non-citizen individual employed by an international organization that has signed an agreement with the Government of Rwanda in accordance with Rwandan law.</p>	
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Domestic Indirect Taxes

Tax Type	Tax Base Description	Tax Rate	Exemptions	Remarks
Value Added Tax (VAT)	Sales value	18%		
Natural fruit or vegetable juices			5%	
Lemonade, soda and other non-natural juices		39%		
Beer whose local material content, excluding water is at least 70% by weight of its constituents		30%		
Other beers		60%		
Wine whose local raw material content, excluding water, is at least 70% by weight of its constituents.		30%		
Other Wines excluding grape must listed under heading 22.04. of the Structure of the EAC -CET		70% of the value of a litre not exceeding FRW 40,000		
Brandies, liquors and whisky whose local raw material content, excluding water, is at least 70% by weight of its constituents		60%		
Other Brandies, liquors and whisky		70% of the value of a litre not exceeding FRW 150,000		
Cigarettes		36% of retail price of a pack (of 20 rods) and Frw 130 per pack		
Cigars and similar products containing tobacco or tobacco substitutes		160%		
Electronic cigarette		Rwf 30000 per unit		
Cartridge with liquid for use in electronic cigarette		FRW 24,400 per unit		
Premium (excluding benzene)		183fww/liter on premium		
Gas oil		150fww/liter on gas oil		
Lubricants		37%		
Vehicles with an engine capacity of less than 1500 cc		5%		
Vehicles with an engine capacity of between 1500 and 2500 cc		10%		
Vehicles with an engine capacity of above 2500 cc		15%		
Telephone communications		10%		
Sweets and Chewing gum		Rwf 322/kg		
chocolate		Rwf 1930/kg		

13.4 Tanzania

Tax type	Tax Base	Tax Rates	Tax payable when records are complete
PAYE	Where total Income does not exceed Tshs. 270,000/=	NIL	
	Where the total Income exceeds Tshs. 270,000/= but does not exceed Tshs. 520,000/=	8% of the amount in excess of the amount in excess of Tshs. 270,000/=	
	Where total Income exceeds Tshs. 520,000/= but does not exceed Tshs. 760,000/=	Tshs. 20,000/= plus 20% of the amount in excess of Tshs. 520,000/=	
	Where total Income exceeds Tshs. 760,000/= but does not exceed Tshs. 1,000,000/=	Tshs. 68,000/= plus 25% of the amount in excess of Tshs. 760,000/=	
	Where total Income exceeds Tshs. 1,000,000/=	Tshs. 128,000/= plus 30% of the amount in excess of Tshs. 1,000,000/=	
	Presumptive tax	Where turnovers does not exceed Tshs 4,000,000	NIL
	Where turnover exceeds Tshs 4,000,000/= but does not exceed Tshs 7,000,00	Tshs 100,000/=	
	% of the turnover in excess of Tshs 4,000,000/=		
	Where turnover exceeds Tshs 7,000,000/= but does not exceeds Tshs 11,000,000/=	Tshs 250,000/=	Tshs 90,000/= plus 3% of the turnover in excess of Tshs 7,000,000/=
	Where turnovers exceed Tshs. 11,000,000/= but does not exceed Tshs. 100,000,000/=	3.5% of turnover	
Corporate Tax	Corporate profit	30% 25% for companies under DSE	

Tax type	Tax Base	Tax Rates	Tax payable when records are complete
Skill Development Levy	Gross PAYE	35% of the gross salary of the organisation	<p>a. A Government Department or a Public Institution which is wholly financed by the Government</p> <p>b. Diplomatic Missions</p> <p>c. The United Nations and its organizations</p> <p>d. International and other foreign institutions dealing with aid or technical assistance</p> <p>e. religious institutions whose Employees are solely employed to administer places of worship, to give religious instructions or generally to minister religion</p> <p>f. Charitable organizations</p> <p>g. Local Government Authority</p> <p>h. Farm employers whose employees are directly and solely engaged in farming</p> <p>i) Registered educational Institutions (Private schools including Nursery, Primary and Secondary Schools; Vocational, Educational and Training Schools; Universities and Higher Learning Institutions)</p>
VAT	Consumption	18% for imports and local supplies, 0% for exports	<p>i. Food supplements or Vitamins supplied to the Government</p> <p>ii. Concessional loan, non- concessional loan or grant through Government of URT and another government or representative of another government, donor or lender of concessional loan or non-concessional loan</p>

Rental income	Rent from properties	Land and building 10%, Aircraft lease 10% for resident and 15% for non-resident, Other assets non-resident 15%	<p>iii. A grant agreement approved by the Minister in accordance with provisions of government loans grants and guarantees Act entered between Local Government Authority and a donor.</p> <p>iv. Sanitary Pads of HS code 9619.00.10</p>
Capital Gains Tax	Income from Disposal of Investment Asset	10% of the gain for a resident person (b) 20% of the gain for a non-resident person	Private resident gain of 15million or less, agricultural land-market value of less than 10million, share held by person less than 25%
Excise Duty	Beer made of malt (stout &porter)	Locally Produced TZS 765/ltr Imported& Others TZS 803.5/ltr	
	Powdered Beer	Locally produced TZS NIL Imported TZS 844/kg	
	Non-alcoholic Beer	Locally produced TZS 561.00/ltr Imported & Others TZS 589.05/ltr	
	Mineral & Aerated water (bottled)	Locally produced TZS 58/Ltr Imported TZS 64.05/Ltr	
	Mineral & Aerated waters containing sweetening/flavoured	TZS 64.00	
	Fruit Juice	Locally produced TZS 90/ltr Others TZS 232/ltr	
	Sprit and Whiskies	Locally produced TZS 3978.00, Imported TZS 4386.06	
	wines	Domestic grapes content exceeding 75%, TZS 200/ltr, Imported TZS 2,466.45 per litre	
	Yarn (except sewing)	Locally and Imported 10%	

Tax type	Tax Base	Tax Rates	Tax payable when records are complete
	Furniture	Imported 20%	
	Imported seats	Imported 20%	
	Revolvers and pistols and other fire arms	Imported 25%	
	Yachts and other vessels for pleasure or sports; rowing boats and canoes	Imported 20%	
	Motor car and other motor vehicles principally designed for the transport	cylinder capacity exceeding 3000cc 5%, exceeding 3000 is 10% while below 1000cc -nil	
	Recorded DVD, VCD, CD, audio	TZS 50.00 per unit	
	Women's or girls' and men's overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), windcheaters, wind-jacket	TZS 10%	
	Carpets and other textile floor coverings, woven, not tufted or flopped, whether or not made up, including "kelem", "Schumacks", "Karamanie" and similar hand-woven rugs"	TZS 10%	
	Tubes, pipes and hoses, and fittings thereof (for example, joints, elbows, flanges), of plastics	Imported TZS 10%	
	Lubricating oils preparation	TZS 669.00 per cubic meter	
	Personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations,	TZS 10%	

