



# **GOVERNMENT REVENUE**

# NATIONAL JUNIOR CERTIFICATE COURSES

**LEARNER'S BOOK**





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## Acronyms and Abbreviations

<b>URA :</b>	Uganda Revenue Authority
<b>VAT :</b>	Value Added Tax
<b>TIN :</b>	Tax Identification Number
<b>PAYE :</b>	Pays As You Earn
<b>WHT :</b>	Withholding Tax
<b>CIF :</b>	Cost of Insurance and Freight
<b>CV :</b>	Customs Value
<b>NCDC:</b>	National Curriculum Development Centre
<b>MOES:</b>	Ministry of Education and Sports



## Foreword

National Curriculum Development Centre (NCDC), with support from Uganda Revenue Authority (URA,) has embarked on writing curriculum materials focused on Government Revenue. The initiative aims to enhance awareness of taxation and compliance within the workforce. The government emphasises providing knowledge, skills and work attitudes to improve service delivery and increase productivity among citizens.

Collecting taxes is fundamental for generating public revenue, which is crucial for financing investments in human capital, public infrastructure, and public services for citizens. Educating learners about government revenue equips them with the necessary knowledge and attitude towards taxation, helping to reduce tax evasion and avoidance. Thus, education on government revenue is a key tool to transform tax culture and increase voluntary compliance.

Uganda Revenue Authority has taken on the responsibility of developing syllabus content on Uganda revenue, to be integrated into all training programmes, starting at the junior certificate level. This will be implemented in Community Polytechnics, Vocational, and Technical Institutions, and Farm Schools.

With the daily establishment of new businesses and enterprises in the country, it is essential to require the knowledge and skills needed to anticipate and compute tax returns. Understanding why, how, and when to pay taxes will improve competitiveness, compliance, and the tax collection process.

This learner's book serves as a support document to simplify the teaching and learning of the related syllabus content, aligning with current labour market demands. It is learner-centred and competence-based, promoting creative thinking, innovation, and positive attitude towards tax revenue.

Emphasising government revenue is crucial achieving sustainable development through economic empowerment. As the Minister responsible for enhancing education in the country, I endorse this learner's book as the official material for trainees pursuing National Junior Certificate courses in Uganda.



Hon. Janet Kataaha Museveni

**First Lady and Minister for Education and Sports**



## Acknowledgements

National Curriculum Development Centre (NCDC) extends sincere appreciation to all panel members who contributed to writing the curriculum materials on Uganda Government Revenue at a Junior Certificate level.

Special thanks go to the management of Uganda Revenue Authority for the heartfelt financial support that enabled the various curriculum materials on Government Revenue to be written.

The consultants from URA are greatly applauded for their guidance provided during the development of this book. Special thanks go to each and every individual who worked behind the scenes to ensure successful completion of this book.

I am further indebted to the different Quality Assurance teams for their roles in ensuring that the quality of the Government Revenue curriculum materials matches the requirements of the revenue authority and Uganda's education standards.

Therefore, the National Curriculum Development Centre takes responsibility for any shortcomings identified in this learner's book and welcomes suggestions for effectively addressing any inadequacies. Such comments and suggestions may be communicated to NCDC at P.O. Box 7002 Kampala or by email at [admin@ncdc.go.ug](mailto:admin@ncdc.go.ug).



Dr Grace K. Baguma  
**DIRECTOR, NCDC**

## Preamble

Government revenue has been included as a necessary content in the curricula for all courses at the Junior Certificate level. It is merged with entrepreneurship skills and forms Sub-module 7 of this cross-cutting module to be done by all trainees of the different courses.

This book is, therefore, specifically designed for trainees studying Uganda Government Revenue at the Junior Certificate level of education. It is a support document intended to enable trainees to solve problems and do trial exercises about government revenue.

It introduces trainees to the meaning of Government revenue and taxation, the sources of government revenue uses of government revenue, and the types of taxes that are charged to individuals and businesses. The exercises given have been carefully designed with the aim of developing trainees the trainees' confidence in discussions, promoting wider reading, logical thinking, and practice in problem-solving. This is because as trainees prepare to join the world of work, they should know how and where government obtains what revenue, and what it is used for, and be prepared to comply with the tax requirements.

A teacher's guide has also been developed with suggested solutions and answers to the exercises in this book to enhance the instructor's knowledge during the facilitation of the teaching and learning process.

The training manual is another document that provides guidance on the facilitation during the orientation of trainers for Government revenue. It presents activities that engage participants with the teaching and learning methods that will be applied during the classroom training and assessment of trainees.

Instructors must, therefore, acquaint themselves with the details of all these documents before beginning the training sessions.

## 01. Introduction to Government Revenue



Keywords	Learning Outcomes
1) Revenue 2) Income 3) Tax	By the end of this sub-module, you should be able to: <ol style="list-style-type: none"> <li>i) identify the sources of government revenue.</li> <li>ii) explain the need for government revenue.</li> </ol>

### General Overview

This sub-module is mainly on basic concepts of Uganda government revenue. It covers introduction to taxation, tax administration, tax compliance, and calculation of basic taxes. It is intended to equip you with knowledge on government revenue with emphasis on taxation; and how to apply it in the world of work. It will enable you to appreciate the importance of government revenue and be tax-compliant for the smooth running of your individual businesses. This will further enable you to guide and sensitise the communities in which you will operate on the benefits of government revenue and the effects of not complying with the tax regulations.

Every eligible citizen has a duty to pay taxes to enable the government to acquire funds to provide public goods and services. Such revenue is obtained from various tax and non-tax sources. In this submodule, therefore, you will explore the meaning of government revenue, its sources, and the need for it.

### Meaning of Government Revenue

You might have seen situations where the government spends money to facilitate the improvement of the welfare of its citizens. The government spends on projects such as Education for All, Parish Development Model, Emyooga; construction of health centres, institutions, roads, etc. The money used by the government to do such projects is called government revenue.



## Activity 1.1: Understanding Government Revenue

In pairs, brainstorm and write a statement that clearly defines government revenue. After writing the statement, present it to the rest of the class.

