



# **GOVERNMENT REVENUE**

## NATIONAL JUNIOR CERTIFICATE COURSES

**TEACHER'S BOOK**





**GOVERNMENT REVENUE**  
NATIONAL JUNIOR  
CERTIFICATE COURSES

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**FIRST EDITION**

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## Acronyms and Abbreviations

<b>BTVET:</b>	Business, Technical and Vocational Education and Training
<b>CIF:</b>	Cost, Insurance, and Freight
<b>CV:</b>	Customs Value
<b>ICT:</b>	Information Communications Technology
<b>MoES:</b>	Ministry of Education and Sports
<b>NCDCC:</b>	National Curriculum Development Centre
<b>PAYE:</b>	Pay As You Earn
<b>PEAP:</b>	Poverty Eradication Action Plan
<b>TIN:</b>	Tax Identification Number
<b>UK:</b>	United Kingdom
<b>URA:</b>	Uganda Revenue Authority
<b>USA:</b>	United States of America
<b>VAT:</b>	Value Added Tax
<b>WHT:</b>	Withholding Tax

## Foreword

The National Curriculum Development Centre (NCDC), with support from the Uganda Revenue Authority (URA) embarked on writing curriculum materials for Government Revenue to improve awareness of taxation for compliance in the world of work. Government emphasis has been placed on the provision of knowledge, skills and work attitudes for a majority of Ugandans to improve service delivery and increase the productivity of the citizens.

Collecting taxes is therefore a fundamental way for the country to generate public revenue that makes it possible to finance investments in human capital, public infrastructure, and provision of public services for citizens. By educating learners about government revenue, they will be equipped with the knowledge and attitude towards taxation, and through such efforts as “greening” tax systems; fighting tax evasion and avoidance will be reduced. Thus, education on government revenue is a key tool to transform tax culture and increase voluntary compliance.

The Uganda Revenue Authority, therefore, took up the responsibility to facilitate the development of syllabus content on Uganda revenue to be incorporated in all training programmes, starting with the Junior Certificate level. This programme will be done by all learners in Community Polytechnics, Vocational and Technical Institutions, as well as Farm Schools.

The increasing business demands and enterprises established daily in the country require the acquisition of knowledge and skills to anticipate and compute how much one shall pay as a tax return. Making it understandable why one should pay taxes, how and when to pay them will help to improve competitiveness, compliance, and ease of the tax collection process.

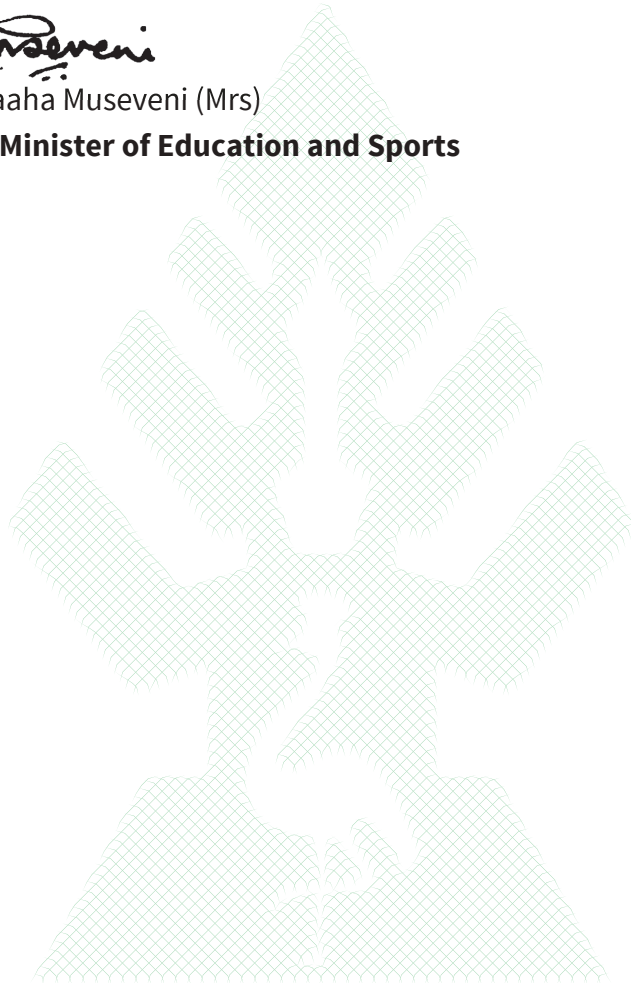
This learner’s book is therefore a support document to simplify teaching and learning of the related syllabus content premised on the current labour market demands. It is learner-centred and competence-based, designed to promote creative thinking, innovation, and a positive attitude towards tax revenue.

Government revenue is thus emphasized because it is one of the ways to support the achievement of sustainable development through economic empowerment. As the minister responsible for the enhancement of education in the country, I endorse this Teacher's Guide as an official material to be used by trainees pursuing National Junior Certificate courses in Uganda.



Hon. Janet Kataaha Museveni (Mrs)

**First Lady and Minister of Education and Sports**



## Acknowledgements

The National Curriculum Development Centre (NCDC) extends sincere appreciation to the management of Uganda Revenue Authority (URA) for the financial support that enabled the writing of various curriculum materials on Government Revenue at the Junior Certificate level. The consultants from URA are greatly applauded for the guidance provided during the development of these materials.

Special thanks go to all panel members who participated in the writing and fine-tuning processes, the Quality Assurance teams for the role played in ensuring the quality of the Government Revenue curriculum materials, and every individual who worked behind the scenes to ensure the successful completion of the activities.

The National Curriculum Development Centre therefore takes responsibility for any shortcomings that might be identified in this Teacher's Guide and welcomes suggestions for effectively addressing any inadequacies that may be sighted. Such comments and suggestions may be communicated to NCDC through P.O Box 7002 Kampala or email: [admin@ncdc.go.ug](mailto:admin@ncdc.go.ug).

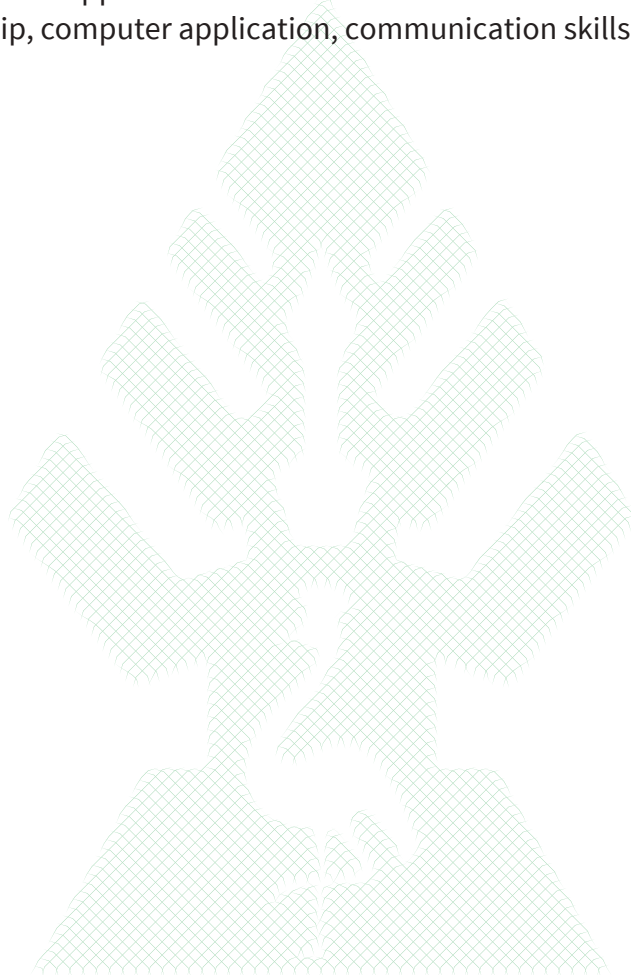


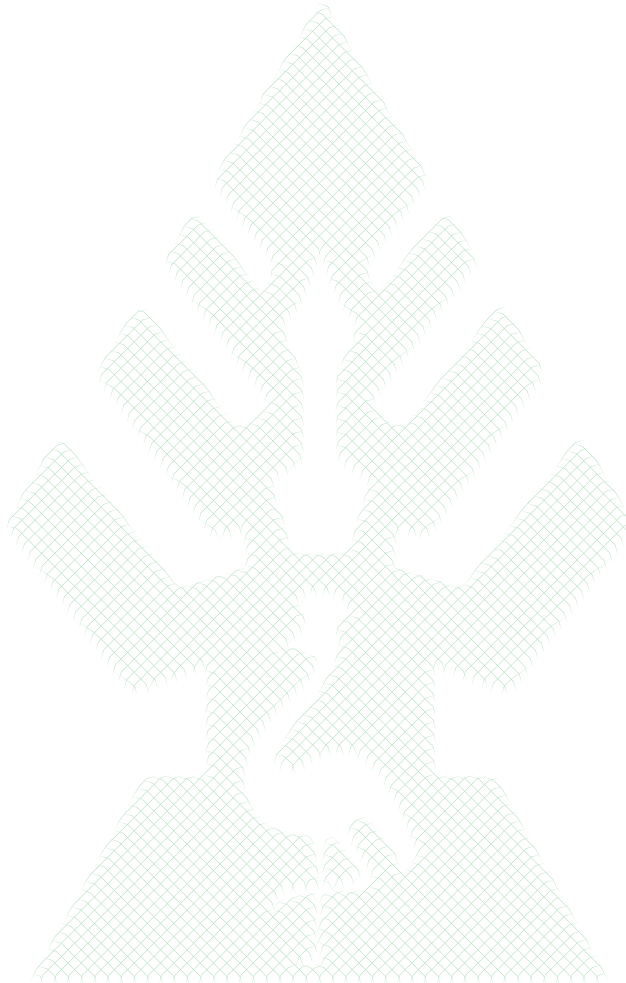
Dr Grace K. Baguma  
**DIRECTOR, NCDC**



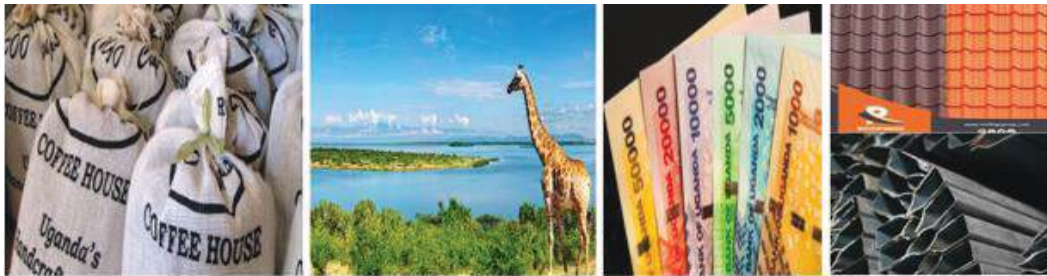
## How to Use this Teacher's Guide

This Guide is for the Government Revenue curriculum indicated as Sub-module 7 of Basic Entrepreneurship Skills module. It should be used alongside that curriculum material, the Learner's book, and the Assessment Guidelines for Government Revenue. During internship, supervisors should also guide trainees on the support modules to enable them enhance skills in entrepreneurship, computer application, communication skills, and collection of taxes.