	Preparations for use on the hair. i.e shampoo	TZS 10%	
	Motor Spirit (gasoline) regular	TZS 379.00/ltr	
	Illuminating Kerosene (IK)	TZS 465.00/ltr	
	Gas oil (automotive, light, amber for high-speed engines)	TZS 225.00/ltr	
	Residual fuel oils (marine furnace and similar fuel oils)	TZS 80.00/ltr	

13.5 Uganda

Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
INCOME TAXES				
Pay As You Earn	Employment Income	UGX. ≤ 235,000 UGX. 235,000 < Y ≤ 335,000	Nil 10% of the amount by which chargeable income exceeds UGX. 235,000 i.e. (10% of (Y-235,000))	Official employment income of a person employed in the Uganda Peoples' Defence Forces, the Uganda Police Force, the External Security Organisation, the Internal Security Organisation or the Uganda Prisons Service, other than a person employed in a civil capacity. Salaries of the Judiciary from employment income tax The 25% of the amount derived as compensation for the termination of any contract of employment from employment income tax
		UGX. 335,000 < Y ≤ 410,000	20% of the amount by which chargeable income exceeds UGX. 335,000 plus UGX. 10,000. i.e. (20% of (Y-335,000) + UGX. 10,000)	
		UGX. 410,000 ≤ Y	30% of the amount by which chargeable income exceeds UGX. 410,000 plus UGX. 25,000. i.e. (30% of (Y-410,000) + UGX. 25,000)	
		if Y > 10,000,000	10% is charged on the amount by which chargeable income exceeds UGX. 10,000,000	
Corporate Income Tax	Corporate Profits		30% for Resident Companies	Exempt income under section 21 of the ITA
			2% for non-resident companies in Shipping & aircraft.	
			30% for Mining Companies	Non-resident contractors under section 103 whose rate is 10%
Presumptive Taxes	Gross turnover depending on the nature/type of business and its location		The rates are provided for under the guidelines on taxation of small businesses in Schedule 3, Part I of the ITA	Taxpayers whose Gross turnover does not exceed UGX. 10 million.

Individual Tax for Residence		UGX 2,820,000 ≤ Yt ≤ 4,020,000	10% of the amount by which chargeable income exceeds UGX. 2,820,000 i.e. ((10% of (Yt - 2,820,000)))	Taxpayers whose income does not exceed UGX 2,820,000 per annum.
		UGX. 4,020,001 ≤ Yy ≤ UGX. 4,920,000	20% of the amount by which chargeable income exceeds UGX. 4,020,000 plus UGX. 120,000. i.e. 20% of (Yy - 4,020,000) + UGX. 120,000	
		UGX. 4,920,001 ≤ Yy	30% of the amount by which chargeable income exceeds UGX. 4,920,000 plus UGX. 25,000. i.e. (30% of (Yy - 4,920,000) + UGX. 300,000)	
			30% of (Yy - 4,920,000) + UGX. 300,000	
		Yy > 120,000,000	10% is charged on the amount by which chargeable income exceeds UGX. 120,000,000 and added to the tax from the amount less than 120,000,000	
Individual tax for Non-Residence		Yy ≤ UGX. 4,020,000	10%	
		UGX. 4,020,000 ≤ Yy ≤ UGX. 4,920,000	20% of the amount by which chargeable income exceeds UGX. 4,020,000 + UGX. 402,000	
		UGX. 4,920,001 ≤ Yy	30% of (Yy - 4,920,000) + UGX. 582,000	
		Yy > 120,000,000	10% is charged on the amount by which chargeable income exceeds UGX. 120,000,000 and added to the tax from the amount less than 120,000,000	

Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
Withholding Taxes	INCOME TAXES			
		Value of Supplies to Government and local Authorities & other institutions specified by the Minister of Finance.	6% for residents and 15% Non-Residents	Employment and Exempt Income
		Dividends-companies	15%	
		Interest Payments	15%	Interest on government securities.
		Re-insurance premiums	10%	
		Sale of a business or business assets by all resident persons	6%	Exempt persons
		Final Withholding tax on Gross Interest payments on Government Securities to both a resident and non-resident person	a) 10% for those securities that mature in 10 years or more b) 20% for those securities that mature in less than 10 years	An exemption for income from interest paid on infrastructure bonds with a maturity period of at least 10 years
		Final withholding tax on commissions by telecommunication companies to mobile money and airtime agents as a final tax	10%	
		Withholding tax on VAT.	6%	Persons who have satisfied the CG that they have complied with their VAT tax obligations.
		Winnings from Gambling	15%	
Rental taxes	Rental Income (Individual)	Gross receipts exceeding UGX 2,820,000 per annum from rent receipts	12%	Gross receipts not exceeding UGX 2,820,000 per annum
	Rental Income (Non-Individual)		30%	

Stamp Duty	Instruments chargeable with duty	Instrument value	In accordance with schedule 2 of the Stamp Duty Act	Instruments in Strategic investment projects	
				Acknowledgement of a debt exceeding UGX 100,000.	
				Agreement relating to deposit of title deeds, pawn pledge – of the total value.	
				Appraisal or valuation made otherwise than under an order of court – of the total value.	
				Life Insurance	
				Agricultural Insurance Policy.	
				Security Bond or Mortgage Deed	
				Shares acquired by investors in a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap. 84, or shares acquired by a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap. 84.	
	Excise Duty	Cigarettes - Soft Cup	Quantity (Sticks) Sold	UGX. 55,000 per 1000 sticks(mille) for locally manufactured Soft cup .	Duty Free Sales & Exports
		Hinge Lid		UGX 80,000 per 1000 Sticks (mille) for locally manufactured Hinge Lid	Duty Free Sales & Exports
Cigars, cheroots and cigarillos containing tobacco		Ex-Factory price	200%	Duty Free Sales & Exports	
Smoking tobacco, whether or not containing tobacco substitutes in any proportion.		Ex-Factory price	200%	Duty Free Sales & Exports	

Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	INCOME TAXES			
	Homogenised or reconstituted tobacco	Ex-Factory price	200%	Duty Free Sales & Exports
	Other	Ex-Factory price	200%	Duty Free Sales & Exports
	Beer			- Duty Free Sales & Exports
	Malt beer	Ex-Factory price or Quantity sold	60% or shs.2050 per litre, whichever is higher	
	Beer produced from barley grown and malted in Uganda	Ex-Factory price or Quantity sold	30% or Shs.950 per litre, whichever is higher.	Beer produced from barley grown and malted in Uganda
	Opaque Beer	Ex-Factory price or Quantity sold	10% or Shs. 150 per litre, whichever is higher.	Opaque Beer
	Powder for reconstitution into beer	Quantity sold	Shs. 2500 per kg.	Powder for reconstitution into beer
	Any other alcoholic beverage locally produced	Ex-Factory price or Quantity sold	10% or Shs. 150 per litre, whichever is higher	Any other alcoholic beverage locally produced
Excise Duty	Spirits Un-denatured spirits made from locally produced raw materials;	Ex-Factory price or Quantity sold	60% or shs. 1500 per litre, whichever is higher;	Duty Free Sales & Exports
	Un-denatured spirits of alcoholic strength by volume of 80% or more made from imported raw materials;	Ex-Factory price or Quantity sold	100% or shs. 2500 per litre, whichever is higher;	Duty Free Sales & Exports
	Any other un-denatured spirits i) that are locally produced, of alcoholic strength by volume of less than 80%; or ii) that are imported, of alcoholic strength by volume of less than 80%	Ex-Factory price or Quantity sold	80% or shs. 1700 per litre, whichever is higher	Duty Free Sales & Exports
	Wines Wine made from locally produced raw materials	Ex-Factory price or Quantity sold	20% or UGX 2000 per litre whichever is higher	Duty Free Sales & Exports

	Other wines	Ex-Factory price or Quantity sold	100% or UGX 10,000 per litre whichever is higher	Duty Free Sales & Exports
	Non-alcoholic beverages			
	Non-alcoholic beverages not including fruit or vegetable juice.	Ex-Factory price or Quantity sold	12% or shs.250 per litre, whichever is higher	Duty Free Sales & Exports
	Fruit juice and vegetable juice, except juice made from at least 30% pulp or at least 30% juice by weight or volume of the total composition of the drink from fruits and vegetables locally grown.	Ex-Factory price or Quantity sold	10% or shs. 250 per litre, whichever is higher	Duty Free Sales & Exports
	Powder for reconstitution to make juice or dilute to taste drinks excluding pulp;	Ex- Factory price	15% of the value	Duty Free Sales & Exports
	Any other non-alcoholic beverage locally produced other than a beverage referred to in subparagraph (a) made out of fermented sugary tea solution with a combination of yeast and bacteria.	Ex-Factory price or Quantity sold	10% or shs. 150 per litre, whichever is higher	Duty Free Sales & Exports
	Drinking Water Mineral water, bottled water and other water purposely for drinking.	Ex-Factory price or Quantity sold	10% or shs. 50 per litre whichever is higher	Duty Free sales and exports
	Cement	Per 50kg bag	Shs.500 per 50kgs	Duty Free sales and exports
	Sugar Cane or beet sugar and chemically pure sucrose in solid form.	Quantity Sold	Shs. 100 per kg	Duty Free sales and exports

Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
		INCOME TAXES		
	Cane or beet sugar for industrial use	Ex-Factory price	0%	Duty Free sales and exports
	Plastic Plastic product and plastic granules;	Ex-Factory price or Quantity sold	2.5% or USD 70 /=- per ton, whichever is higher	
	Cosmetics & Perfumes Cosmetics and perfumes, except creams used by Albino in the treatment of their skin	Ex-Factory Price	10%	Duty Free sales and exports
	Telecommunication Services Airtime on mobile cellular, landlines and public pay phones	Fee charged;	12%	Diplomats (Claim through the tax refund system)
	Internet data,	Fee charged;	12%	Data for provision of medical services and education services
	Money transfer or withdrawal services, including transfers and withdrawal services by operators licensed or permitted to provide communications or money transfers or withdrawals but not including transfers and withdrawal services provided by banks	Fee charged;	15%	Diplomats (Claim through the tax refund system)
	Value added services	Fee charged;	12%	
	Mobile money transaction of withdrawals of cash	Value of the transaction	0.50%	Deposits

	Incoming international calls,	Minutes	USD 0.09 per minute	Calls from the Republic of Kenya, Burundi, United Republic of Tanzania, the Republic of Rwanda and the Republic of South Sudan.
	Payment Services Payment service of withdrawals of cash provided through a payment system.	Value of the transaction	0.5%	Withdrawal services provided by a financial institution or a micro finance deposit taking institution and through agent banking.
	Bank Charges Ledger fees, ATM fees, withdrawal fees, periodic charges and other transaction and non-transaction charges,	Fee charged;	15%	Loans or the equivalent under Islamic banking – related charges, periodically charged by a financial institution or micro finance deposit-taking institution.
	Lubricants Lubricants under HS codes 2710.19.51, 2710.19.52, 3403.19.00 and 3403.99.00 including motor vehicle lubricants.	Ex-Factory Price	15%	Aircraft lubricant.
	Sugar Confectionaries Sugar confectionaries; Chewing gum, sweets and chocolates	Nil		
	Cooking Oil	Quantity sold	Shs. 200 per litre	
	Furnitures Furniture manufactured in Uganda using local materials	Nil	Furniture which is assembled in Uganda.	
	Other furniture	Ex-Factory Price	20%	
	Registration Fees Motorcycles; at first registration		UGX 200,000	

Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	INCOME TAXES			
	Fermented Beverages	Ex-Factory price or Quantity sold	60% or shs 950 per litre whichever is higher	
	Any other fermented beverages made from imported cider, perry, mead, spears or near beer			
	Any other fermented beverages, including cider, perry, mead, or near beer produced from locally grown or produced raw materials.	Ex-Factory price or Quantity sold	30% or shs 550 per litre whichever is higher	
VAT	Selected Excise goods			
	Cigarettes, Beer, Soft drinks, Wines and Spirits , Bottled Water, Cement, Furniture, Cooking Oil, Sugar, Plastics, Cosmetics and Perfumes, Sugar Confectionaries, Fermented Beverages, Lubricants.	Ex-Factory price + Excise duty paid)	18%	The supply of petroleum fuels subject to excise duty, (motor spirit, kerosene and gas oil), spirit type jet fuel, kerosene type jet fuel and residual oils for use in thermal power generation to the national grid
	(a) a supply of goods or services where the goods or services are exported from Uganda as part of the supply;	Sales Value(Turnover)	0%	(c) the supply of financial services;
	(b) the supply of international transport of goods or passengers and tickets for their transport;			(d) the supply of - (i) health insurance services;
	(c) the supply of drugs, medicines and medical sundries manufactured in Uganda;			(ii) life insurance services;
	(d) the supply of educational materials;			(iii) micro insurance services;
				(iv) re-insurance services; and
				(v) aircraft insurance services.
				(g) the supply of education services;