## Sources of Government Revenue

Having explored the meaning of government revenue, you also need to identify where the government gets revenue from to facilitate the various public projects. The government gets revenue from three primary sources:

- a) Tax revenue
- b) Non-tax revenue
- c) Loans

### Tax Revenue

The government imposes a compulsory payment on individuals, organisations, property or services. These payments are known as taxes, and those who pay them are called taxpayers. The money collected from taxes is referred to as tax revenue. The government uses this tax revenue to finance national expenses.

### Mobile money business



Figure 1: Example of a business for tax revenue

### Non-tax revenue

Revenue raised from taxes is sometimes not enough for the government to meet its obligations. For example, in your community, business people pay licenses to operate their businesses, and others hire government buildings or land space, paying fees to the government in the process.

Therefore, apart from taxes, there are other sources of revenue that do not take the form of tax. These are referred to as non-tax revenue sources. Non-tax revenue include fees, fines, and earnings from government-owned enterprises.

## Loans

Just like individuals borrow money when they need it, the government too borrows money from both domestic and international sources to supplement the revenue collected from taxes and non-tax sources. The borrowed money becomes a loan that must be repaid at an agreed date with an agreed interest rate.



### Activity 1.2: Other Sources of Government Revenue

In groups of five, research on other sources of government revenue which are not tax and present your findings to the class for discussion.

## Uses of Government Revenue





In the previous section, you learned about various sources of government revenue. Understanding why the government needs this revenue is equally important. Government revenue is used to finance a range of essential expenditures, including:

- 1) Public Service: Collection of garbage, provision of national water and electricity.
- 2) Social Programmes: Grants and scholarships.
- 3) Employee Compensation: Payment of salaries for government workers.
- 4) Infrastructure Development: Construction of roads, railways, bridges, hospitals, training institutions and schools, and airfields.
- 5) Healthcare: Purchase of drugs, ambulances, and other medical supplies.
- 6) Education: Construction of schools, provision of scholarly materials and grants.

These expenditures are crucial for maintaining public health, safety, and development and for ensuring that the government effectively meets its responsibilities.



### Activity 1.3: Community Needs Assessment

In groups of five, move to the nearby communities, interact with the people there and find out from them the facilities that need government funding, the reasons why they think government should fund those facilities and make a report for presentation to class.

## Challenges in Raising Government Revenue

Collecting government revenue can present several challenges. For instance, revenue collectors may face difficulties such as businesses closing their operations to avoid tax inspections or individuals evading taxes by going into hiding. These issues can complicate efforts to ensure full compliance and effective revenue collection.





## Activity 1.4: Listening to Guest Speaker

- 1) Attend a presentation by an invited guest speaker on:
  - a) The challenges faced in government revenue collection.
  - b) Proposed solutions to address these challenges.

Prepare a report summarising the guest speaker's presentation, and present it to the class for further discussion.

## Summary of the Sub-Module

In this sub-module, you have learned about the meaning of government revenue, its sources, uses, and the challenges faced in its collection. You have also discussed solutions to these challenges. This knowledge will assist you in making informed business decisions related to taxation issues.

## 02. Introduction to Taxation



Keywords	Learning Outcomes
<ol style="list-style-type: none"> <li>1) Tax returns</li> <li>2) Tax rights</li> <li>3) Tax obligation</li> <li>4) Tax evasion</li> <li>5) Tax avoidance</li> </ol>	<p>By the end of this sub-module, you should be able to:</p> <ol style="list-style-type: none"> <li>i) identify the types of taxes.</li> <li>ii) explain the purpose of taxation</li> <li>iii) explain the rights and obligations of a taxpayer.</li> </ol>

## Overview

Taxes play an important role in generating government revenue, which enables governments to provide services and carry out projects that enhance community welfare.

Public projects such as hospitals, schools, roads, factories etc., can be constructed using revenue obtained through tax returns. It is therefore important that all eligible citizens pay taxes to support these projects and service initiatives.

In this sub-module, you will learn about the meaning of taxation, various types of taxes, and the rights and obligations of taxpayers.

## Meaning of Taxation

Just as you pay fees to a school or training institution to support its daily operations, citizens pay taxes to contribute to government revenue. The government uses these funds to support its activities and programmes, much like a school uses fees to meet its needs.



### Activity 2.1: Discussion and Presentation on Meaning of Taxation

In pairs, discuss the meaning of taxation and prepare a presentation to share with the class. Use the following sources for your research:

- Dictionary
- Websites
- Materials in print on taxation

## Classification of Taxes

There are two major types of taxes: direct and indirect.

### Direct Tax

Direct taxes are levied directly on individuals or entities and cannot be shifted to others. Examples include:

- 1) **Income Tax:** Paid on salaries, wages, allowances, and other sources of income. For instance, instructors, technicians, engineers, and nurses pay income tax based on their earnings.
- 2) **Property Tax:** Paid on properties such as land, houses, and vehicles. Individuals who own these assets are required to pay taxes on them.



#### Activity 2.2: Gathering Information about Direct Taxes

- a) Gathering information from credible sources:
  - i) Use websites, taxation handbooks, and textbooks to gather information about direct taxes.
  - ii) Give examples of direct taxes, such as income tax, property tax and corporate tax.
  - iii) Give both the advantages and disadvantages of direct taxes.
- b) Prepare a brief report summarising your findings and present them to the class.

### Types of Direct Tax



#### Activity 2.3: Explain five types of direct taxes charged in Uganda.

There are various types of direct taxes paid by individuals in your communities as indicated below. Copy and complete the table below by giving explanation to each of the types of taxes.

No.	Types of direct tax	Explanation
1.	individual income tax	
2.	corporation tax	
3.	capital gains tax	
4.	rental tax	
5.	withholding tax	

## Advantages and disadvantages of direct taxes

Direct taxes have a number of advantages and disadvantages.



### Activity 2.4: Discuss the Advantages and disadvantages

Using library and other sources conduct research on the advantages and disadvantages of direct taxes. Submit your findings to the instructor.