## 1.0 Introduction to Government Revenue



Keywords	Learning Outcomes
1) revenue 2) income 3) tax	<b>By the end of this sub-module, the learner should be able to:</b> <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

The sub-module tackles basic concepts of Uganda Government revenue, packaged into five components: Introduction to Government Revenue; Introduction to Taxation; Tax Administration; Tax Compliance; and Calculation of Basic Taxes. It is intended to equip trainees with basic knowledge of government revenue on taxation and its application in the world of work. Trainees will appreciate the importance of government revenue and become tax-compliant citizens when they enter the world of work.

This will further enable them to guide and sensitize the communities in which they operate, on the benefits of government revenues and the effects of non-tax compliance.

This sub-module shall help the learner to know the importance of government revenue in supporting development projects and programmes to improve the country's socioeconomic conditions. The government gets revenue from tax and other non-tax sources, so the learner needs to know that every eligible citizen has to pay tax so that the government can provide public goods and services to people.

The teacher will guide the learner to explore the meaning, sources, and uses of government revenue, the challenges faced when collecting this revenue, and the possible solutions to such challenges. The learner should be able to understand the effects of tax compliance and non-tax compliance. He/she will also be guided to apply the acquired knowledge and skills in the world of work, such as calculating some of the basic taxes.

## Meaning of Government Revenue

Ask the learner to share their experiences on things done by the government in their communities. For instance, they may have observed situations where market dues are collected, road tolls paid, tax on mobile money transactions, and taxes charged on transportation of animals such as cattle from one place to another. They could have also witnessed money being spent to facilitate improvement in the welfare of citizens such as the Parish Development Model (PMD), Youths' development schemes, *Bona Bagagawale*, *Emyooga*, and other Poverty Eradication Action Plans (PEAPs); or the construction of markets, roads, railway lines, training institutions, health units, and schools in their communities. Endeavour to make the learner understand that such money is government revenue collection from tax and non-tax sources.

**Hint:** *By allowing the learners to share their experiences, you will establish how much each learner knows about government revenue. Such experiences may be in the form of stories learners have heard in their communities, things they have seen or heard on the radio, watched on television, heard from elders, etc.*



### Activity 1.1: Understanding Government Revenue

Divide learners into pairs and ask them to brainstorm and generate a statement that best defines government revenue. Let them make classroom presentations.

## TEACHER INSTRUCTIONS

- i) Ask learners to brainstorm the meaning of government revenue, write down each meaning, and allow them to analyse their answers to come up with the most appropriate one.
- ii) Encourage all learners to participate and share ideas.
- iii) Encourage learners to build on one another's ideas to help them enhance their critical thinking skills.
- iv) Provide the learners with a better meaning of government revenue.

## Teaching and learning methods

- 1) Brainstorming
- 2) Collaboration
- 3) Discussion
- 4) Group work
- 5) Probing questions and answers
- 6) Research

## Teaching and Learning Resources

- 1) Dictionary
- 2) Textbooks
- 3) Flip charts/writing board
- 4) Markers/chalk
- 5) URA taxation handbook
- 6) Internet source

**Skills:** Collaboration, communication, problem-solving, critical thinking, research, analysis

**Values:** Patience, respect, unity, teamwork, and positive attitude towards work

## Assessment Strategy

- i) Observe learners as they brainstorm the meaning of government revenue to appreciate their contributions, patience with one another, and critical thinking skills.
- ii) Ask probing questions to assess the learners' communication and problem-solving skills. This will encourage critical thinking and make them comprehend the concepts further.

## Expected Definition

Government revenue is the money received by the government from taxes and non-tax sources to enable it to undertake expenditure on public goods and services.

**Note: Revenue** is the total amount of income received by the government from taxes, customs duties, state-owned enterprises, capital revenues, and foreign aid.

**Income** is personal or organisational total earnings or profits obtained by offering a service or business operations.

## Sources of Government Revenue

Having guided learners to understand the concept of government revenue, let them explore how the government obtains revenue to facilitate public expenditures.

They should also know that government gets revenue from three main sources namely:

- a) Taxes
- b) Non-tax
- c) Loans

## Definition of Tax

A tax is a compulsory charge of money imposed on an individual by the government, organisation, property, or service for public purposes. The money collected is used to finance the national budget such as paying salaries of government workers, building roads, constructing hospitals and training institutes, financing government projects such as the PDM, etc.



## Non-Tax Revenue

Sometimes the revenue raised from taxes is too little for the government to meet its obligations. There are thus, other sources of revenue that are not in the form of tax. In your community, for instance, traders pay licenses to operate their businesses or to drive on the road. Others rent government buildings or land space to operate from, and also functional fees from government-sponsored students. They all contribute to government revenue and are referred to as non-tax revenue sources.

## Loans

Just as individuals borrow when they need money, the government also borrows money from within and outside the country to supplement its revenue collected from taxes and non-tax sources. The borrowed money becomes a loan to be paid back at the agreed date and interest rate.

## Teacher Preparation

**Either:** Collect many photographs showing different sources of government revenue (from newspapers or magazines) to supplement those in the learner's book.

### Mobile money business



Figure 1: Example of a business for Tax revenue

**Or:** prepare a video clip of the different sources of revenue in Uganda, to allow a deeper understanding of where the government gets revenue.

## TEACHER INSTRUCTIONS

- i) Make arrangements for all learners to access the photographs you have collected by photocopying; in case the learner's book does not provide enough for reference.
- ii) Group learners into manageable groups depending on the class size.
- iii) Let them study the photographs, discuss, and take note of their observations for classroom presentation.
- iv) Instruct learners to watch a video on the different sources of government revenue and make notes.
- v) Guide them to follow the instructions given in the activity task given in the syllabus.
- vi) Let them present their findings and encourage them to critique each other to develop their communication skills.

## Teaching and Learning Methods

- 1) Group discussion
- 2) Video clips
- 3) Use of pictures depicting the source of government revenue

## Teaching and Learning Resources

- 1) Photographs
- 2) Learner's book on government revenue
- 3) Video clips on taxation
- 4) URA handbook on taxation

**Skills:** Teamwork, critical thinking, analytical, problem solving, listening, communication

**Values:** Hard work, patience, respect for others, and unity

## Assessment strategy

1. Observe learners as they work in groups to evaluate their problem-solving, analysis, and teamwork skills. Take note of the exhibition of values and how well they cooperate with the tasks.
2. Let them appoint a group leader who should ensure every learner in the group participates in the discussions and presentations.
3. Ask probing questions to encourage critical thinking and give feedback.




## Activity 1.2: Other Sources of Government Revenue other than Tax

Divide learners into small groups and give them assignments to research on other sources of Government Revenue and present their findings to the plenary for discussion.

### Possible Solutions to Activity 1.2

#### Other Sources of Government Revenue / Non-Tax Revenues

No.	Source	Explanation
01.	<b>Fees</b>	These are standard payments set by law for individuals or organisations to pay before or after accessing and using a government facility or service. Examples include; school fees, motor vehicle/motorcycle registration fees, road license fees, business registration fees, court fees, passport fees, etc.
02.	<b>Proceeds from National Lotteries</b>	 <p><i>Figure1: Lotteries and Betting Centres</i></p> <p>This is revenue levied by the government on casinos, gaming, betting, and gambling activities, usually done by selling tickets issued by the national lottery.</p>

03.	<b>Earnings from government enterprises</b>	This is revenue in terms of profits generated by the government from the sale of goods or provision of services from its enterprises.
04.	<b>Road and bridge tolls</b>	These are revenues collected from users of roads and bridges to enable the government to maintain these facilities.
05.	<b>Grants</b>	They are non-compulsory transfers received by government or government units from international organizations and other development partners/countries like the United Kingdom (UK), the United States of America (USA), China, France, among others. Such funds are development and they do not attract interest or require paying back.
06.	<b>Rent and property rates</b>	These are periodical charges by the government on commercial buildings, market use, use of government land, etc.

## TEACHER INSTRUCTIONS

- i) Make sure that all learners have access to the activity by photocopying or writing on a board or flip chart.
- ii) Facilitate learners to understand the instructions in the activity, taking care of learners with special needs.
- iii) Ask learners to discuss, analyse, and record their findings in their notebooks.
- iv) Let learners present their findings and encourage them to critique each other to allow the development of communication skills.
- v) other to develop their communication skills.

## Teaching and Learning Methods

- 1) Group discussion
- 2) Research

## Teaching and Learning Resources

- 1) Fees receipts
- 2) Licenses
- 3) Business certificates
- 4) Driving permits

**Skills:** Teamwork, critical thinking, communication

**Values:** Hard work, respect for others, unity

## Assessment Strategy

- 1) Observe learners as they work in pairs to evaluate their problem solving, analysis and team working skills; take note of their values and how well they respond to each other's participation.
- 2) Converse with learners as they present while asking probing questions to encourage critical thinking and give feedback.

## Classification of Taxes

Broadcasting fees	Employment income	Petroleum license fees
Rental income	Income on business	

## Non-taxes

Donations	Road usage fees	Fee for police services
Passport fees	Water supply fees	Driving permit fee

## Uses of Government Revenue



### Introduction

After learners have identified the sources of government revenue, they should also know what the revenue collected is used for. In many cases people refuse to contribute to government revenue because they do not understand how it is used. But learners should be made aware that government needs money to build and maintain public goods such as bridges, roads, railway lines, health centres, schools and training institutions, district offices, air fields, public toilets, give grants to government institutes, pay salaries to government workers, and fund government projects.





## Activity 13: Community Needs Assessment

Assign learners to move in groups of 5 to different areas within the nearby communities, and find out from people the issues that need government funding and the reasons for such facilities.