(e) the supply of seeds, fertilisers, pesticides, and hoes;				(h) the supply of veterinary, medical, dental and nursing services;
(i) the supply of sanitary towels and tampons and inputs for their manufacture;				(i) the supply of social welfare services;
(k) the supply of leased aircraft, aircraft engines, spare parts for aircraft, aircraft maintenance equipment and repair services;				(j) the supply of betting, lotteries, and games of chance;
(l) the supply of cereals, where the cereals are grown and milled in Uganda; and				(n) the supply of passenger transportation services (other than Tour and Travel operators);
(m) the supply of handling services provided by the National Medical Stores in respect of medicines and other medical supplies, funded by donors.				(sa) the supply of crop extension services;
				(se) the supply of Agricultural Insurance Premium or Policy;
				(mm) the supply of services to conduct a feasibility study, design and construction to a developer of an industrial park or free zone whose investment is at least USD 50.0 million;
				(pp) supply of services to conduct a feasibility study and design; the supply of locally produced materials for the construction of a factory or a warehouse and the supply of locally produced raw materials and inputs or machinery or equipment, to an operator within an industrial park,

Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	INCOME TAXES			<p>free zone or any other person carrying on business outside the industrial park or free zone whose minimum investment capital is ten million United States Dollars in the case of a foreigner or three hundred thousand United States Dollars in case of a citizen; or one hundred fifty thousand United States Dollars, for a citizen whose investment is placed upcountry who uses at least seventy percent of the raw materials that are locally sourced, subject to their availability and at least seventy percent of the employees are citizens earning an aggregate wage of at least seventy percent of the total wage bill; and who —</p> <ul style="list-style-type: none"> (i) processes agricultural goods; (ii) manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobile, house hold appliances; (iii) manufactures furniture, pulp, paper, printing and publishing of instructional materials; (iv) establishes or operates vocational or technical institutes; (v) carries out business in logistics and ware housing, information technology or commercial farming; or (vi) manufactures tyres, (c) the supply of financial services; (d) the supply of - (i) health insurance services; (ii) life insurance services; (iii) micro insurance services; (iv) re-insurance services; and (v) aircraft insurance services. (g) the supply of education services;

				<ul style="list-style-type: none"> (h) the supply of veterinary, medical, dental and nursing services; (i) the supply of social welfare services; (j) the supply of betting, lotteries, and games of chance; (n) the supply of passenger transportation services (other than Tour and Travel operators); (sa) the supply of crop extension services; (se) the supply of Agricultural Insurance Premium or Policy; (mm) the supply of services to conduct a feasibility study, design and construction to a developer of an industrial park or free zone whose investment is at least USD 50.0 million; (pp) supply of services to conduct a feasibility study and design; the supply of locally produced materials for the construction of a factory or a warehouse and the supply of locally produced raw materials and inputs or machinery or equipment; to an operator within an industrial park, free zone or any other person carrying on business outside the industrial park or free zone whose minimum investment capital is ten million United States Dollars in the case of a foreigner or three hundred thousand United States Dollars in case of a citizen; or one hundred fifty thousand United States Dollars for a citizen whose investment is placed upcountry who uses at least seventy percent of the raw materials that are locally sourced, subject to their availability and at least seventy percent of the employees are citizens earning an aggregate wage of at least seventy percent of the total wage bill; and who — (i) processes agricultural goods; (ii) manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobile, house hold appliances; (iii) manufactures furniture, pulp, paper, printing and publishing of instructional materials;
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Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	INCOME TAXES			<p>(iv) establishes or operates vocational or technical institutes;</p> <p>(v) carries out business in logistics and ware housing, information technology or commercial farming; or</p> <p>(vi) manufactures tyres, footwear, mattresses or toothpaste.”</p> <p>(vii) manufactures chemicals for agricultural and industrial use, textiles, glassware, leather products, industrial machinery and electrical equipment.</p> <p>(qq) the supply of services to conduct a feasibility study, design and construction; the supply of locally produced materials for construction of premises, infrastructure, machinery and equipment or furnishings and fittings which are not available on the local market to a hotel or tourism facility developer whose investment capital is eight million United States Dollars with a room capacity exceeding one hundred guests;</p> <p>(rr) the supply of services to conduct a feasibility study, design and construction; the supply of locally produced materials for the construction of premises and other infrastructure, machinery and equipment or furnishings and fittings to a hospital facility developer whose investment capital is at least five million United States Dollars and who develops a hospital at the level of a national referral hospital with capacity to provide specialised medical care;</p> <p>(ss) the supply of movie production; ii) Zero Rated Supplies</p> <p>(c) the supply of financial services;</p> <p>(d) the supply of -</p> <p>(i) health insurance services;</p> <p>(ii) life insurance services;</p> <p>(iii) micro insurance services;</p> <p>(iv) re-insurance services; and</p> <p>(v) aircraft insurance services.</p>

				<p>(sa) the supply of crop extension services;</p> <p>(se) the supply of Agricultural Insurance Premium or Policy;</p> <p>(mm) the supply of services to conduct a feasibility study, design and construction to a developer of an industrial park or free zone whose investment is at least USD 50.0 million;</p> <p>(pp) supply of services to conduct a feasibility study and design; the supply of locally produced materials for the construction of a factory or a warehouse and the supply of locally produced raw materials and inputs or machinery or equipment; to an operator within an industrial park, free zone or any other person carrying on business outside the industrial park or free zone whose minimum investment capital is ten million United States Dollars in the case of a foreigner or three hundred thousand United States Dollars in case of a citizen; or one hundred fifty thousand United States Dollars, for a citizen whose investment is placed upcountry who uses at least seventy percent of the raw materials that are locally sourced, subject to their availability and at least seventy percent of the employees are citizens earning an aggregate wage of at least seventy percent of the total wage bill; and who</p> <p>—</p> <p>(i) processes agricultural goods;</p> <p>(ii) manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobile, house hold appliances;</p> <p>(iii) manufactures furniture, pulp, paper, printing and publishing of instructional materials;</p> <p>(iv) establishes or operates vocational or technical institutes;</p> <p>(v) carries out business in logistics and ware housing, information technology or commercial farming; or</p> <p>(vi) manufactures tyres, footwear, mattresses or toothpaste.”</p> <p>(vii) manufactures chemicals for agricultural and industrial use, textiles, glassware, leather products, industrial machinery and electrical equipment, sanitary pads and diapers</p>
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Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	INCOME TAXES			
VAT	Standard Rated Non Excisable Goods	Sales Values (Turnover)	18%	<p>(qq) the supply of services to conduct a feasibility study, design and construction; the supply of locally produced materials for construction of premises, infrastructure, machinery and equipment or furnishings and fittings which are not available on the local market to a hotel or tourism facility developer whose investment capital is eight million United States Dollars with a room capacity exceeding one hundred guests;</p> <p>(rr) the supply of services to conduct a feasibility study, design and construction; the supply of locally produced materials for the construction of premises and other infrastructure, machinery and equipment or furnishings and fittings to a hospital facility developer whose investment capital is at least five million United States Dollars and who develops a hospital at the level of a national referral hospital with capacity to provide specialised medical care;</p> <p>(ss) the supply of movie production.</p> <p>(a) the supply of livestock, unprocessed foodstuffs and unprocessed agricultural products, except wheat grain;</p> <p>(e) the supply of unimproved land;</p> <p>(f) a supply by way of sale, leasing or letting of immovable property, other than –</p> <p>(i) a sale, lease or letting of commercial premises;</p> <p>(ii) a sale, lease or letting for parking or storing cars or other vehicles;</p> <p>(iii) a sale, lease or letting of hotel or holiday accommodation;</p> <p>(iv) a sale, lease or letting for periods not exceeding three months; or</p> <p>(v) a sale, lease or letting of service apartments;</p>