## Indirect Tax



Figure 2 (a): Define Indirect tax



Figure 2 (b): Tax shifts from seller to buyer

## Definition

Indirect tax is a tax imposed on goods and services and can be shifted by the seller of such goods or services to the buyer. Look at figure 2(b) above which shows goods being sold. In this way, the seller includes the tax in the price paid by the buyer. In this way, the tax is indirectly paid by the buyer of those goods/services.

Examples of indirect taxes include sales tax and value-added tax (VAT).



### Activity 2.5: Understanding Indirect Taxes

In groups, discuss the meaning and give reasons for indirect taxes. Present your findings to the class.

## Examples of indirect taxes

There are several taxes that are paid by customers when they buy goods and services.



### Activity 2.6: Completing the Table

Complete the table below by giving an example of indirect taxes in column 2 which corresponds to the given explanation in column 3.

S/N	Examples of Indirect tax	Explanation
1.		Tax levied on selected goods and services which may be locally produced.
2.		Tax imposed on goods when they are transported across international border. Is customs duty a direct or indirect tax?
3.		Tax imposed at each stage of production of a good from initial production to the point of sale
4.	<b>Value Added Tax</b>	

### Example of value addition



#### Raw coffee beans being dried after harvest

- No value addition at this point.
- The farmer is exempt from VAT.
- He uses inputs to produce raw coffee beans.



#### Roasted coffee beans at a coffee factory:

- The coffee factory adds value to the coffee beans by roasting them.
- The coffee factory pays VAT.





### Ground coffee packed for sale

- a) The grinding and packing are value-addition processes
- b) The coffee factory pays VAT.

### Retrieved on:

<https://www.istockphoto.com/search/2/image?alloweduse=availableforalluses&mediatype=photography&phrase=coffee%20bag&page=2>

### Advantages and Disadvantages of Indirect Taxes

Indirect taxes have both advantages and disadvantages. The following activity will help you identify and understand the advantages and disadvantages of Indirect taxes.



### Activity 2.7: Advantages and Disadvantages of Indirect Taxes

In groups, discuss the advantages and disadvantages of indirect taxes. Summarise your findings and present them to the class.

### Rights of a Taxpayer

A right is an entitlement to have or to do something. Fundamental human rights include the right to health, education, shelter, safety, food, and clothing. Similarly, taxpayers have specific rights they are entitled to while fulfilling their tax obligations.

### Understanding Taxpayer's Rights

Simon completed his Uganda Community Polytechnic Certificate in Building Construction and Concrete Practice. He inherited his father's workshop of concrete products, which produces blocks, culverts, and pavers.

A tax officer from the Local Government approached Simon to pay tax as his obligation, for which Simon requested to know his rights as a taxpayer. Guide Simon on his rights as a taxpayer.



## Activity 2.8: Taxpayer's Rights

Choose a suitable tax right from the following list to match the explanation given in the table.

- a) facilitation of tax compliance
- b) confidentiality
- c) accountability
- d) objections and appeals
- e) equity
- f) prior notices
- g) tax refunds

No.	Tax Right	Explanation
6.		The tax laws and procedures must be applied regularly and all affairs be handled with fairness by the authority.
7.		The taxpayer's tax information must be kept secret and only used in accordance with the tax laws.
8.		The taxpayer and his authorized agent(s) should be provided with clear, and timely information to facilitate tax compliance.
9.		The taxpayer's tax complaints must be attended in accordance with the relevant laws and procedures.
10.		The taxpayer's tax account must be promptly updated for the tax paid. It is the obligation of the tax authority to maintain an updated database of your tax records.
11.		Where tax compensation should be processed within the given time limit.

## Obligations of a Taxpayer

Taxpayers have several obligations that they must fulfil during employment or business activities. Some of the key obligations are outlined in the table below:



### Activity 2.9: Tax Payer's Obligations

Carry out research on the following tax obligations and complete the table below.

Tax obligations	Explanation
Registration	
Filing Returns and Entries	
Tax Payments	
Cooperation with Authority	

### Summary of the Sub-Module

In this sub-module, you have learned the meaning of taxation, the different types of taxes, and the rights and obligations of a taxpayer. This knowledge will help you understand the taxes charged on the goods or services you want to trade in.

## 03. Tax Administration in Uganda



Keywords	Learning Outcomes
1) Tax administration 2) Stakeholders 3) Administrative structure 4) Uganda Revenue Authority 5) Local government authorities	By the end of this sub-module, you should be able to: <ol style="list-style-type: none"> <li>i) explain the role of Uganda Revenue Authority in the administration of taxes.</li> <li>ii) identify the challenges faced in tax administration in Uganda.</li> <li>iii) suggest solutions to the challenges faced in tax administration.</li> </ol>

### Overview

In your communities, various activities generate income for people, such as retail shops, wholesale trade, markets, and many other businesses that manufacture goods and provide services. These businesses pay taxes to specific bodies responsible for collecting and receiving these taxes.

In this sub-module, you should be able to explain the meaning of tax administration, the stakeholders involved in taxation, and the challenges face in tax administration in Uganda.



### Activity 3.1: Tax Collection and Utilisation Field Study

#### Instructions:

- i) Conduct a field study in nearby markets and or shops in your community.
- ii) Find out who is responsible for collecting taxes.
- iii) Find out how the collected money is utilised.
- iv) Make notes of your findings.
- v) Prepare to discuss your notes and findings in class.

From your field study, you may have observed that some businesses pay taxes to Uganda Revenue Authority (URA), while others to the Local Government Administration. The entities responsible for assessing, collecting, enforcing, accounting for the collected funds, and sensitising the public on taxes are called tax administrators. URA administers taxes on behalf of the central government, whereas the Local Government Authorities collect local government taxes from within municipalities, counties, and divisions. These taxes enhance the financial autonomy of local governments, allowing them to address the unique needs and preferences of their communities.

## Meaning of Tax Administration



### Activity 3.2: Explain Tax Administration

In groups, brainstorm on the meaning of Tax Administration and make classroom presentation of the meanings obtained.

The collection and delivery of revenue for the government and the communities is a critical role of tax administrators. Tax Administration involves the identification, assessment, registration, and education of taxpayers, as well as collection, enforcement, policy advisory, and accountability of tax revenue. Local Government Authorities, such as districts, town councils, city councils, and municipalities, are responsible for collecting local government revenue. They collect taxes and duties like property tax, local service tax, signpost fees, trading licences, and market dues for use in the provision of public goods and services at the local government level.