**Learners present their findings from the field study to the class for sharing and discussion.**

## Teacher Preparation

- 1) Identify and visit the area in the community where the activity will take place.
- 2) Inform the school administration about the field trip.
- 3) Organise introduction letters.
- 4) Prepare the learners for the field visit ahead of time.
- 5) Guide learners to develop an interview guide to be used in the field study.
- 6) Guide learners to prepare the tools that may be needed such as identity cards, cameras, recorders, notebooks, pens, etc.

## TEACHER INSTRUCTIONS

- i) Guide learners to move to the nearby community.
- ii) Ask learners to follow the instructions given in the activity task.
- iii) Guide learners to interact with the people in the community asking probing questions following the interview guide they developed and record their findings.
- iv) Use mobile phones, cameras, and recorders to record their interfaces with the communities. This can be viewed in class for learners to reflect and critique.
- v) Let each learner present the findings from the field study for the class to critique and make corrections.

### Teaching and Learning Methods

- 1) Field study
- 2) Group discussions
- 3) Research
- 4) Presentations

### Teaching and Learning Resources

- 1) Interview guide
- 2) Introduction letters
- 3) Mobile phones with camera and recording apps
- 4) Notebooks and pens

**Skills:** Teamwork, analytical, questioning techniques, listening, research, observation

**Values:** Cooperation, respect, patience, social responsibility

### Assessment Strategy

- 1) Observe the learners' cooperation as they design questions for the field study.
- 2) Observe how learners demonstrate respect and patience as they interact with the community.
- 3) Take note of the way learners demonstrate social responsibility among themselves and to the community
- 4) Evaluate learner's presentations and give feedback where necessary.

### Possible Responses to Activity 1.3

#### a) Examples of facilities that require government funding

Schools	Hospitals & drugs	Railway lines	Air fields	Army camps
Security	Ambulances	Bridges	Play grounds	Capitation grant
Roads and bridges	Factories	Public toilets	Car parks	Salaries
Garbage collection	Markets	Electricity	National water	Prisons

## Possible reasons for provision of the above facilities

- i) To provide training institutions.
- ii) To facilitate law and order among people for security and safety in the area.
- iii) To ease transport for people and goods.
- iv) To treat the sick and improve people's health.
- v) To ease transportation of patients and medical workers.
- vi) To process raw materials and provide employment to citizens.
- vii) To provide markets for orderly selling and buying of goods and services.
- viii) To protect the environment.
- ix) To provide play grounds that facilitate and promote games and sports.

## Challenges in Raising Government Revenue

From personal experiences, newspapers or the media, learners may have realised that revenue collection is done with a lot of difficulties. They may have seen people evicted from buildings, shops locked, cars impounded, taxpayers hiding and many other similar things. Therefore, a number of challenges are faced by revenue authorities in a bid to collect government revenue.



### Activity 1.4: Listening to Guest Speaker

- 1) Invite a revenue official to guide learners on the challenges faced when collecting government revenue in Uganda.  
Let learners discuss with the revenue official the solutions to the challenges stated.
- 2) Learners write notes from the official's guidance for presentation.

### TEACHER INSTRUCTIONS

- i) Write an invitation letter to the guest speaker.
- ii) Prepare learners for the guest speaker.
- iii) Guide learners to develop possible questions to ask the guest speaker.
- iv) Organise tools for the guest speaker's presentation, e.g., projector, flip charts, and markers.
- v) Introduce the guest speaker to the learners.
- vi) Record the guest speaker's presentation.
- vii) Allow learners to interact with the guest speaker and ask related questions.
- viii) Guide learners to write notes from the guest speaker's presentations and discussions.

### Teaching and Learning Methods

- 1) Guest speaker
- 2) Discussion
- 3) Question and answer

### Teaching and Learning Resources

- 1) Notebooks
- 2) Tools for recording presentations
- 3) Flip charts and markers
- 4) Computer
- 5) Projector

**Skills:** Listening, questioning, critical thinking, note making, recording, presentation

**Values:** Respect, integrity, social responsibility

### Assessment strategy

- 1) Observe learners as they interact with the guest speaker during the presentations for their responses and mannerisms.
- 2) Ask learners to discuss in class what they learnt from the guest speaker and allow them to critique each other.

## Possible Responses to Activity 1.4

### a) Challenges of collecting revenue

- i) Tax evasion
- ii) Lack of enough relevant information about taxes
- iii) Lack of proper supervision of the revenue collection exercise
- iv) High levels of illiteracy
- v) Poor incomes among the taxable group
- vi) Lack of modern technology
- vii) Lack of taxpayer records
- viii) Corruption in the collection process

### b) Solutions to challenges of raising Government Revenue

- i) Provide compulsory education on government revenue in training institutions
- ii) Poverty eradication strategies.
- iii) Provide electronic tax payment facilities.
- iv) Create more one-stop tax centres to ease payment
- v) Resolve tax disputes in time.
- vi) Enforce registration of businesses.
- vii) Beef-up check points for road licenses and other road use fees.
- viii) Increase awareness campaigns to sensitise the public on the benefits of paying taxes.

### Summary of the Sub-Module

In this sub-module, the learner should have gained knowledge on the meaning of government revenue, sources of government revenue, uses of government revenue, and challenges in collecting government revenue. They should be able to suggest solutions to challenges encountered in collecting government revenue.

## 2. 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

In this topic, the learner should understand and be able to explain the meaning of taxation, identify and define the types of taxes; and state the rights and obligations of a taxpayer. The learner should also recognize that taxation plays an important role in generating revenue which supports government expenditure.

## Meaning of Taxation

Taxation is a process by which government collects money/revenue from individuals, companies or entities to facilitate public expenditure. Paying taxes is one of the ways of creating revenue for the government. It is a duty to every citizen who is eligible to pay tax.



### Activity 2.1

Pair up the learners to discuss and write down the meaning of taxation from any of the following sources and exchange the work with the other partner to critique:

- Dictionary
- Internet
- Taxation handbook
- Taxation textbook from the library

## Classification of Taxes

The learner should be able to classify taxes into the two major categories and explain how they are charged.



### Activity 2.2: Gathering Information about Direct Taxes

Assign the learners to research on the direct taxes giving examples, advantages, and disadvantages. Make a summary of the findings for presentation to the class.

## Direct Tax

In a community, some individuals work in public and private institutions and are charged taxes on their earnings. Such individuals include instructors, technicians, engineers, health workers, traders, etc. They pay taxes on their incomes/salaries, wages and allowances, and on the properties which they own such as land, buildings, or vehicles. Guide learners to explain the meaning of direct taxes with examples.

## Examples of direct taxes

There are various examples of direct taxes paid by individuals in our communities that a learner should understand as indicated in Activity 2.2.



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

**This activity requires the learner to copy the table below and complete it by giving an explanation to each of the given examples of direct taxes.**

S/N	Direct tax	Explanation
1.	Individual income tax	Tax levied on incomes of an individual or business entities e.g., Pay As You Earn (PAYE).
2.	Corporation tax	Tax charged on profits of an organisation/company.
3.	Capital gains tax	Tax imposed on profits or gains made from sale of a capital asset. The tax is only imposed when the asset has been converted into cash.
4.	Rental tax	Tax imposed on income earned by an individual from letting out an immovable property e.g., land or building.
5.	Withholding tax	A tax deducted by a payer of the income at the time of effecting payment to every tax liable

## TEACHER INSTRUCTIONS

- i) Prepare various pictures to guide in the explanation of taxation.
- ii) Download some videos about taxation to help in the explanation of direct taxes.
- iii) Organise the learners to brainstorm the meaning of taxation and what they understand by direct taxes.
- iv) Give learners enough time to brainstorm as many responses as possible.
- v) Observe how the learners participate in the brainstorming session and note all the answers generated.
- vi) Wrap up by giving the most appropriate answers.

## Teaching and Learning Methods

- 1) Brainstorming
- 2) Video clips on direct taxes
- 3) Guided discovery

## Teaching and Learning Resources

- 1) The internet (smartphone/computer)
- 2) Taxation handbooks

**Skills:** Teamwork, analytical skills

**Values:** Patience, respect and positive attitude towards work

## Assessment strategy

- 1) Observe the learners as they brainstorm the meaning of taxation and direct taxes and the examples they give.
- 2) Guide the learners on the task while asking prompting questions, to help you to build a relationship with them, encourage critical thinking and reasoning, and make them understand the concepts better.

## Advantages and Disadvantages of Direct Taxes

**Activity 2.4: Discuss the advantages and disadvantages**

Organise learners and let them conduct research from the library, internet, and other sources on the advantages and disadvantages of direct taxes and present their findings for class discussion and harmonization. Compare the learners' findings with the advantages and disadvantages provided in this book.

**TEACHER INSTRUCTIONS**

- i) Visit the library to ensure the availability of the relevant books.
- ii) Visit the ICT laboratory to check the availability of working computers and internet.
- iii) Agree on the time when the learners should access the library and computer laboratory resources.
- iv) Guide learners on where to get the resource materials such as textbooks from the library.
- v) Encourage learners to come up with as many responses as possible.
- vi) Ask learners to write all the responses generated and make clarifications where necessary.
- vii) Allow learners time to present their findings from the research done.
- viii) Observe and ensure that the explanations and examples given are correct.
- ix) Encourage guiding critiques by the learners to boost the development of critical thinking, reasoning, and communication skills.
- x) Take care of the time-takers and other learning the special needs by making sure that they all participate in the discussions.

**Teaching and Learning Methods**

- 1) Group discussion
- 2) Research
- 3) Presentation

## Teaching and Learning Resources

- 1) Internet (smartphone/computer)
- 2) Taxation handbooks
- 3) Textbooks on taxation
- 4) Video clips on how direct taxes are imposed.

**Skills:** Critical thinking, research, teamwork, communication

**Values:** Integrity, respect and positive attitude towards work

## Assessment strategy

1. Observe how learners present and discuss the advantages and disadvantages of direct tax in class and evaluate their communication skills.
2. Evaluate their findings from the presentation.