				<p>(k) the supply of goods as part of the transfer of a business as a going concern by one taxable person to another taxable person;</p> <p>(m) the supply of precious metals and other valuables to the Bank of Uganda for the State Treasury;</p> <p>(q) the supply of dental, medical, and veterinary goods and for the purposes of this subparagraph "goods" means–</p> <p>(i) dental, medical and veterinary equipment;</p> <p>(ii) ambulances;</p> <p>(iii) contraceptives of all forms;</p> <p>(iv) maternity kits (mama kits);</p> <p>(v) medical examination gloves;</p> <p>(vi) medicated cotton wool;</p> <p>(vii) mosquito nets, a caricides, insecticides and mosquito repellent devices;</p> <p>(ix) disposable medical face masks and reusable face masks made of fabric;</p> <p>(x) medical boots;</p> <p>(xi) medical impermeable aprons/coverall suits;</p> <p>(xii) bouffant non-woven surgical cap;</p> <p>(xiii) protective goggles with indirect side ventilation;</p> <p>(xiv) infra-red thermometers;</p> <p>(xv) motorized fumigation pumps;</p> <p>(xvi) oxygen cylinders;</p> <p>(xvii) body bags;</p> <p>(xviii) biohazard bags;</p> <p>(xix) container, used sharps, leak proof;</p> <p>(xx) disinfectants or sanitisers;</p>
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Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	INCOME TAXES			<ul style="list-style-type: none"> (xxi) medical plastics or rubber gloves; (xxii) gas masks with mechanical parts; (xxiii) disposable hair nets; and (xxiv) paper bed-sheets. (qa) the supply of animal feeds and mixed components such as eggshells, feed additives, wheat bran, maize bran, premixes, concentrates and seed cake; (qaa) the supply of raw materials and inputs for the manufacture of the following— (i) disposable medical face masks and reusable face masks made of fabric; (ii) medical boots; (iii) medical impermeable aprons/coverall suits; (iv) cap, surgical, bouffant, non-woven; (v) goggles, protective, indirect side ventilation; (vi) infra-red thermometers; (vii) motorized fumigation pumps; (viii) oxygen cylinders; (ix) body bags; (x) biohazard bags; (xi) container, used sharps, leak proof; (xii) disinfectants; (xiii) medical plastics or rubber gloves; (xiv) gas masks with mechanical parts; (xv) disposable hair nets; and (xvi) paper bed-sheets.

				<ul style="list-style-type: none"> (s) the supply of machinery, tools and implements suitable for use only in agriculture, and for the purposes of this subparagraph, “machinery, tools and implements” means; (i) knapsack sprayers; (ii) ox ploughs; (iii) drinkers and feeders for chicken; (iv) agricultural tractors (including walking tractors); (v) disk harrows; (vi) cultivators; (vii) ploughs; (viii) weeders; (ix) seeders; (x) planters; (xi) subsoilers; (xii) seed drills; (xiii) threshers; (xiv) bale wrappers; (xv) milking machinery; (xvi) milk coolers; (xvii) maize mills; (xviii) wheat flour mills; (xix) homogenisers; (xx) dairy machinery; (xxi) grain cleaners and sorters; (xxii) feed grinders hatcheries; (xxiii) implements used for artificial insemination in (a) the supply of livestock, unprocessed foodstuffs and unprocessed agricultural products, except wheat grain;
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Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	INCOME TAXES			<p>(e) the supply of unimproved land;</p> <p>(f) a supply by way of sale, leasing or letting of immovable property, other than –</p> <p>(i) a sale, lease or letting of commercial premises;</p> <p>(ii) a sale, lease or letting for parking or storing cars or other vehicles;</p> <p>(iii) a sale, lease or letting of hotel or holiday accommodation;</p> <p>(iv) a sale, lease or letting for periods not exceeding three months; or</p> <p>(v) a sale, lease or letting of service apartments;</p> <p>(k) the supply of goods as part of the transfer of a business as a going concern by one taxable person to another taxable person;</p> <p>(m) the supply of precious metals and other valuables to the Bank of Uganda for the State Treasury;</p> <p>(q) the supply of dental, medical, and veterinary goods and for the purposes of this subparagraph “goods” means–</p> <p>(i) dental, medical and veterinary equipment;</p> <p>(ii) ambulances;</p> <p>(iii) contraceptives of all forms;</p> <p>(iv) maternity kits (mama kits);</p> <p>(v) medical examination gloves;</p> <p>(vi) medicated cotton wool;</p> <p>(vii) mosquito nets, a caricides, insecticides and mosquito repellent devices;</p>