## Key Stakeholders in Tax Administration

Various individuals and departments within institutions play multiple roles and contribute to their operations. These stakeholders include learners, parents, the board of governors, the local and central government, and the community. They have an interest in the institution's operation and can either affect or be affected by its performance. Therefore, for an institution to operate effectively, it should collaborate with different partners to achieve its set goals.



### Activity 3.3: Roles played by different stakeholders in tax administration

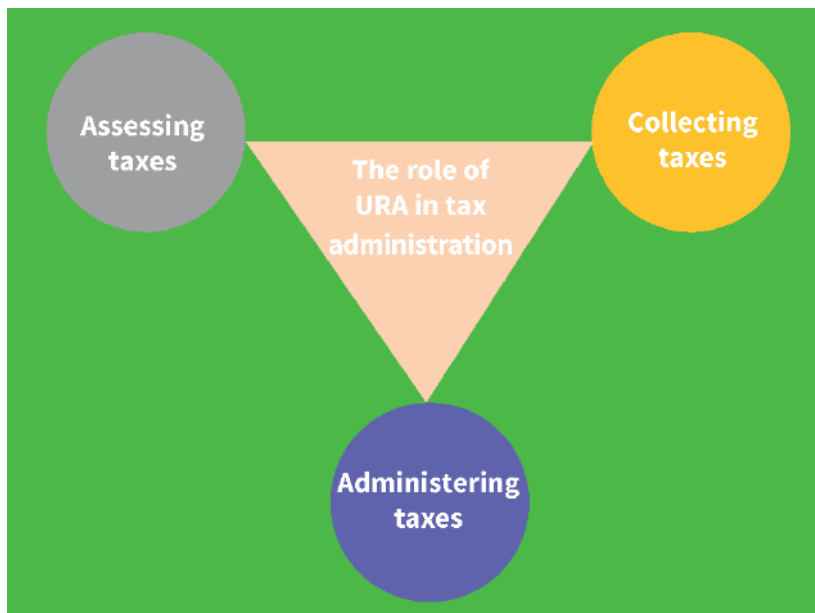
Carefully study the following list of stakeholders to tax administration and use it to complete the given table below.

- The parliament
- Taxpayers
- Bank of Uganda
- Ministry of Finance, Planning and Economic Development
- Local Government Authorities
- Uganda Revenue Authority
- Courts of law

Key Stakeholders in Tax Administration	Role
.....	Is responsible for making tax laws in Uganda.
..... .....	Is the Ministry in charge of policy changes related to taxation in Uganda, such as tax incentives, tax exemptions, new taxes, and tax rates?
..... .....	Plays a role in managing taxes in cities, town councils, municipalities, and districts in our communities
.....	Pay taxes to tax administrators
..... .....	Is responsible for administering taxes on behalf of the central government of Uganda
..... .....	Settle disputes between taxpayers and Uganda Revenue Authority.
..... .....	Consolidates tax revenue collected by all other banks into the consolidated account.



## Roles of URA in Tax Administration



Uganda Revenue Authority (URA) is charged with the responsibilities of assessing, collecting and administering taxes.



### Activity 3.4: Understanding the Roles of URA

In groups, use internet or library resources to explain the roles of URA as depicted in the figure above.

## Role of Local Government in Administering Dues

In your community, you might have noticed officials from district, municipal or town councils mobilising and sensitising community members to pay taxes. Local government play a crucial role in enhancing revenue collection at the local level by collecting dues on various operations, such as rates, royalties, stamp duties, licences, registration, and ground rent.

## Challenges Faced by URA in Tax Administration

You will notice that school administrators find challenges in collecting school fees from students for various reasons in the same, tax administrators experience challenges during tax collection. Such challenges include:



### Activity 3.5: Challenges Faced by URA in Tax Administration

- 1) Discuss in your groups what you think are the challenges URA faces in administering taxes.
- 2) Suggest possible solutions to the challenges noted above and make classroom presentations for discussion.

## Solutions to the Challenges Faced in Tax Administration

Despite the numerous challenges faced by Uganda Revenue Authority in tax administration, there are solutions that can be applied to mitigate these problems.



### Activity 3.6: Solutions to the Challenges Faced in Tax Administration

Use internet, library resources or any other sources of information to research on the solutions to the challenges faced by URA in tax administration and make class discussion of the answers.

## Summary

In this sub-module, you have covered the meaning of tax administration, the roles of the different key stakeholders in tax administration, the challenges encountered in administering taxes, and the possible solutions to the challenges. This will prepare the learners to reflect on what they can experience in case they chance to work in the office of tax administration.

## 04. Tax Compliance



Keywords	Learning outcomes
1) Tax compliance	By the end of this sub-module, you should be able to:
2) Registration	i) explain tax compliance.
3) Filing	ii) identify the elements of tax compliance.
4) Declaration	iii) acknowledge the benefits of tax compliance.
5) Evasion	iv) analyse the effects of non-tax compliance.
	v) suggest ways of enhancing tax compliance.
	vi) make on-line tax registration.

### Introduction

Just as your institution has specific rules and regulations to ensure a smooth and an orderly environment—such as wearing school uniforms, attending lessons and assemblies, participating in assessments, and maintaining cleanliness—taxpayers are also required to follow rules set by URA. These rules and regulations are designed to promote tax compliance and ensure fairness in the tax system. Non-compliance with these tax laws can result in penalties. This sub-module will introduce you to the concepts of compliance, including its meaning, key elements, and benefits. Additionally, you will cover the effects of non-compliance and examine measures for improving adherence to tax laws.

**Activity 4.1: Exploring Compliance Measures**

- Visit your local government revenue officer and find out the strategies and procedures applied to ensure tax compliance by the taxpayers.
- Write down the findings and present to the class.

**Meaning of Tax Compliance**

Just as you are expected to follow the rules and regulations set by your teachers at school, taxpayers are also required to comply with the tax laws set by the government. Tax compliance involves meeting all tax obligations, such as accurately reporting income, paying taxes on time, and following all relevant regulations. This ensures that individuals and businesses contribute to government revenue to support the provision of government goods and services.