## Possible Responses to Activity 2.4

### Advantages of Direct Taxes

Direct taxes have a number of advantages to the taxpayer and the government which include the following:

- i) The taxpayers are informed in advance when, where, and how much to pay. This enables the taxpayers to plan accordingly.
- ii) It helps to distribute income; this is because the rich people are made to pay more taxes than the poor. This enables government to use the revenue to provide services that improve the welfare of the poor.
- iii) The yield from the direct taxes can easily be estimated before collection therefore direct tax can easily be relied upon for proper planning.
- iv) Direct taxes have low cost of collection or administration especially with income tax (PAYE) which can be collected by the government using employers as the collectors.
- v) Direct taxes are flexible in that the government can increase or decrease the rates according to the economic conditions and requirements of the economy.
- vi) They help in protection of domestic industries against competition from foreign producers.

## Disadvantages of Direct Taxes

There are a number of disadvantages associated with direct taxes. These include among others:

- i) The possibility to evade as they are not hidden. Sometimes people can evade by deliberately refusing to pay the tax. This reduces the amount of revenue expected thereby affecting the implementation of government programmes.
- ii) Direct taxes discourage saving and investment as sometimes people are left with less income after paying the taxes. This is mainly among low-income earners.
- iii) They discourage people from working hard so as to avoid being taxed because the more you earn the more you pay.
- iv) They are difficult to review in the short run so as to raise more tax revenue. In case government needs to raise more tax revenue, it is not easy to ask people to pay more direct taxes in the same financial year.

## Indirect Tax



**Figure 2 (a): Define Indirect tax**



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

## Introduction

Individuals and organisations usually buy goods or services for different purposes. During the buying, they unknowingly pay tax which is included in the prices for those goods or services. Such taxes are called indirect taxes. There are various examples of indirect taxes paid by consumers when they buy goods and services.





## Activity 2.5: Understanding Indirect Taxes

In this activity, guide the learners to discuss the meaning and reason for indirect taxes, let them write the answers in the books or board. Organise a presentation in class and let all the learners participate. Compare their responses with what is provided in textbooks.

### Meaning of Indirect Taxes

An indirect tax is a levy upon goods and services before they reach the final consumer who ultimately pays it as part of a market price of the goods or services purchased. Indirect taxes are basically passed on from one person/entity to another. They usually start with the manufacturers or suppliers who also transfer them to their customers till they reach the final consumer. Thus, they are not directly collected by the government but indirectly through intermediaries, usually business people.

### Reason for indirect taxes

Because they are included in the price of goods and services, they are easy to collect without the payers noticing that they are paying taxes.

### Examples of indirect taxes



## Activity 2.6: Examples of Indirect taxes

Examples of indirect taxes	Meaning	
1. Excise duty	This is a tax levied on selected goods and services which may be locally produced or imported such as cosmetics.	
2. Customs duty	A tax imposed on goods when they are transported across international borders.	
3. Sumptuary Tax	A tax imposed as a way of discouraging consumption of particular goods.	
4. Value Added Tax	A consumption tax assessed on the value added in each production stage of a commodity or service from initial production to the point of sale.	

## Example of value addition



### Raw coffee beans being dried after harvest

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



### Roasted coffee beans at a coffee factory:

- a) The coffee factory adds value to the coffee beans by roasting them.
- b) 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 Tax



### Activity 2.7: Advantages and disadvantages of Indirect

In this activity you are required to group learners and assign them to discuss the advantages and disadvantages of indirect taxes. Display their findings in the class and allow the different groups to critique. You should also critically analyse the responses and provide appropriate answers.

### TEACHER INSTRUCTIONS

- i) Prepare various pictures showing examples of indirect taxes e.g., supermarket prices, fuel tanks at the borders, market products, imported goods, etc.
- ii) Guide learners as they brainstorm on the meaning of indirect taxes.
- iii) Conduct a gallery walk to observe how the learners participate in the discussion on the types of indirect taxes to make sure that they all participate.
- iv) Organise learners in groups to discuss the advantages and disadvantages of indirect taxes, let them display their findings in the class for others to critique and harmonise their answers.
- v) Encourage learners to research and gather as many answers as possible.
- vi) Pay attention to the contributions of fast learners and time-takers as well as any other learning special needs.
- vii) Encourage learners to present and critique each other to boost the development of communication and interpersonal skills.
- viii) Observe how they present their ideas in class and evaluate their communication skills.
- ix) Take note of the answers given by the learners that are not in this Guide and use them to improve your knowledge.

## Teaching and Learning Methods

- 1) Group discussion
- 2) Observations
- 3) Question and answer
- 4) Video shows

## Teaching and Learning Resources

- 1) Internet (smartphone/computer)
- 2) Taxation handbooks
- 3) Video clips on indirect taxes
- 4) Storytelling

**Skills:** Research, communication, critical thinking, teamwork, and cooperation

**Values:** Patience, respect and positive attitude towards work

## Assessment Strategy

1. Assess learners as they discuss the advantages and disadvantages of indirect taxes to appreciate their collaborative, communication and critical thinking skills.
2. Converse with learners about the task while asking probing questions. This will help you to build a good relationship with them, encourage critical thinking and make learners understand the concept well.

## Possible responses to activity 2.7

### Advantages of Indirect Taxes

The following are some of the advantages of indirect taxes:

- i) The cost of collection and administering indirect taxes is low since the government does not pay the traders who collect the taxes like VAT.
- ii) Indirect taxes pose a low tax burden to the taxpayer since it is part of the price of the commodity paid indirectly.
- iii) They are difficult to evade since they are included in the prices of the commodities and cover a wider range of items.
- iv) They can be used to discourage the production and consumption of harmful goods like alcohol, cigarettes, and harmful drugs among others.

- v) They are flexible as they can be adjusted either downwards or upwards depending on the prevailing economic conditions of the country.
- vi) They promote hard-working among taxpayers. This is because people are compelled to work hard in order to meet the increasing prices of commodities as a result of increase in taxes.
- vii) One, who does not buy or consume a certain product, will automatically not pay the tax in that commodity.

## Disadvantages of Indirect Taxes

- i) They encourage trade malpractices especially in foreign trade where traders may attempt to evade taxes through smuggling.
- ii) They reduce economic welfare of citizens because the poor may not cope with the increasing prices as a result of high prices due to the indirect taxes especially on essential commodities.
- iii) The revenue from indirect taxes is uncertain because it is not possible to accurately estimate the amounts from such taxes.
- iv) The poor and the rich pay the same amount of taxes on the commodities. This increases the gap between the poor and the rich.
- v) Indirect taxes like import duties interfere with the freedom of trade hence reducing the volume of goods exchanged between countries.
- vi) They can be avoided by refusing to purchase/consume the goods whose prices have risen due to taxes.

## Rights of a Taxpayer

A right refers to an entitlement to have/do, or not to have/do something. There are fundamental human rights such as a right to health, education, shelter, safety, food and clothing. Likewise, taxpayers have various rights to enjoy as they conduct business.


**Activity 2.8: Taxpayer's Rights**

<b>Tax obligations</b>	<b>Explanation</b>
Equity	The tax laws and procedures must be applied regularly and all affairs be handled with fairness by the authority.
Confidentiality	The taxpayer's tax information must be kept secretly be used in accordance with the tax laws.
Facilitation of tax compliance	The taxpayer and his authorised agent(s) should be provided with clear and timely information to facilitate tax compliance.
Objections and appeals	The taxpayer's tax complaints must be attended in accordance with the relevant laws and procedures.
Accountability	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.
Tax refunds	Where tax compensation should be processed within the given time limit.

**TEACHER INSTRUCTIONS**

A right as regards to taxation is an entitlement available to a taxpayer as provided for by law and expected from the Tax Authority.

**Possible responses to activity 2.8**
**Taxpayers are entitled to the following rights:**

- i) A right to equity and fair treatment before the law.
- ii) A right to receive courteous and professional services at all times.
- iii) A right to be sensitized about tax obligations.
- iv) A right to be given prior notice whenever premise(s) are subjected to inspection or audit.
- v) A right to customer care by tax administrators.
- vi) The taxpayer and their agents are presumed honest until proved otherwise.



- vii) The tax affairs and information of the taxpayer in URA should be kept secret in accordance with the law.
- viii) The taxpayer must be provided with clear, precise and timely information regarding the tax position.
- ix) The taxpayer has a right to receive timely, clear and accurate responses to enquiries, complaints, or requests.
- x) The taxpayers' tax account / ledger must be promptly updated whenever tax is paid.
- xi) Tax refunds to be processed within the prescribed time limits where a tax return is due to the taxpayer.

## Obligations of a Taxpayer

There are several obligations a taxpayer has to fulfil in the course of conducting business or employment. These are indicated in the table below. The learners should be able to explain the different obligations of a taxpayer.

### Activity 2.9: Tax Payer's Obligations

The learners should explain the taxpayers obligations indicated in the table.	
Tax obligations	Explanation
<b>Registration</b>	Any individual who qualifies to pay tax is supposed to voluntarily register with Uganda Revenue Authority as a taxpayer. This requires such individual to obtain a Tax Identification Number (TIN), which is free to every applicant as a unique identifier for all tax purposes. The taxpayer can apply for a TIN online through URAs e-services.
<b>Filing returns and entries</b>	The taxpayer files correct tax returns, customs entries or any forms relating to taxes and other revenue related obligations at the right time and place and as required by the relevant laws. This can be done through the e-tax system.
<b>Tax payments</b>	It is the taxpayer's obligation to pay the correct tax at the right time and place as required by the relevant laws.
<b>Cooperation with the authority</b>	In handling tax matters, the taxpayer and/or his appointed agent(s) are expected to deal and cooperate with the authority and authorized staff.
<b>Disclosure/ declaration</b>	A taxpayer should comply with the taxation requirements and regulations by making full disclosure of information and correct declaration of all transactions as and when required. Should not indulge in any form of tax evasion and other illegal practices.

### TEACHER INSTRUCTIONS

- i) Organise learners in groups to discuss the rights and obligations of a taxpayer.
- ii) Observe how the learners participate in discussions.
- iii) Pay attention to the slow learners and quick learners and take care of special needs.
- iv) Allow learners time to copy the table in their exercise books and fill in their answers.
- v) Encourage learners to present and critique each other to boost the development of communication and interpersonal skills.
- vi) Observe how they present their ideas in class and evaluate their communication skills, freedom of expression, and ability to clarify issues.

### Teaching and Learning Methods

- 1) Illustrations
- 2) Discussions
- 3) Observations

### Teaching and learning resources

- 1) the internet (smartphone/computer)
- 2) Taxation handbooks
- 3) Video clips on indirect taxes

**Skills:** Interpersonal skills, communication skills, teamwork, critical thinking, collaboration

**Values:** Unity, patience, respect, positive attitude towards work

### Assessment Strategy

- 1) Observe learners as they discuss to appreciate their critical thinking collaborative, expression, and ability to clarify issues.
- 2) Discuss with learners the task while asking probing questions. This will help you build relationship with them, encourage critical thinking and make learners to understand the concepts of taxation better.
- 3) show the strategy(s) the teacher can use to assess the stated values.