				<p>(ix) disposable medical face masks and reusable face masks made of fabric;</p> <p>(x) medical boots;</p> <p>(xi) medical impermeable aprons/coverall suits;</p> <p>(xii) bouffant non-woven surgical cap;</p> <p>(xiii) protective goggles with indirect side ventilation;</p> <p>(xiv) infra-red thermometers;</p> <p>(xv) motorized fumigation pumps;</p> <p>(xvi) oxygen cylinders;</p> <p>(xvii) body bags;</p> <p>(xviii) biohazard bags;</p> <p>(xix) container, used sharps, leak proof;</p> <p>(xx) disinfectants or sanitisers;</p> <p>(xxi) medical plastics or rubber gloves;</p> <p>(xxii) gas masks with mechanical parts;</p> <p>(xxiii) disposable hair nets; and</p> <p>(xxiv) paper bed-sheets.</p> <p>(qaa) the supply of animal feeds and mixed components such as eggshells, feed additives, wheat bran, maize bran, premixes, concentrates and seed cake;</p> <p>(qaa) the supply of raw materials and inputs for the manufacture of the following—</p> <p>(i) disposable medical face masks and reusable face masks made of fabric;</p> <p>(ii) medical boots;</p> <p>(iii) medical impermeable aprons/coverall suits;</p> <p>(iv) cap, surgical, bouffant, non-woven;</p>
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Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	INCOME TAXES			<ul style="list-style-type: none"> (v) goggles, protective, indirect side ventilation; (vi) infra-red thermometers; (vii) motorized fumigation pumps; (viii) oxygen cylinders; (ix) body bags; (x) biohazard bags; (xi) container, used sharps, leak proof; (xii) disinfectants; (xiii) medical plastics or rubber gloves; (xiv) gas masks with mechanical parts; (xv) disposable hair nets; and (xvi) paper bed-sheets. (s) the supply of machinery, tools and implements suitable for use only in agriculture, and for the purposes of this subparagraph, "machinery, tools and implements" means; <ul style="list-style-type: none"> (i) knapsack sprayers; (ii) ox ploughs; (iii) drinkers and feeders for chicken; (iv) agricultural tractors (including walking tractors); (v) disk harrows; (vi) cultivators; (vii) ploughs; (viii) weeders; (ix) seeders;

				<ul style="list-style-type: none"> (x) planters; (xi) subsoilers; (xii) seed drills; (xiii) threshers; (xiv) bale wrappers; (xv) milking machinery; (xvi) milk coolers; (xvii) maize mills; (xviii) wheat flour mills; (xix) homogenisers; (xx) dairy machinery; (xxi) grain cleaners and sorters; (xxii) feed grinders hatcheries; (xxiii) implements used for artificial insemination in animals; (xxiv) hullers; (xxv) oil press; (xxvi) tillers; (xxvii) grain dryers; (xxviii) manure spreaders; (xxix) fertilizer distributor; (xxx) transplanters; (xxxi) juice presses and crushers; (xxxii) seed and grain shellers; (xxxiii) silage chopper machines; (xxxiv) color sorters for coffee; (xxxv) coffee roasters;
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Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	INCOME TAXES			<p>(xxxvi) rice mills;</p> <p>(xxxvii) agricultural sprayers.</p> <p>(xxxviii) trailer for agricultural purposes;</p> <p>(xxxix) combine harvesters;</p> <p>(xl) tractor mounted hay mowers, slashers, rakes and tedders; crop sprayers; hay and straw balers; tractor mounted hole diggers or borers; tractor mounted scrapers, levelling blades and dam scoops; root or tuber harvesting machinery; tractor mounted loaders; irrigation equipment; drinkers and feeders for all farm animals; tuber harvesting machinery.</p> <p>(sb) the supply of irrigation works, sprinklers and ready to use drip lines;</p> <p>(v) the supply of deep cycle batteries, composite lanterns, and raw materials for the manufacture of deep cycle batteries and composite lanterns;</p> <p>(t) the supply of photosensitive semiconductor devices, including photovoltaic devices, whether or not assembled in modules or made into panels; light emitting diodes; solar water heaters, solar refrigerators and solar cookers.</p> <p>(x) the supply of lifejackets, lifesaving gear, headgear and speed governors;</p> <p>(ll) the supply of Bibles and Qu'rans and text books;</p> <p>(nn) the supply of earth moving equipment and machinery for development of an industrial park or free zone to a developer of an industrial park or free zone whose investment is at least USD 50.0 million;</p>

				<p>(oo) the supply of construction materials for development of an industrial park or free zone to a developer of an industrial park or free zone whose investment is at least USD 50.0 million;</p> <p>(tt) the supply of wet processing operations and garmenting, cotton lint, artificial fibres for blending; polyester staple fibre, viscose rayon fibre yam other than cotton yarn, textile dyes and chemicals garment accessories, textile machinery spare parts, industrial consumables for textile production, textile manufacturing machinery and equipment;</p> <p>(uu) the supply of fabrics and garments made in Uganda by vertically integrated textile mills that operate spinning, weaving/knitting, wet processing operations and garmenting;</p> <p>(ww) the supply of billets for further value addition in Uganda;</p> <p>(aaa) the supply of imported drugs, medicines and medical sundries;</p> <p>(bbb) the supply of imported mathematical sets and geometry sets used in educational services;</p> <p>(ccc) the supply of woodworking machines;</p> <p>(ddd) the supply of welding machines and sewing machines;</p> <p>(eee) supply of imported crayons, colored pencils, lead pencils, rulers, erasers, stencils, technical drawing sets, educational computer tablets, educational computer applications or laboratory chemicals for teaching science subjects used in educational services.</p> <p>(jjj) the supply of processed milk;</p>
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Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
				(hhh) the supply of an electric vehicle locally manufactured or supply of frame and body of an electric vehicle locally fabricated;
				(sg) the supply of electric vehicle charging equipment or supply of charging services of an electric vehicle;
				(sh) the supply of cooking stoves, that use fuel ethanol, assembled in Uganda, up to 30th June, 2028;
	VAT on Services Standard Rated Service	Standard Value (Turnover)	18%	zz) the supply of services to conduct a feasibility study, design and construction, the supply of locally produced materials for the construction of premises and other infrastructure, machinery and equipment or furnishings or fittings for technical or vocational institute operators whose investment capital is at least USD 10.0 million in the case of a foreigner or one million United States Dollars in the case of a citizen;
				(dda) the supply of any goods and services to the contractors and subcontractors of hydro-electric power, solar power, geothermal power or bio gas and wind energy projects;
				(ggg) the supply of the following services —
				(i) software and equipment installation services to manufacturers;
				(ii) services incidental to tele-medical services; and
				(iii) royalties paid in respect of agricultural technologies;
				(hhh) the supply of accommodation in tourist hotels and lodges located up-country;
				(kkk) the supply of locally developed computer software, its maintenance and software licenses;