**Activity 4.2: Meaning of Tax Compliance**

In small groups, brainstorm the meaning of tax compliance. Write on a flipchart and share with the class for further discussion.

**Elements of Tax Compliance**

Specific procedures must be followed each time you return to school, such as registration, payment of school fees, clearing with the bursar, etc., before going to class. In the same way, processes must be followed when paying taxes.

**Activity 4.3: Understanding the Elements of Tax Compliance**

Study the information in the following table carefully. Fill in the gaps with appropriate terms from the list provided. Every term should match the explanation given.

**Terms:**

- Recordkeeping
- Registration
- Payment of Tax
- Filing Tax Returns/Declaration

Term	Explanation
	The process of obtaining individual's or company's details on a taxpayer's register so as to get a Tax Identification Number.
	Provides information about the business for tax purposes.
	The process of submitting all tax documents to Uganda Revenue Authority that report income, expenses, and other relevant financial information in a given format within a specified period.
	A taxpayer is required to pay tax liabilities by the due dates of filing the respective returns to avoid fines.

## Registration for Tax



Retrieved from  
<https://www.google.com/search>

Whenever a business is started, there are tax responsibilities the owner needs to know. The fundamental initial stage in administering taxes is taxpayer registration. This involves knowing which taxes apply to your business in order to register for them so as to get the Tax Identification Number (TIN).



### Activity 4.4: Acquisition of a Tax Identification Number

#### **In groups:**

- a) Discuss the importance of acquiring a Tax Identification Number (TIN) in Uganda
- b) Using a mobile smart phone, computer, or printed form, demonstrate how to register for a TIN.

## Filing tax Returns/Declaration



Retrieved from  
<https://www.thegrowthoffice.com/blog/how-to-file-tax-returns-in-uganda-ura/>

As a taxpayer, you will be required to fill a form with a tax authority on which you will state your incomes, expenses, and other tax related information. This will help you and the tax official to calculate effectively the tax amount you are to pay in a given period of time, usually a year.

This process is referred to as filing tax returns or declaration. A taxpayer who fails to file a tax return can be penalised.



### Activity: 4.5: How to filing Tax Returns

Record the business tax returns information provided by your instructor on a printed form or use a computer or smart phone and demonstrate the process to the entire class.

## Tax Payment



Retrieved from  
<https://www.google.com/search?>

Usually learners are required by the school administration to pay tuition fees to facilitate their training. The due date within which learners have to pay the tuition fees is normally set. Similarly, URA requires eligible taxpayers to clear their taxes by a set date of filing the respective returns to avoid being fined.

Paying taxes involves generating a payment slip to enable the taxpayer to pay to the authorised tax officials. Sometimes such payment slips can be obtained from the URA website.





### Activity 4.6: Online Tax Payment

Lubega wants to pay tax for his business, but he is ignorant about online payment systems. As a learner who has been trained in government revenue demonstrate to the class how you would assist Lubega in making his tax payment using a computer or smart phone.

### Recordkeeping

Whenever you pay any school dues, whether in the bank or at the bursar's office, you receive a message on your phone from the bank, or a receipt that shows the amount paid. These messages or documents must be kept well for future use as evidence in case someone needs verification of the payments made. The act of maintaining such information in a safe way is called recordkeeping. There are various documents used to record this information.



### Activity 4.7: Gathering Information on Recordkeeping

- a) In groups of five, research on the source documents used in keeping business records.
- b) Prepare a brief presentation to share information obtained with the rest of the class.

### Benefits of Tax Compliance to a Business/Individual

Individuals, businesses, and organisations that effectively pay their taxes can receive several benefits from the government to enhance their well-being.

**Activity 4.8: Benefits of Tax Compliance**

Atim has been operating a hardware shop in Kitgum Municipality for the last five years. She has been a committed taxpayer, meeting all her tax obligations on time. Her business has become popular in the region for due to her compliance and goodwill. Atim now enjoys support from the government and favourable credit from her suppliers who trust her business practices. Last year, her business paid off when she received a prestigious tax clearance from URA, opening doors for more opportunities.

- a) In small groups, discuss the benefits of tax compliance that Atim has experienced. Each group will present their findings on the importance of being a compliant taxpayer.
- b) Carry out research to discover additional benefits of tax compliance for businesses. Be prepared to share your findings with the class.

**Effects of Non-tax Compliance**

In your institution, you may have observed that some learners struggle to pay fees and meet other requirements for various reasons. Often, these learners are unable to attend classes, access school library, or utilise other school facilities. Frequently, they are sent home to collect the necessary fees from their parents or guardians. Similar things also exist in the administration of taxes.

This situation mirrors the challenges faced in tax administration. Just as learners who do not comply with fee payments face restrictions, businesses and individuals who fail to meet their tax obligations can encounter significant consequences. Understanding these parallels can help us appreciate the importance of compliance in both educational and financial settings.

## Examples of the effects of Non-Tax Compliance



Retrieved from  
<https://www.google.com/search?q=images+of+non-tax+compliance&client>

In taxation, when an individual or a business fails to pay taxes, there are a number of challenges that will be faced. Non-tax compliance has negative effects on the economy and the welfare of the citizens. One of the effects is low government revenue which can lead to poor economic developments.



Business man arrested for smuggling goods  
 Retrieved from

People can be arrested for dealing in business with the intention of avoiding to pay taxes. The goods dealt in can be confiscated by law enforcement officers.



Shop closed for not paying tax  
 Retrieved from

Shops of those avoiding to pay tax can be closed and business suspended.

**Activity 4.9: More Effects of Non-Tax Compliance**

In small groups explore more effects of non-tax compliance. Prepare a creative presentation using a skit, infographic, or poster to share your group insights with the class. Be sure to include real-life examples or case studies to illustrate your points.

## Measures for Improving Tax Compliance

Improving tax compliance involves implementing strategies that encourage taxpayers to comply with the tax laws and fulfil their tax obligations accurately and on time. One of the most effective approaches is to simplify tax compliance process while enhancing enforcement and building trust in government institutions. URA has adopted several measures to improve tax compliance.