## TEACHER INSTRUCTIONS

Obligations as regards to taxation are the terms and conditions to be fulfilled by taxpayer as required by tax law.

## Possible responses to activity 2.9

A taxpayer is obliged to fulfil the following requirements:

- i) Voluntarily register as a taxpayer with URA.
- ii) Obtain a Tax Identification Number (TIN as a unique identifier for all tax purpose.
- iii) File accurate tax returns; make customs entries or any forms relating to taxes and other revenue related obligations at the right time and place as required by the law.
- iv) Pay the correct taxes / fees at the right time and place as required by the law.
- v) Deal and cooperate with the Uganda Revenue Authority's authorised staff when handling tax matters.
- vi) Be honest and make full disclosure of information and correct declaration of all transactions at all time.
- vii) Quote the taxpayer TIN for all dealings with URA.
- viii) Use the services of a licensed customs agent to complete customs entries and related clearance formalities when importing or exporting cargo, declare goods on arrival and have them ready for inspection.

## TEACHER INSTRUCTIONS

- i) Allow learners to freely say out what they know.
- ii) Write on the board or flip chart their points.
- iii) Allow learners to critique their points.

## Summary of the Sub-Module 2

In this sub-module, you have covered the meaning of taxation, the types of taxes, the rights and obligations of a taxpayer. This will help the learner to know the taxes charged on the goods or services they are dealing in when they get into the world of work.

## 3. 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

Help the learners to understand that in their communities there are a number of activities that generate income for the people. Such activities include retail trade, wholesale trade, manufacturing of goods, and provision of services. Some of those businesses pay taxes and there are particular bodies that are responsible for receiving those taxes. In this topic therefore, guide the learners to explore the meaning of tax administration, the roles of Uganda Revenue Authority in tax administration, the challenges faced in tax administration, and the solutions to these challenges.



## Activity 3.1: Tax Collection and Utilisation Field Study

Assign the learners to visit any nearby market places and or shops to find out who collects taxes from them and what the money collected is used for.

Let them take note of the responses and make classroom presentations for discussion.

### TEACHER INSTRUCTIONS

- iv) Make prior visits to the markets and other business entities to inform them of the learners' study tours.
- v) Guide the learners to produce a list of questions which will be used as interview guide for data collection.
- vi) Make sure that all learners participate in the field study.
- vii) Guide the learners on how to use the interview guide to obtain the relevant information.
- viii) Facilitate the learners to understand the instructions and take care of the special needs learners.
- ix) Guide the learners on the dos and don'ts while in the field study e.g. should not take pictures of people or their goods, or record what they say without their consent.

### Teaching and Learning Methods

- 1) Field study
- 2) Probing questions
- 3) Discussion

### Teaching and Learning Resources

- 1) Interview guide
- 2) Textbooks on tax administration
- 3) URA Tax Administration manual
- 4) Cameras for taking pictures of the places visited.
- 5) Recorders for verbal responses e.g. by use of a mobile telephone
- 6) Introduction letters

**Skills:** ICT skills, critical thinking, problem solving skills, communication skills, questioning skills

**Values:** Respect, integrity, hard work

### Assessment Strategy

1. Observe the learners as they interact with the business community to extract information.
2. Evaluate the authenticity of each learner's answers to make sure that there wasn't cheating by those who did not go to the field.

### Expected Responses to Activity 3.1

- i) Taxes are paid to Uganda Revenue Authority (URA)
- ii) Examples of taxes paid in Uganda include:
  - a) Excise duty
  - b) Custom duty on imported inputs like machinery and other raw materials
  - c) Individual income tax
  - d) Pay As You Earn (PAYE)
  - e) Presumptive tax
  - f) Rental income tax
  - g) Corporation tax
  - h) Value Added Tax

Explain to the learners what Uganda Revenue Authority (URA) is, i.e., the body in charge of collecting, assessing, enforcing taxes, and accounting for the funds collected for government use. They are also responsible for sensitizing the public on tax issues on behalf of the Central Government.

### Meaning of Tax Administration

Tax administration involves tax education, tax registration, tax assessment, tax enforcement, tax collection and policy advisory roles.



#### Activity 3.2: Explaining tax administration

Guide the learners in a brainstorming session on the meaning of tax administration.

## TEACHER INSTRUCTIONS

- i) Give learners enough time to brainstorm.
- ii) Encourage learners to give as many responses as possible.
- iii) Encourage learners to build on each other's ideas for comprehension of the concept.
- iv) Wrap up the learners' responses and come up with the best meaning of tax administration.

## Teaching and Learning Methods

- 1) Brainstorming
- 2) Internet surfing
- 3) Discussion

## Teaching and Learning Resources

- 1) Textbooks on Tax Administration
- 2) URA Tax administration manuals
- 3) Dictionary
- 4) The Internet

**Skills:** Computer application skills, communication skills, negotiation skills, creative thinking

**Values:** Hard work, honesty

## Assessment Strategies

- 1) Observe the learners as they brainstorm the meaning of tax administration.
- 2) Evaluate each learner's contribution and responses and give feedback accordingly.

## Expected Response to Activity 3.2

Tax administration is the management of both domestic and international tax laws in a country.



## Key Stakeholders in Tax Administration

There are various individuals and institutions that take part in the administration of taxes in the country. These include the policy makers (Members of Parliament), Uganda Revenue Authority, Ministry of Finance, Planning, and Economic Development, the Local Government authorities, banks, courts of law, taxpayers, and the general public at large.

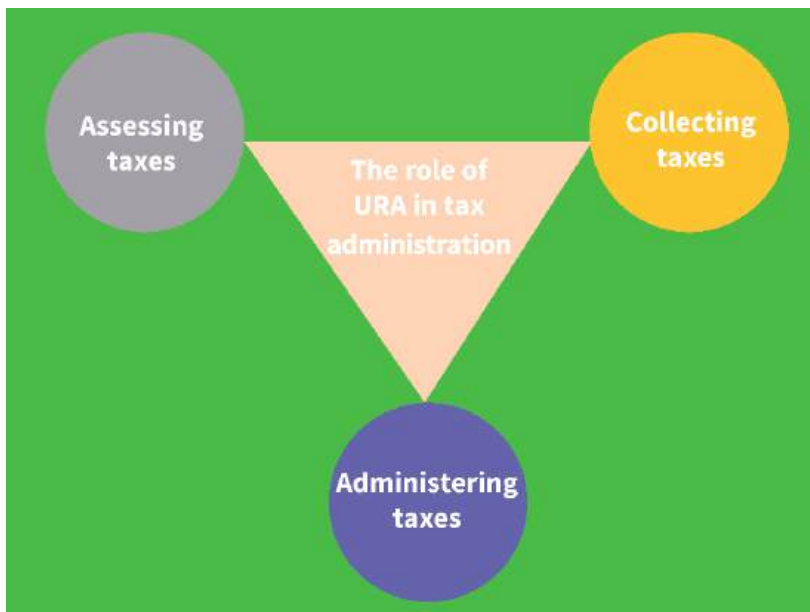


### Activity 3.3: Roles played by different stakeholders in tax administration

Give the learners an assignment to explain the roles played by the key stakeholders listed above in tax administration.

### Role of Uganda Revenue Authority (URA)

Let the learners understand that URA is charged with the responsibilities of assessing, collecting and administering taxes by illustrating to them in the following figure:



*Illustration of the roles of URA in Tax Administration*



## Activity 3.4: Understanding the Roles of URA

Give learners homework to research and explain the roles of URA in tax administration as shown in the figure above.

### TEACHER INSTRUCTIONS

- v) Group learners to discuss the roles of URA in tax administration.
- vi) Wrap up the learners' findings and make clarifications where necessary.

### Teaching and Learning Methods

- 1) Illustrations
- 2) Group discussion

### Teaching and Learning Resources

- 1) URA tax administration manuals
- 2) Computers for PowerPoint presentations
- 3) Textbooks on tax administration
- 4) Video clips on tax administration

**Skills:** Teamwork, critical thinking, problem solving

**Values:** adaptability, integrity, tolerance

### Assessment Strategy

- 1) Observe learners as they work in groups.
- 2) Converse with learners about the task while asking probing questions to encourage critical thinking.
- 3) Evaluate learners' presentations and give feedback accordingly.

## Expected Responses to Activity 3.4

Roles played by URA in Tax Administration

### Assessing Taxes

- i) Determining the tax rate levied on taxpayers
- ii) Levying taxes to potential taxpayers

### Collecting Taxes

- i) Reaching out to potential taxpayers to pay taxes
- ii) Issuing of the Tax Identification Number (TIN) to taxpayer
- iii) Diversifying the sources of taxes

### Administering

- i) Facilitating trade and investment
- ii) Sensitising the public about taxation
- iii) Tax enforcement
- iv) Ensuring secrecy of the taxpayer's information
- v) Accounting for all revenue collected
- vi) Advising government on matters related to tax and revenue administration

## Challenges Encountered by URA in Tax Administration

Let the learners reflect on the challenges they face in their daily life, such as limited pocket money, scholastic materials, work overload, distance from home to school, rainy seasons, dry seasons, lack of meals etc. Ask them to brainstorm on how such challenges affect their training progress. Let them know that similarly, URA also faces challenges in tax administration.



### Activity 3.5:

- 1) Guide learners in the discussion on the challenges faced by Uganda Revenue Authority in administering the collection and use of tax revenue.
- 2) Invite a guest speaker from URA to guide learners on tax administration in Uganda.
- 3) Learners should take notes of the important points presented by the guest speaker and ask questions for clarification.

## TEACHER INSTRUCTIONS

- i) Organise the learners into small manageable groups for discussion activities.
- ii) Write an invitation letter for the guest speaker and indicate what is to be discussed.
- iii) Prepare a presentation on the important points communicated by the guest speaker.
- iv) Prepare the learners with the relevant questions to ask the guest speaker on tax administration.
- v) Guide the learners to make notes from the guest speaker's presentations.
- vi) If possible, record the guest speaker's presentation or ask for a copy for classroom reference.