				(lll) the supply of services to conduct a feasibility study, design and construction; the supply of locally produced materials for construction of premises, infrastructure, machinery and equipment or furnishings and fittings which are not available on the local market to a hotel or tourism facility developer whose investment capital is eight million United States Dollars with a room capacity not exceeding 30 rooms; or to a meetings, incentives, conferences and exhibitions facility developer whose investment capital is not less than one million United States Dollars;
				(mmm) the supply of services to a manufacturer, other than a manufacturer referred to in subparagraph (pp) whose investment capital is at least thirty million United States Dollars for a foreign investor or United States Dollars five million for a local investor, to conduct a feasibility study or to undertake design and construction, or in the case of any other manufacturer, from the date on which the manufacturer makes an additional investment equivalent to thirty million United States Dollars for a foreign investor or five million United States Dollars for a local investor—
				(i) who has the capacity to use at least seventy percent of the raw materials that are locally sourced, subject to their availability; and
				(ii) who has the capacity to employ at least seventy percent of the employees that are citizens earning an aggregate wage of at least seventy percent of the total wage bill.
				(hhha) the supply of accommodation in tourist lodges and hotels inside a radius of 50 kilometers from the boundaries of Kampala, from 1st July, 2020 to 30th June, 2021;

Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	International Trade taxes			
Excise Duty	Fuel Motor spirit (gasoline)	Quantity (Litres) imported	UGX 1,550 per Litre	Sales to Diplomats and Embassies
	Gas oil (automotive, light, amber for high-speed engines)	Quantity (Litres) imported	UGX 1230 per Litre	Sales to Diplomats, Embassies and Bicycle Manufacturers, exemption due to power generation
	Other gas oils	Quantity (Litres) imported	UGX 630 per Litre	
	Gas oil for power generation to national grid			
	Gas oil for power generation to national grid	Quantity (Litres) imported	Nil	
	Illuminating kerosene.	Quantity (Litres) imported.	UGX 200 per Litre	
	Jet A1 and aviation fuel	Quantity (Litres) imported	UGX 630 per Litre	Jet A1 and aviation fuel imported by registered airlines, companies with designated storage facilities or with contracts to supply airlines.
	Jet A1 and aviation fuel imported by registered airlines, companies with designated storage facilities or with contracts to supply airlines.	Quantity (Litres) imported.	Nil	
	Sugar Cane or beet sugar and chemically pure sucrose in solid form	Quantity Imported	UGX. 100 per Kg	
	Cane or beet sugar for industrial use.	CIF Value	0%	Sugar imported for Industrial use.

Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions
	International Trade taxes			
	Spirits Any other un-denatured spirits that are imported of, alcoholic strength by volume of less than 80%.	Quantity Imported or CIF Value	80% or shs. 1700 per litre, whichever is higher;	
	Fermented Beverages Any other fermented beverages made from imported cider, perry, mead, spears or near beer	CIF Value or Quantity Imported	60% or shs 950 per litre whichever is higher	
	Lubricants Lubricants under HS codes 2710.19.51, 2710.19.52, 3403.19.00 and 3403.99.00 including motor vehicle lubricants,	CIF Value	15%	Aircraft lubricants.
	Imported Cement	Quantity Imported	UGX. 10 per kg	
VAT on Imports	Imports	CIF+ Import duty + Excise duty+ any applicable tax	0%; 18%	i) All exemptions under the EACCMA (5th Schedule) ii) All exemptions in the VAT ACT 1997 (2nd Schedule)
Import Duty	Imports	CIF Value	4% 10 or 6% 25% COMESA rates maintained, Major ones applicable resulting from Common external tariff 0%, 8%, 10%, 25% and above 25% for various sensitive items	All exemptions as per the EACMA and as Gaazette in the EAC Gazette for June 2024

Withholding Taxes	Imports	CIF value of Imports	6% Imports	i) Government Imports. ii) Importers with a certificate exempting them from 6% withholding tax. iii) Supply or importation of petroleum or petroleum products, including furnace oil, other than cosmetics and fabrics or yarn manufactured out of petroleum products; iv) Supply or importation of human or animal drugs v) Imported drugs, medicines and medical sundries vi) Supply or importation of scholastic materials for use only in educational institutions; vii) Importations by organizations within the definition of "exempt organization" in section 2(bb)(i)(B) viii) The supply or importation of raw materials
Temporary Road License	Foreign Vehicles entering Uganda	Per foreign Vehicle entering Uganda	US\$20	
Environment Levy on imported used goods	Environment Levy on imported used goods	CIF Value of Motor Vehicles aged 5 years from the date of manufacture and above excluding goods vehicles	35% for vehicles older than five years but less than ten years	Vehicles below 5 years from the date of manufacture
Tax Type	Description/ Category	Tax Base	Tax Rates	Exemptions

International Trade taxes				
Export Levies	Hides and Skins	Value of hides and skins (FOB)	50% for vehicles ten years and older 20%	Tractors and Earthmovers
	Fish	Quantity of Fish Exports (FOB)	Large Fish-0.05cents per Kg Small Pelagic Fish -0.02cents per Kg Industrial by-products from fish such as fish frames, fat, skin, off-cuts and fish oil-0.02cents per Kg	
	Fish Maw	Value of fish maw exported out of Uganda	8%	
	Raw Tobacco Exports	Quantity of Raw Tobacco Exports (FOB)	\$0.20 per Kg	
	Processed gold	Value per kilogram of processed gold exported out of Uganda.	5%	
	Unprocessed minerals	Value of the unprocessed minerals exported out of Uganda	10%	

14. CONCLUSION AND RECOMMENDATIONS

14.1 Conclusion

This report demonstrated the varied tax landscapes within the East African Community, including different macroeconomic pressure points and base levels of tax collection. It has been also shown that, progress is being made by all RAs in the EAC, including new and continuing administrative reforms which complement the tax policy reforms in each area.

Growth in revenues has continued to be strong across the region compared to previous year. However, tax-to-GDP ratios remained relatively weak. Burundi, Kenya and Rwanda in particular witnessed sharp falls in their tax-to-GDP ratios in FY 2023/24, and with exception of Burundi 17.0% all Partner States tax-to-GDP ratios remained significantly below the 15% tax-to-GDP ratio in 2023/24 which is seen internationally as the tipping point for accelerating economic growth. Intra-regional trade is growing, a desirable result of the trade facilitation efforts of the EAC. Reduced costs of tax compliance and import bureaucracies between countries have larger spillover effects on the economies within the bloc.

However, the analysis has also noted a number of recurring common challenges common to most of the revenue authorities. These include;

- Countries with a high proportion of goods cleared through the red channel tend to increase compliance more costl and time consuming to import/export within these countries compared to those that clear less goods through the red channel.
- Underfunding of the RAs is impacting growth in collection of revenues (implementing key reforms, administrative measures, etc.)
- Revenues Foregone through exemptions and tax deductions limit the country's ability to fund national budgets.
- Existence of smuggling and illicit trade as indicated by customs indicators.