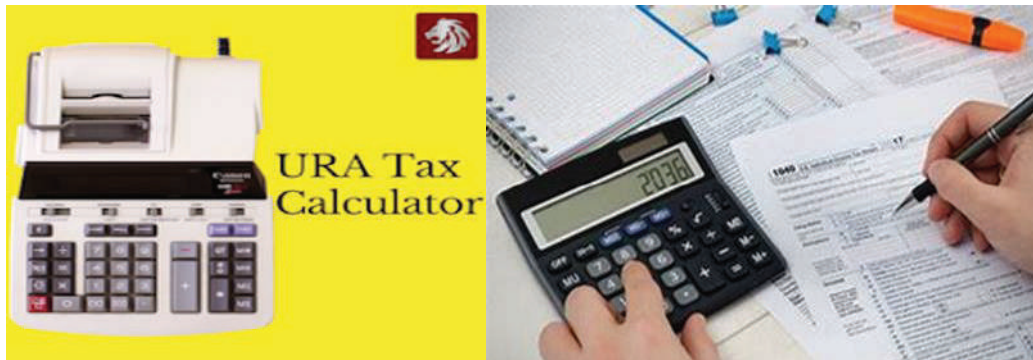
**Activity 4.10: Guest Speaker Session on Improving Tax Compliance**

- Attend the session with the invited guest speaker from the tax office, who will share valuable information on measures to improve tax compliance.
- Pay close attention to the presentation, taking notes of key points, examples and any specific measures discussed.
- Prepare questions regarding any points or topics that are unclear. After the discussion, ask the guest speaker for clarification or other information.
- After the session, review your notes and summarise the main takeaways. Consider how these insights can be applied to promote better tax compliance in your community.

### Summary

The submodule introduced you to the meaning of tax compliance, its elements, the benefits of tax compliance to a business or individual, the effects of non-tax compliance, and measures for improving tax compliance. This knowledge will enable you to be a tax-abiding citizen and avoid the repercussions of non-tax compliance.

## 05.Computation of Basic Taxes



Keywords	Learning Outcomes
<ol style="list-style-type: none"> <li>1) Gross income</li> <li>2) Chargeable income</li> <li>3) Threshold</li> <li>4) Tax payable</li> <li>5) Value-added tax (VAT)</li> </ol>	<p>By the end of this sub-module, you should be able to:</p> <ol style="list-style-type: none"> <li>i) keep individual and business records necessary for the computation of taxes.</li> <li>ii) apply URA tax schedules in the calculation of basic taxes.</li> <li>iii) calculate basic taxes payable.</li> </ol>

### Introduction

Tax computation is increasingly becoming an essential responsibility for taxpayers due to the shift in tax determination from tax authorities to both tax collector and taxpayer themselves. Tax authorities (URA or Local Government) now provide tax assessment tools, including physical or electronic forms, to assist taxpayers who engage in self-assessment, file tax returns, and make tax payments.

While some taxpayers may find it challenging to calculate their taxes independently, it is important for them to understand how their tax obligations are determined. Taxes can arise in various situations, such as when individuals receive salaries (PAYE), make or receive taxable goods (VAT or Withholding Tax), or collect rent from properties (Rental Income Tax).

In this sub-module, you will learn how to calculate individual employment taxes and small business taxes, equipping you with the knowledge to understand your tax responsibilities effectively.

## Terms Used in Tax Computation



### Activity 5.1: Common terms in tax computation

Read the terms in the table below and research their meanings as used in taxation.

Terms	Explanation
A person	
Gross income	
Exempt income	
Year of income	
Chargeable income	
Tax threshold	
Value-added tax (VAT)	
Taxable goods	
Employment	

## Individual Incomes

Income tax paid by individuals is based on the individual's sources of income as defined in the table below:

### Illustration

Mukulu is employed by ROKO Construction Ltd. but also has a business as indicated below:



### Employment income

- i) As an employee of ROKO Construction Company Ltd., Mukulu earns a monthly salary of **Sh3,600,000**.





## Business income

- ii) Mukulu runs a hardware shop in Kumi town where he makes average sales of Sh15,000,000 per month.

You can calculate Mukulu's total payable tax using the two sources of income indicated above.

### Calculation of Employment Income: Pay As You Earn (PAYE)

#### Requirements for the calculation of employment tax:

- 1) Income Tax Act (most recent) and URA handbook (revised).
- 2) A calculator
- 3) Earnings from employment by the taxpayer – both cash and non-cash benefits
- 4) Table containing the income tax brackets and tax rates.

#### Tax Brackets for PAYE

In order to calculate the PAYE, you need to understand and interpret the PAYE tax brackets and rates provided by URA in the table below:

#### Current income tax brackets for computation of PAYE

No.	Monthly Income Tax Brackets	Tax Rate
1.	Not more than Sh235,000	Nil
2.	More than Sh235,000 but not more than Sh335,000	10% of the amount by which taxable income is more than Sh235,000
3.	More than Sh335,000 but not more than Sh410,000	Sh10,000 plus 20% of the amount by which taxable income is more than Sh335,000

4.	More than Sh410,000	<p>a) Sh25,000 plus 30% of the amount by which taxable income is more than Sh410,000</p> <p>b) Where the taxable income of an individual is more than Sh10,000,000, an additional 10% is taxed on the amount by which taxable income exceeds Sh10,000,000.</p>
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*Adapted from URA Handbook 2021/2022*

Study the example of Namitala, who is employed as a nurse, and answer the questions that follow.



### Activity 5.2: Calculation of Pay as You Earn

Namitala works in Doho Health Centre IV where she earns Sh800,000 per month.



- How much does Namitala earn in a year?
- In which tax bracket does her salary fall?
- How much PAYE does she pay to URA per month?

### Procedure for computing employment income tax

- 1) Compute Gross Income from employment.
- 2) Deduct exempt or non-taxable income, if any.
- 3) Identify the Income Tax bracket in which the chargeable income falls.
- 4) Deduct the tax threshold as indicated in the tax bracket to get taxable income.
- 5) Apply the tax rate as indicated in the tax bracket on the taxable income.
- 6) Add the fixed amount as indicated in the tax bracket to get the Tax Payable to URA.
- 7) Compute the Net Pay payable to the employee by the employer.