## Teaching and Learning Methods

- 1) Guest speaker
- 2) Question and answer
- 3) Group discussion

## Teaching and Learning Resources

- 1) Tax Education manuals from URA
- 2) Textbooks on tax administration
- 3) the internet
- 4) Recording gadgets
- 5) Computer for presentations
- 6) Projector
- 7) Manila/flipcharts
- 8) Markers

**Skills:** Problem solving, critical thinking, listening, questioning, note-making

**Values:** Patience, respect, unity, integrity

## Assessment Strategy

- 1) Observe the learners as they demonstrate communication and analytical skills during presentations.
- 2) Ask probing questions to encourage creativity and critical thinking.
- 3) Create a conversation with the learners to assess their listening skills

**Expected Responses to Activity 3.5****Challenges of Administering Taxes in Uganda**

Just as school administrators find challenges in collecting school fees from students, in the same, tax administrators experience challenges during tax collection. Such challenges include:

- i) Low income among taxpayers due to existence of a large subsistence sector
- ii) Negative perception towards URA and other local tax collectors by the taxpayers
- iii) Corruption by some tax collectors taking bribes from taxpayers so that they do not remit their tax returns
- iv) Inadequate skilled labour to carry out tax administration
- v) Ignorance of the public about the benefits of taxation.
- vi) Tax evasion among taxpayers
- vii) Inadequate funds to facilitate tax administration
- viii) Existence of a large informal sector
- ix) Network challenges that affect the automated system of recording tax information on sport

**Solutions to the Challenges Faced in Tax Administration**

The learners should acknowledge that, despite the numerous challenges faced by Uganda Revenue Authority in tax administration, there are solutions that can be applied to mitigate the problems.

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

The learners should acknowledge that, despite the numerous challenges faced by Uganda Revenue Authority in tax administration, there are solutions that can be applied to mitigate the problems.

Ask learners to use the internet, library or any other sources of information to research about the solutions to the challenges faced by URA in tax administration and ask them to display their findings for harmonisation.

## TEACHER INSTRUCTIONS

- i) Visit the ICT laboratory or library to ensure availability of computers and internet for activities given to the learners.
- ii) Arrange for the right time when the learners should access ICT resources.
- iii) Prepare library textbooks on Tax Administration and URA Tax Administration manuals for the learners.
- iv) Guide learners to navigate the URA Web sites to access publications on tax administration.
- v) Guide learners to follow the instructions given in the task and take note of their findings.

## Teaching and Learning Methods

- 1) Discussion
- 2) Demonstrations
- 3) Self-discovery

## Teaching and Learning Resources

- 1) Computer to access Internet
- 2) Textbooks on tax administration
- 3) Tax administration manuals from URA

**Skills:** ICT, problem solving, communication, analytical

**Values:** Social harmony, unity

## Assessment Strategy

Evaluate the correctness of the findings displayed by the learners and give feedback accordingly.

## Expected Responses to Activity 3.6: Solutions to the Challenges of Administering Taxes in Uganda

- i) Sensitising the public about the benefits of tax by organising workshops, door to door sensitizations, tax camps in different regions, radio/television programs on taxation.
- ii) Bringing URA services closer to the taxpayers in the different districts.

- iii) Giving back to the community (corporate social responsibility) for example buying learner's notebooks, water tanks for some rural schools and buying medical facilities for health centres in some districts
- iv) Closing non-tax compliant businesses,
- v) Giving penalties for non-tax compliance e.g., imprisonment for giving wrong information on taxable income, fines in monetary terms.
- vi) Relieving taxpayers of paying tax during a decline in economic activities: During the Covid19 period, schools and some businesses were relieved from paying tax for some time.
- vii) Collaboration with local leaders and politicians in various districts to mobilise taxpayers and reduce resistance towards paying taxes.
- viii) Using tax manuals and radio talk shows in different local languages to solve the challenge of misinterpretations and myths about taxation.
- ix) Building a culture of enhanced accountability e.g. Zero tolerance to corruption and immediate termination of tax officials implicated in bribes with taxpayers.
- x) Training employees to acquire skills in using modern technology in tax administration e.g., E-Fris.
- xi) Using modern technology in tax administration e.g., online TIN registration, assessment, and registration; and giving instant feedback for the taxpayers, tracking tax defaulters for example using digital tax stamps where those evading taxes can be trapped, rudders to identify goods entering the country.
- xii) Using mobile tax services or mobile offices to take services nearer to the taxable communities i.e., assessing taxes and educating the public about taxes
- xiii) Using an electronic cargo tracking system at the borders, observing tracks and identifying those smuggling goods for penalising.

### Summary of the Sub-Module 3

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.



## 4. Tax Compliance



Keywords	Learning outcomes
<ol style="list-style-type: none"> <li>1) Tax compliance</li> <li>2) Registration</li> <li>3) Filing</li> <li>4) Declaration</li> <li>5) Evasion</li> </ol>	By the end of this sub-module, you should be able to: <ol style="list-style-type: none"> <li>i) explain tax compliance.</li> <li>ii) identify the elements of tax compliance.</li> <li>iii) acknowledge the benefits of tax compliance.</li> <li>iv) analyse the effects of non-tax compliance.</li> <li>v) suggest ways of enhancing tax compliance.</li> <li>vi) make on-line tax registration.</li> </ol>

### Introduction

Taxes in Uganda are assessed and collected by URA and the local government authorities. The taxpayers have a duty to abide by the law by fulfilling their tax obligations as set by the legal authorities. Some taxpayers comply with their tax obligations while others do not either intentionally or unintentionally. In this topic therefore, guide the learners to understand the meaning of tax compliance, be able to identify the elements of tax compliance, the forms of non-tax compliance, benefits, effects, and ways of enhancing tax compliance.



## Activity 4.1: Exploring Compliance Measures tax

Activity 4.1: Take learners to visit nearby local government offices to find out from the tax collection officers the strategies and procedures they use to ensure tax compliance by the taxpayers.

They should take note of the findings and make reports for presentation to class.

### TEACHER INSTRUCTIONS

Before sending the learners to the field, make the following arrangements:

- vi) Write an introduction letter for the learner's identity.
- vii) Seek permission from the administration to take out the learners.
- viii) Inform other staff members about the field trip in case it is to interfere with their lessons.
- ix) Guide the learners to make a questionnaire or interview guide.
- x) Make sure that all the learners get involved in the exercise.
- xi) Guide the learners on how to use the questionnaires or interview guide and on the dos and don'ts while in the field.

### Teaching and Learning Methods

- 1) Field study
- 2) Discussion
- 3) Observations
- 4) Discovery
- 5) Questions and answers

### Teaching and Learning Resources

- 1) Questionnaire or Interview guides
- 2) Manual on tax compliance

**Skills:** Critical thinking, communication, interpersonal skills

**Values:** Justice and fairness in dealing with others, respect for others, tolerance

## Assessment Strategy

- 1) Observe how the learners design the questions for the field study.
- 2) Observe how the learners interact with each other, and with the tax officials.
- 3) Observe the learners as they make class presentations and discuss their points.

## Meaning of Tax Compliance

A taxpayer has the obligation to voluntarily register with Uganda Revenue Authority, disclose income, file returns, and pay taxes at the right time. When the taxpayer adheres to these obligations, he/she is said to be tax compliant.



### Activity: 4.2: Meaning of Tax Compliance

Group learners and ask them to brainstorm the meaning of tax compliance. Give them flip charts to write their answers and present to the class for discussion.

## TEACHER INSTRUCTIONS

- i) Give learners time to brainstorm as you record their responses.
- ii) Allow learners to give as many responses as possible.
- iii) Make sure learners respect each other's views.
- iv) Analyse the learners' responses on the meaning of tax compliance.
- v) Take care of the special needs learners for participation and clarification of points.
- vi) Wrap up for correctness.

## Teaching and Learning Methods

- 1) Brainstorming
- 2) Internet surfing
- 3) Question and answer
- 4) Storytelling

## Teaching and Learning Resources

- 1) Dictionary
- 2) Textbooks
- 3) Internet source
- 4) Manual on tax compliance

**Skills:** Critical thinking, problem solving, communication skills

**Values:** Honesty and social responsibility

## Assessment Strategy

- 1) Observe the learners as they explore the meaning of tax compliance.
- 2) Ask probing questions in order to assess critical thinking.
- 3) Evaluate the learners' responses and give feedback.

## Expected responses to activity 4.2

### Meaning of Tax Compliance

Tax compliance is thus the degree to which a taxpayer willingly fulfil the tax obligations as set by the legal and regulatory authorities. Thus, it requires fulfilling all tax obligations as specified by law. It involves correct disclosure of all incomes and expenses, submitting the tax returns within the required time, and paying the required tax levy on time.

### Elements of Tax Compliance

Ask learners to reflect on what they do when they report to school. That is, the specific procedures that they follow such as registration, payment of school fees, reporting to the Head Instructor and getting clearance before attending classes. Relate the procedures followed by learners to clear the school requirements to make them understand the elements of tax compliance.



## Activity 4.3: Understanding the Elements of Tax Compliance

In this activity, assign learners to study and discuss the information in the table below, and fill in the corresponding elements of tax compliance using the following terms:

### Terms:

- 1) Registration
- 2) Recordkeeping
- 3) Payment Of Tax
- 4) Filing Tax Returns/Declaration

Element	Explanation
	Provides information about the business for tax purposes.
	The process of obtaining individual's or company's details on a taxpayer's register so as to get a Tax Identification Number (TIN).
	A process where a taxpayer correctly and accurately reports all tax information to Uganda Revenue Authority 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.

### TEACHER INSTRUCTIONS

- i) Guide the learners to follow the instructions given in the activity.
- ii) Let the learners present the filled tables to the class and encourage them to critique each other to allow development of communication and analytical skills.

### Teaching and Learning Methods

- 1) Discussion
- 2) Illustration
- 3) Video clips on tax compliance

### Teaching and Learning Resources

- 1) Books of accounts
- 2) Tax compliance manual
- 3) Tax payment receipts

**Skills:** Problem solving, communication, critical thinking

**Values:** Hard work for self-reliance, integrity

### Assessment strategy

- 1) Observe the learners as they discuss the elements attitude of the elements of tax compliance.
- 2) Converse with the learners to assess their level of understanding of the elements of tax compliance.
- 3) Evaluate their output and give feedback.