14.2 Recommendations

The Revenue Authorities in East African regions introduced a number reform tax and admintrative reforms to boost revenue mobilization, some of which were unique to some Revenue Authorities. In line with the EAC's effort to harmonise tax administrations, practises and facilitate trade across the region, it is recommendedd that such reforms should be considered in our plans for implementations.

1. KRA introduced Electronic Tax Invoice Management System (eTIMS) to enhance compliance in receipt issuance. Other RAs in the region should consider adoption of eTIMS.
2. URA introduced digital strategy which provide instant services to taxpayers through seamless channels. The situation which encourage compliance and confidence to the authority.
3. Introduced 2% Income Tax on Sale of Minerals by Holders of Primary Mining License and Artisans Miners, as a measure to expand tax base and ensure the mining sector contribute optimally to government revenues. Othe RAs should consider adoption of these revenu enhancing measures that promote efficiency in revenue mobilization.
4. Continue to Enhance collaboration efforts with other Government agencies for data exchange, surveillance, sensitization, and enforcement to combat smuggling and illicit trade.
5. Strengthen domestic revenue collections, including investing in solutions for taxing the e-commerce/digitalized economy.
6. RAs should consider enhancing effective monitoring of revenue administrative efficiency by not only considering Tax to GDP ratio, but also put focus on revenue to budget, tax register frowth, audit recovery, objections Issues etc.

7. Facilitate taxpayer compliance by continuously investing in effective digital solutions. For example, the introduction of a variety of invoicing systems across the EAC (e.g. EBM in Rwanda, EFD in Tanzania, EFRIS in Uganda) has increased regional VAT compliance. Countries can learn from each other about how to refine these systems and where other improvements can be made.
8. Improve customs management for enhanced measures against tax evasion. This includes facilities similar to those implemented by TRA, such as the establishment of a state-of-art Customs Laboratories for accurate tariff classification, duties, and taxes, and Transit Monitoring Control Room to ensure efficient transit control and reinforce monitoring capabilities, along with other appropriate measures.

15. EARAS 2023/4 IN PICTURES

1. KRA Event Pictures



Mr Humphrey Mulongo Wattanga, the new KRA Commissioner General, takes oath of office at the Supreme Court on 24th August 2023



KRA Western Region staff serve taxpayers from the Mobile Taxpayer Unit bus in Bungoma, October 2023.



His Excellency President Dr William Ruto presents awards to distinguished taxpayers during the 2023 Taxpayers' Day in Mombasa – November 2023



US Ambassador to Kenya H.E Meg Whitman (2nd L) paid a courtesy call on Commissioner General Mr Humphrey Wattanga. Kenya and the US have reinforced their collaborative effort towards embracing digital innovation in taxation - October 2023



KRA Commissioner for Customs & Border Control Dr Lilian Nyawanda (3rd L) with a Tunisian delegation in Kenya for a field visit. The delegation comprised representatives of the Tunisia Ministry of Trade and Export Promotion, Tunisian Customs and the AfCTFA – November 2023.



KRA staff with a delegation from Botswana Unified Revenue Service (BURS) that was benchmarking on Digital Service Tax – July 2023



KRA Board of Directors led by Chairman Mr Anthony Mwaura watch Revenue Service Assistants as they march in July 2023.



Pupils of Kapsabet Highland Primary School during a visit to KRA Times Tower on an educational tour aimed at understanding KRA operations and the importance of paying taxes.

2. RRA Event Picture



RRA 21st Taxpayer Appreciation Day to acknowledge taxpayers for their contributions through compliance in tax payment. A group photo with best taxpayers at the national level on December 22 2023.



June 11, 2024, RRA officially welcomed the new CG and DCG and bid farewell to former CG



June 11, 2024, RRA officially welcomed the new DCG and bid farewell to former DCG. The outgoing leaders were saluted for their outstanding achievements throughout their tenure



On March 21st 2024 RRA Commissioner General and other senior officials launched a two-day taxpayer outreach program focused on unresolved tax-related issues. This took place across all RRA branches nationwide

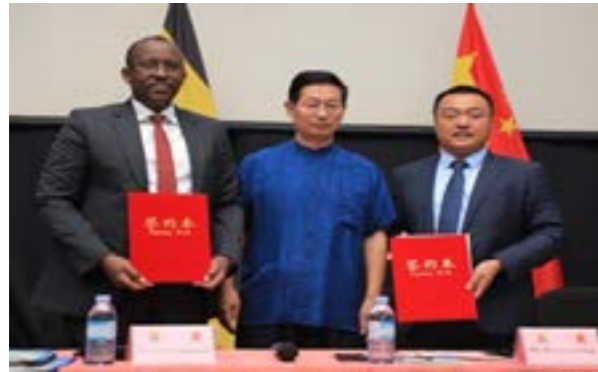


The 2nd Annual RRA research day hosted by RRA and ICTD took place on the 9th February 2024. Participants included RRA staff, public and private sector stakeholders, and RRA's research partners.



RRA and UNDP Rwanda signed an Agreement for "Tax for Sustainable Development Goals (SDGs)" on 2nd March, 2024 aimed at enhancing domestic resource mobilization.

3. Event Pictures In Uganda Revenue Authority



URA Launches the Chinese taxation handbook



URA engages a group of women traders on taxation



URA CG in collaboration with the Buganda Kingdom in empowering the Youth with Tax Knowledge



URA extends the tax gospel to Matatu Operators.



Uganda's Finance State Minister engaging locals of Koboko (Northern Uganda) on Tax matters.



URA engages Cross border traders on Smuggling



Delegations from HMRC (UK) during trained URA on the Automatic Exchange of Information.

4. Events in Burundi Revenue Office (OBR)



As part of the harmonization and cooperation of customs at the international level, OBR welcomed the Secretary General of the World Customs Organization (WCO), Mr. Kunio MIKURIYA, who paid a working visit to Burundi from 16 to 17 November 2023.



OBR hosted a delegation from the Korea Customs Service (KCS) led by Mr. Inseong Jeong, on April 12, 2024 As part of the partnership between the Burundi Revenue Office (OBR) and the Korea Customs Service.



CG - OBR launching the campaign of signing contracts with shop tenants in the markets built by the State and OBR.

CG OBR in a group picture with the Heads of Delegations of EARATC during the 97th EARATC meeting hosted by Office Burundais des Recettes in Bujumbura on 22nd – 26th July, 2024, at Kiriri Garden Hotel





HoD Kenya handing over EARATC Chairmanship to HoD Tanzania during the 97th EARATC meeting held in Bujumbura in July 2014



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