## Activity 5.3: Calculating Individual Income Taxes

Lucy earns a monthly salary of Sh1,500,000. Calculate the following:

a) Taxable Income	Formula (Gross Salary – Threshold)
b) Tax Payable	Formula (Taxable Income x 30%) + Fixed Pay
c) Net Pay	Formula: Gross Pay – Tax Payable

## Concept of Small Businesses in Taxation

The concept of small businesses in taxation applies to businesses that make sales of about 27,500 shillings per day or between 10,000,000 and 150,000,000 shillings in a year. It was introduced in Uganda to simplify the process for low-income taxpayers when preparing basic books of accounts. In the past, this often required hiring a professional accountant, which could be expensive and beyond the ability of many small business owners to pay. By streamlining these requirements, the aim is to make tax compliance more accessible and manageable for all businesses.

### Small Business Taxpayer

For income tax purposes, a small business taxpayer is one whose gross sales from all businesses owned by such a person in a year is more than **10 MILLION** shillings but does not exceed **150 MILLION** shillings.



## Activity 5.4: Tax obligations of small businesses

- Discuss the tax obligations of small businesses and the types of taxes they may be required to pay.
- Use the internet to gather information about small business taxpayers and their income tax responsibilities. Take notes on key points and present your findings to the class for discussion.

## Presumptive Tax

A presumptive tax is normally charged by Uganda Revenue Authority to operators of small businesses.



### Activity 5.5: What is presumptive tax?

Use Internet or textbooks to find the meaning of presumptive tax.

## Presumptive Income Tax Rates for Small Businesses

To calculate presumptive income tax for small businesses, refer to the schedule provided by URA. This schedule outlines the applicable tax brackets and rates.

No	Gross sales per annum	Tax payable	
		With records	Without records
1	More than Shs 10 million but not more than Shs 30 million	0.4% of the amount by which annual gross sales are more than 10 million	Sh80,000
2	More than Shs 30 million but not more than Shs 50 million	Shs 80,000 plus 0.5% of the amount by which annual gross sales are more than Shs 30 million	Sh200,000
3	More than Shs 50 million but not more than Shs 80 million	Shs 180,000 plus 0.6% of the amount by which annual gross sales are more than Shs 50 million	Sh400,000
4	More than Shs 80 million but not more than Shs 150 million	Shs 360,000 plus 0.7% of the amount by which annual gross sales are more than Shs 80 million	Shs 900,000

*Adapted from URA handbook 2021/2022*



### Activity 5.6: Calculation of presumptive tax

- a) Jorem and Sons Groceries made annual sales of Shs 42,000,000.  
 i) Using the formula:

**Tax Payable = (Annual Gross Sales – Threshold) x Rate + Fixed Amount** Calculate the presumptive tax to be paid by Jorem and Sons Groceries.

## Assignment

This assignment is designed to help you practise calculating presumptive income tax using all applicable brackets.

Traders in Kumi Municipality have received guidance from URA officials on maintaining their sales records for tax purposes. They have compiled their sales data and need your assistance to calculate the presumptive income taxes they owe to URA for the financial year 2022/2023.



**JB Retailers:** Annual Sales Shs 122 million

**Presumptive Income Tax:**



**Adeke Cosmetics:** Annual Sales Shs 64 million

**Presumptive Income Tax:**

.....



**HOMECARE (U):** Annual Sales Shs 22 million

**Presumptive Income Tax:**

.....



**Market Vender (A):** Annual Sales Shs 3 million

**Presumptive Income Tax:**

## Summary

In this sub-module, you have learned how to calculate employment tax (PAYE) and the basic business tax so that you can calculate your own taxes and avoid being overtaxed by local tax collectors.

## 06. International Trade Taxes



Keywords	Learning Outcomes
<ol style="list-style-type: none"> <li>1) Imports</li> <li>2) Exports</li> <li>3) Customs duty</li> <li>4) Customs valuation</li> <li>5) Import duty</li> <li>6) Export duty</li> <li>7) Capital goods</li> <li>8) Consumer goods</li> </ol>	<p>By the end of this sub-module, you should be able to:</p> <ol style="list-style-type: none"> <li>a) explain the meaning if international trade.</li> <li>b) categorise goods in international trade for tax purposes.</li> <li>c) calculate import and export duties.</li> </ol>

### Introduction

Countries depend on one another for goods and services that they cannot produce, produce or produce at cost-effective. Consequently, they engage in international trade to cover the gaps for such goods/services. By so doing, they generate revenue that can be taxed.



This sub-module therefore aims to equip you with knowledge about international trade taxes and the essential skills needed to calculate some simple taxes related to international trade.

## Meaning, advantages, and disadvantages of International Trade

Whereas countries can obtain what they can't produce by engaging in international trade, there are advantages and disadvantages encountered in such trade. It is important therefore important to know the meaning of international trade, its importance and challenges



### Activity 6.1: Meaning, Advantages and Disadvantages of International trade

In groups, research the:

- Meaning of International trade.
- Advantages of exporting goods to other countries.
- Disadvantages of importing goods from other countries.
- Make presentation of your answers to the rest of the class and compare your answers for improvement.

## Categories of Goods in International Trade for Tax Purposes

Goods range from raw materials to already finished products. For tax purposes, these goods are classified as Consumer goods, Capital goods, Raw materials, Semi-processed goods, Intermediary goods, and Finished goods.



### Activity 6.2: Meaning of the different categories of goods

State the meaning of each of the following categories of goods

Category of goods	Meaning
Consumer goods	
Capital goods	
Raw materials	
Semi-processed goods	
Intermediary goods	
Finished goods	

## Calculation of International Trade Taxes

### Import Duty Rates

Import duty rates are set according to the category of goods to be taxed. URA provides the following rates for calculating import duties:

- i) 0% for raw materials and goods that are not manufactured in the East African Community like chemicals and machinery.
- ii) 10% for intermediate goods or semi-processed goods used in the manufacturing process.
- iii) 25% for complete and finished goods.
- iv) 35% for imported goods that are easily accessed within the East African Community.