### Expected Responses to Activity 4.3

Element	Explanation
Registration	The process of obtaining individual's or company's details on a taxpayer's register so as to get a Tax Identification Number.
Recordkeeping	Provides information about the business for tax purposes.
Filing tax returns/Declaration	A process where a taxpayer correctly and accurately reports all tax information to Uganda Revenue Authority in a given format within a specified period.
Payment of tax	A taxpayer is required to pay tax liabilities by the due date of filing the respective returns to avoid fines.

## Registration for Tax



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

When the learner joins a school or any other training institution, it is a requirement for them to register with the school administration to get clearances to be recognised as genuine learners of that school/institution.

Tax registration is the initial step in tax administration and compliance. Individuals or businesses have to register with URA in order to get a Tax Identification Number (TIN) so as to be recognized as taxpayers. A TIN is a requirement for all individuals or organisations earning taxable revenue in Uganda.



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

Group learners and task them to:

- 1) Discuss the importance of Tax Identification Number.
- 2) Use mobile telephones or computers, or printed forms to demonstrate the registration for a TIN.

### Teacher Preparation

- 1) Organize the computer laboratory for the lesson.
- 2) Print tax registration forms.
- 3) Ask learners with smart telephones to come with them.

### TEACHER INSTRUCTIONS

- i) Guide the learners to navigate the URA web portal on the computer or mobile phone.
- ii) Demonstrate to the learners how to register for taxes.
- iii) Guide the learners on the steps followed to register for taxes.
- iv) Identify and take care of the special needs learners during the demonstration.



### Teaching and Learning Methods

- 1) Discussion
- 2) Demonstration

### Teaching and Learning Resources

- 1) Computers to access internet
- 2) Projector
- 3) Mobile telephones
- 4) Textbooks and notebooks
- 5) Registration forms

**Skills:** ICT knowledge, problem solving, observation, communication skills

**Values:** Honesty and integrity

### Assessment strategy

- 1) Observe the learners discuss the importance of TIN and evaluate their findings.
- 2) Observe the learners as they demonstrate registration for tax using computers and mobile phones.
- 3) Converse with the learners to assess their ability to register for TIN and give feedback accordingly.

### Expected Responses to Activity 4.4

- i) Needed for importing and exporting goods.
- ii) Needed in acquiring a license and any other authorisation to do work in government and be employed in government.
- iii) Helps in transacting land above ten million shillings.
- iv) Used in motor vehicle registration

## Filing Tax Returns/Declaration Consistently



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 officer to calculate effectively the tax amount you are to pay in a given period of time, usually a year. In the same way, business owners have to disclose their financial information for tax purposes. This is called filing tax returns or declaration. A taxpayer who fails to file a return by the due date is penalised.



### Activity 4.5: How to filing Tax Returns

Give learners written information of a business tax returns to record on a printed form or use a computer or smart phones and demonstrate the process to the entire class.

### Teacher Preparation

- 1) Organise the computer laboratory or forms for the lesson.
- 2) Print tax registration forms.
- 3) Ask the learners with smart telephones to come with them for the lesson.

### TEACHER INSTRUCTIONS

- i) Demonstrate to the learners how to use computers to file tax returns.
- ii) Guide the learners to follow the demonstration to file taxes.
- iii) Identify and take care of the special needs learners during the demonstration.
- iv) Task the learners to make notes of their findings.

## Teaching and Learning Methods

- 1) Illustrations
- 2) Demonstration
- 3) Use of a guest speaker

## Teaching and Learning Resources

- 1) Computers
- 2) Projector
- 3) Mobile telephones
- 4) Internet
- 5) Textbooks
- 6) Relevant tax filing forms

**Skills:** Computer skills, problem solving, communication skills

**Values:** Honesty and integrity

## Assessment Strategy

- 1) Observe the learners as they demonstrate filing different taxes using computers/mobile phones.
- 2) Observe the learners as they demonstrate registration for tax using computers and mobile phones.
- 3) Converse with the learners to assess the correctness and accuracy of the tax registration process and give feedback accordingly.

## Expected Responses to Activity 4.5

Filing returns is a process whereby a taxpayer correctly and accurately reports all tax requirements to the Uganda Revenue Authority in a given format within a specified period. The taxpayer is required to submit tax returns to avoid penalties and fines.

- a) All returns must be filed and submitted by the due date. If the return due date falls on a holiday, the last working day before the return submission date shall become the due date of return filing.
- b) All returns must be filed on the prescribed form and in the prescribed format.
- c) Always provide accurate and complete information on the returns.
- d) A person who fails to file a return by the due date is penalised and a return is said to be late if it is filed after the due date.

## Tax Payment



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. Task each learner to demonstrate to the class how he/she would assist Lubega in making his tax payment using a computer or smart phone.

### Teacher Preparation

- i) Organise the computer laboratory for the lesson.
- ii) Print tax payment invoices.
- iii) Ask learners to come with their smart telephones.

### TEACHER INSTRUCTIONS

- i) Demonstrate to learners how to use computers to pay taxes.
- ii) Task learners to demonstrate the payment of taxes.
- iii) Take care of the special needs learners during the demonstration.
- iv) Task learners to take note of the steps followed in paying taxes.

## Teaching and Learning Method

Demonstration

## Teaching and Learning Resources

- 1) Computers with internet
- 2) Projector
- 3) Mobile telephones
- 4) Printed tax payment invoices

**Skills:** ICT and communication skills

**Values:** Social responsibility, honesty and integrity

## Assessment Strategy

Observe the learners as they demonstrate the skill of filing tax returns either manually or using computers / mobile phones.

## Record Keeping

A good record keeping practice is one of the key requirements of tax compliance. These records provide financial information in relation to the day-to-day dealings of the business. It is therefore important that all business dealings are correctly recorded and properly kept for future use.

A business record is documentation that shows the transactions a business carries out in a given period. This documentation can be written down on paper or electronically done on a computer. Such records should be for both financial and non-financial items of the business and should be kept in an organised way. Taxpayers are required to maintain adequate records so as to provide sufficient details for determining the proper tax amounts for the taxpayer.



### Activity 4.7

Group the learners and give them tasks to identify and explain the documents used in keeping business records and make class presentations.

## TEACHER INSTRUCTIONS

- i) Prepare relevant samples of documents used for keeping business records for tax purposes such as receipt books, invoices, vouchers, goods received notes, and purchases order notes to be used during the lessons.
- ii) Demonstrate to learners on how to record information in the business records.
- iii) Provide learners with business information to record on a source document.

## Teaching and Learning Methods

- 1) Demonstration
- 2) Group discussion

## Teaching and Learning Resources

- 1) Computers
- 2) Projector
- 3) Mobile telephones
- 4) Printed selected business documents
- 5) Textbooks

**Skills:** Recordkeeping, ICT, computation

**Values:** Hard work for self-reliance, honesty

## Assessment Strategy

- 1) Observe learners as they demonstrate recording of information in selected business documents.
- 2) Analyse the learners' correctness of recording information in business documents

## Possible Responses to Activity 4.7

- 1) Receipt books
- 2) Invoices
- 3) Order notes



## Benefits of Tax Compliance

When the learners pay school fees, they are given a receipt by the school bursar as evidence. This enables the learners to attend lessons, get meals, use school library and accommodation.

Likewise, businesses and individuals who effectively pay taxes can easily get government contracts which improve their image.



### Activity 4.8

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. Let learners read in small groups the scenario and:

### TEACHER INSTRUCTIONS

- i) Print a copy of the scenario in the learner's book to enable the learners read and identify the benefits of tax compliance.
- ii) Group the learners to read the case study.
- iii) Guide the learners on how to read and understand the scenario.
- iv) Evaluate the learners' presentations on benefits of tax compliance.

### Teaching and Learning Methods

- 1) Discussion
- 2) Guided discovery
- 3) A case study



## Teaching and Learning Resources

- 1) Hand out of the case study
- 2) Textbooks
- 3) Markers
- 4) Flip charts and manila papers

**Skills:** Teamwork, communication, critical thinking, problem solving

**Values:** Social responsibility, hard work for self-reliance

## Assessment Strategy

Observe the learners as they read and analyse the case study to identify the benefits of tax compliance and present their findings.

## Expected Responses to Activity 4.8

- i) Tax compliance creates good business image/reputation hence different stakeholders are willing to deal with the business.
- ii) It enables a business to obtain a Tax Clearance Certificate (TCC) which is a requirement of getting government contracts.
- iii) Tax compliance strengthens the taxpayer's relationship with URA.
- iv) Enables government to raise enough tax revenue to meet its public expenditure.
- v) Tax compliance reduces smuggling goods into the country.
- vi) Tax compliance reduces the government burden of borrowing.

## Effects of Non-tax Compliance

In schools and institutions some learners carry illegal items which are not allowed in their places of residence, others enter without fees clearances, while some dodge classes and other school functions. Such learners, when identified, are punished from school and or sent back home to their parents.

Similarly, some business operators can deal in unwanted goods, others illegally bring goods into the country without getting clearance from URA (smuggling), and others do not tell the exact value of their goods so as to avoid being taxed.

## 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, they are faced with a number of challenges. Non-tax compliance has negative effects on the economy and the welfare of the citizens. Some of the effects include; low government revenue which can lead to poor economic developments, closure of businesses, and arrest of the business operators who try to evade paying taxes. Sometimes people are fined very heavily or even imprisoned.



*Business man arrested for smuggling goods*

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*

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 ask learners to explore more effects of non-tax compliance. Prepare a creative presentation using a skit, infographic, or poster to share their insights with the rest of the class. Make sure that they include real-life examples or case studies to illustrate their points.

### Teacher Preparation

- 1) Organise video clips and photographs on forms and effects of non-tax compliance.
- 2) Determine the size of the groups and their activities.

### TEACHER INSTRUCTIONS

- i) Group learners into manageable groups.
- ii) Guide learners to identify and discuss the forms of non - tax compliance.
- iii) Evaluate the learners' presentations on the forms and effects of non-tax compliance and give feedback.

### Teaching and Learning Methods

- 1) Discussion
- 2) Case study
- 3) Guided discovery

### Teaching and Learning Resources

- |                |                                  |
|----------------|----------------------------------|
| 1) Textbooks   | 5) Mobil phones                  |
| 2) Video clips | 6) Flip charts and manila papers |
| 3) Projectors  | 7) Markers                       |
| 4) Computers   |                                  |

**Skills:** Teamwork, communication

**Values:** Honesty, integrity and social responsibility

## Assessment Strategy

- 1) Observe the learners as they discuss and present their findings.
- 2) Ask probing questions as learners make presentations, to evaluate the correctness of their findings.