### Other tax rates

- i) 18% Value Added Tax (VAT)
- ii) 6% Withholding Tax (WHT)
- iii) 1.5% Infrastructure Levy

### Customs value

Before calculating import duty, you need to obtain the customs value of the imported goods at the port of entry such as Mombasa and Dar-es-Salam.

The customs value consists of the following:

- 1) Cost of goods at the country of origin (C)
- 2) Insurance of goods (I)
- 3) Freight, i.e., the cost of transporting goods either by water or land (F)

Thus, these 3 customs values are abbreviated as **CIF**.

### How to calculate customs value

$$CV = C + I + F$$

Where:

CV = Customs Value

C = Cost

I = Insurance, and

F = Freight

**NB:** The freight of goods that are transported by air is not included in the calculation of customs value.

### Example 1:

Mandela Auto Spares Ltd. imported motor vehicle tyres from Japan at the following costs:

- |   |              |
|---|--------------|
| a. Cost of the motor vehicle tyres                | = US\$ 1,000 |
| b. Insurance for the consignment                  | = US\$ 15    |
| c. Shipping Costs (Freight) from Japan to Mombasa | = US\$ 30    |

Calculate the customs value of the tyres for tax purposes at an exchange rate of Shs 3,850 per dollar.

### Workings

#### Step 1:

#### Convert US\$ to Uganda shillings:

- |  |   |
|--|---|
| a. Cost of the motor vehicle tyres     | = US\$ 1,000 x Shs 3,850 = Shs 3,850,000= |
| b. Insurance for the consignment       | = US\$ 15 x Shs 3,850 = Shs 5,775=        |
| c. Shipping Costs (Freight) from Japan | = US\$ 30 x Shs 3,850 = Shs 115,500=      |

#### Step 2: Calculate customs value

#### Formula:

$$CV = C + I + F$$

#### Substitution:

**Customs value** = Shs 3,850,000 + Shs 5,775 + Shs 115,500 = Shs **3,971,275**

## Calculation of Import Duties

The following taxes are paid when goods are imported into Uganda:

- (a) Import Duty
- (b) Value Added Tax (VAT)
- (c) Withholding Tax (WHT)
- (d) Infrastructure Development Levy (Inf. Levy)

Thus, Total Import Duties = (Import Duty + VAT + WHT+ Inf. Levy).

### Example 2:

Rider Construction Company imported Ceramic Tiles from Taiwan with a CIF Value of US\$6,000 and Import Duty rate of 25%. Other taxes payable were VAT at 18%, WHT at 6%, and Infrastructure levy at 1.5%.

Given an exchange rate of **Shs 3,850** per dollar, calculate the import duty.

**Workings:**

**Step 1:**

Convert US\$ to Uganda shillings

$$\text{CIF} = \text{US\$ } 6,000 \times \text{Shs } 3,850 = 23,100,000$$

**Step 2:**

Calculate using Shs

**Formula:**

$$\text{Import Duty} = \text{Customs Value} \times \text{Import Rate}$$

Where:

- Customs Value = CIF Value = Shs 23,100,000
- Import Duty Rate = 25%

**Substitution:**

$$\text{Import Duty} = \text{Shs } 23,100,000 \times 25\% = \text{Shs } \underline{\underline{5,775,000}}$$



**Activity 6.3 Import Duty**

Calculate the following:

- 1) Blue Appliances Ltd. imported electrical materials from Britain with a CIF value of US\$8,000. The company paid import duty at a rate of 25%. Other taxes payable included VAT at 18%, WHT at 6% and an infrastructure levy of 1.5%.

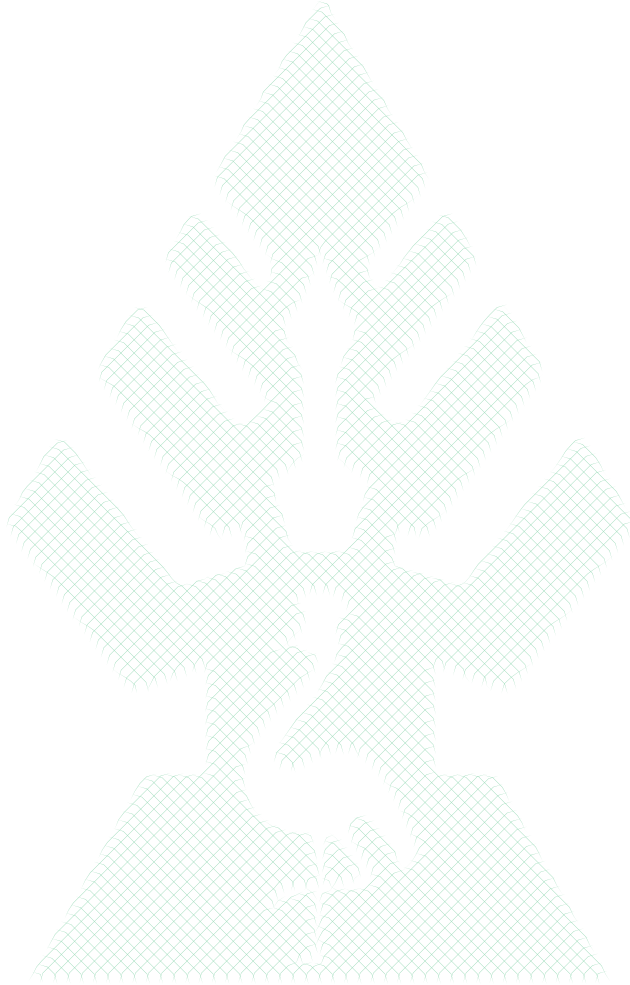
Using the exchange rate of Shs 3,850 per US dollar, calculate the import duties in Uganda shillings.

**Summary**

This sub-module introduced you to international trade so that you are prepared to carry out business across borders. You have learned the categories of goods in international trade for tax purposes and how to calculate the import duties involved.

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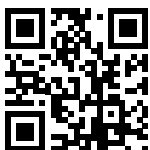
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