## Forms of Non-tax Compliance

- i) **Smuggling:** This involves importing and exporting goods secretly contrary to the law without paying the duties imposed.
- ii) **Under-declaration:** This refers to the deliberate giving of wrong information to the tax authority in order to pay less taxes. This takes the form of understating the business income and overstating the expenses which directly affect the business.
- iii) **Under-valuation:** This involves stating a lower value of imports in order to pay low import taxes and defraud the government.
- iv) **Falsification of documents:** This is the deliberate alterations of information on prescribed documents for purposes of avoiding taxes.
- v) **Non-filing of returns:** This is a deliberate failure by registered taxpayers to file returns as required by law.
- vi) **Failure to register for taxation:** This involves failure to register for tax by eligible taxpayers and misclassification of goods.
- vii) **Delay in declaration and filing tax returns:** This may attract penalties in the form of requiring a taxpayer to pay interest on outstanding amounts.

## Responses to Activity 4.9: Effects of Non-Tax Compliance

Effects of non-tax compliance can be very bad ranging from financial loss through fines, to imprisonment. In many cases the fine is heavier than the tax that was to be paid such as:

- i) Temporary or permanent closure of the business by relevant tax authorities hence loss of business income
- ii) Paying interest on all the outstanding tax dues (unpaid taxes)
- iii) Penalty on failure to file tax returns on the due date
- iv) Forceful payment of tax arrears by the business profits or entrepreneur's income
- v) Publishing the business name in the shame-list hence bad public image

- vi) Loss of smuggled goods that are confiscated by relevant tax authorities
- vii) Loss of government revenue
- viii) Pushing the tax burden to the taxpayers
- ix) Taking court action which may lead to imprisonment over non-paid tax obligations/ Imprisonment of tax defaulter(s) after court ruling
- x) Denial of government contracts or tenders as the business may be blacklisted by the relevant tax authorities
- xi) Taking over the management of the business by the tax authority to recover the unpaid tax (receivership)

## Measures to Improve Tax Compliance

These are ways of making taxpayers comply with the tax laws and pay taxes on time and correctly. The best way of improving tax compliance is by making it easier for taxpayers to comply through enforcement and increasing trust in the government. A number of measures have been adopted by URA to improve tax compliance.



### Activity 4.10

Invite a guest speaker from any tax office to educate learners about the measures that can be taken to improve tax compliance. Let learners take notes from the guest speaker's presentation.

## Teacher Preparation

- 1) Write an invitation letter to URA official to talk to learners in advance.
- 2) Prepare learners for the guest speaker and possible questions to ask the guest speaker.
- 3) Guide learners on how to write a report.
- 4) You need recording gargets to record the speech of the guest speaker.

## TEACHER INSTRUCTIONS

- i) Record the guest speaker's presentation.
- ii) Introduce the guest speaker to the learners.
- iii) Guide the learners to ask relevant questions.



## Teaching and Learning Methods

- 1) Guest speaker
- 2) Discussion
- 3) Guided discovery
- 4) Question and answer

## Teaching and Learning Resources

- 1) Textbooks
- 2) Recording gadgets

**Skills:** Teamwork, communication

**Values:** Social responsibility, justice and fairness in dealing with others

## Assessment Strategy

- 1) Assess the learners' participation during the guest speaker's presentation.
- 2) Evaluate the learners' reports on the presentation.
- 3)

## Expected Responses to Activity 4.10

- i) Charging a fair tax rate.
- ii) This enables the taxpayers to retain enough disposable income to support reasonable/decent standard of living which encourages tax compliance.
- iii) Encouraging the business community to have proper record keeping in business.
- iv) Ensuring consistency in application of tax laws. This ensures equal treatment of all the taxpayers hence minimizing tax evasion.
- v) Simplifying the tax laws. This enables all taxpayers to easily understand or interpret the tax laws hence avoiding tax evasion.
- vi) Making the tax system equitable. This ensures fair distribution of the tax burden to all the taxpayers.
- vii) Ensuring that taxpayers pay at convenient time.
- viii) Carrying out tax education. This helps to create awareness among the taxpayers about the benefits or importance of paying taxes.
- ix) Making tax payment procedures short. This gives a taxpayer convenience when clearing taxes.

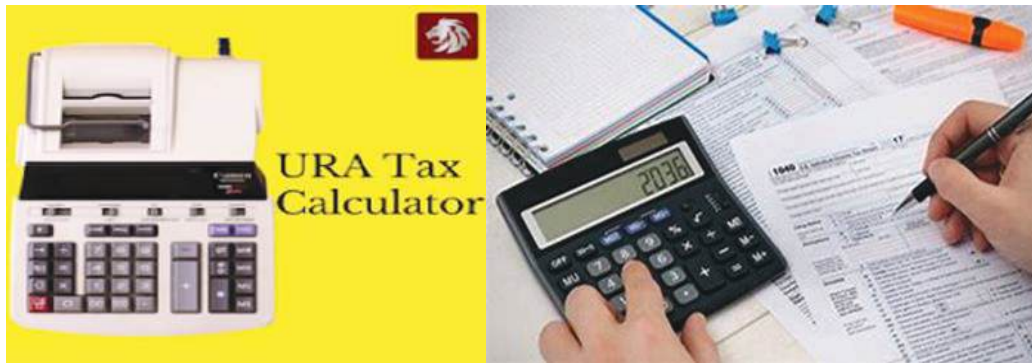
- x) Rewarding compliant taxpayers. This motivates other taxpayers to pay the tax voluntarily.
- xi) Ensuring proper accountability of the tax revenue through the provision of infrastructure such as road, school, and communication.
- xii) Publishing names of tax defaulters in the media/press. This encourages taxpayers to be compliant to avoid bad public image.
- xiii) Promoting whistle blower's policy; this helps the tax authority to identify or track non-compliant tax collectors.
- xiv) Digital payment. Technology eases tax administration and creates confidence in the taxpayers on the safety of the money paid.
- xv) By locking or closing businesses to make other people comply.
- xvi) Allowing customers make instalment payments.

## Summary of the Sub-Module 4

In this sub-module, you have covered the meaning of tax compliance, elements of tax compliance, benefits of tax compliance and the effects of non-tax compliance and the measures that can be taken to improve tax compliance. This will enable the learners to reflect on what can happen if one evades paying tax and be tax compliant when they get into the world of work



## 5. 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

In this sub-module, the learner should be guided on the key terms used in the calculation of taxes, calculate individual employment tax and small business taxes in anticipation of the basic taxes they are likely to meet in their fields of work.

Emphasise the fact that tax computation by the taxpayer is increasingly becoming a necessary activity given the shift of tax determination from the tax authority to the tax collector and the taxpayer.

**Skills:** Numeracy, speed and accuracy, time management, problem-solving skills, attention to detail, organisation.

**Values:** Integrity, commitment, innovation, teamwork, respect, passion, innovation and continuous improvement, objectivity, confidentiality

## Terms Used in Tax Computation



### Activity 5.1: Common terms in tax computation

Read the terms in the table below and research for their meanings from internet and textbooks 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	

### Teacher Preparation

In your preparation you need the following:

- i) **Learner's book:** The table containing the terms to be defined is in this book. Where learners do not have the book, make photocopies of the table or draw the table on the chalkboard or Manila paper.
- ii) **Explanation of the terms:** These are provided in Table 1 below. Please do your own research and compile personal notes that suit your level of learners.
- iii) **Income Tax Act (most recent) and URA handbook (revised)**

### TEACHER INSTRUCTIONS

The learner has been provided with Activity 5.2 reproduced below in a table. Organise a brainstorming session, take down learner's responses on the chalkboard or Manila paper. Correct the learners' responses using the explanations provided in the completed Activity 5.2 with the standard definitions provided. Ensure that the learners complete the table provided in their books after brainstorming.

## Expected Response to Activity 5.1

### Key Terms Used in Tax Calculation Explained

Terms	Explanation
A person	It is an individual, a partnership, a trust, a company, a retirement fund, a government, a political party and a listed institution.
Gross Income	This is the total amount of business income, Employment Income and Property Income of a person for a year excluding exempt income.
Exempt Income	These are incomes which by law are not taxed. They are deducted from gross income before the tax is computed or are not included in the determination of taxable income. They are specified or listed in the Income Tax Act.
Year of Income	This is a period of twelve months ending June 30.
Chargeable Income	This is the total income of a person for the year after deducting allowable expenses and losses.
Tax Threshold	The level of gross income or money earned below which no tax is paid. In other words, it is a level of income earned above which a person or company must pay tax or must pay a higher rate of tax.
Value Added Tax (VAT)	It is an indirect tax on consumption, charged on value added to taxable goods and services, at different stages in the chain of production and distribution. It is charged on local goods and services as well as imports.
Taxable goods	These are goods and services that are either standard rated or zero rated for VAT purposes. Standard rate is 18% and zero rated is at 0%.
Employment	Is a relationship between a master and a servant for a pay which may be a salary or a wage. The servant provides a service to the master in exchange for a pay. The pay must be fixed or determinable. A director of a company or a person holding a public office is said to be in employment.

## NOTE

By guiding the learners to understand the meaning of these key terms it will help them to make proper applications when calculating taxes payable.

## Individual Incomes

For tax purposes, a person includes an individual, a partnership, a trust, a company, an institution or a government. For this level however, you will restrict the trainees to individual taxpayers and for only the taxes outlined in the syllabus.

### Illustration 2

Mukulu is employed by ROKO Construction Ltd, has a business and rental house as illustrated 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.

Mukulu's tax payable can be calculated using the two sources of income indicated above.

## Teacher Preparation

In your preparation, you need the following:

- i) Learner's book – contains the illustration on sources of income. If the learners do not have the book make photocopies of the illustration.
- ii) Manila paper – To write the learners' expectations.
- iii) Photographs and pictures depicting sources of income
- iv) Income Tax Act (most recent) and URA Handbook (revised)

## TEACHER INSTRUCTIONS

- i) This activity requires the learners to examine their career expectations and list them. The purpose is to guide them to different sources of income an individual may earn. Choose an appropriate instructional method such as Think-Pair-Share and guide the learners to various career options available to each one of them.
- ii) You can also introduce the topic by making them list down their expectations in life before they embark on the task.
- iii) Give a few learners time to present their job expectations to the class and develop a summary.

Use Activity 5.2.1 in the learners' book to consolidate the three sources of individual income namely; Employment, Business and Rental.

## Calculation of Employment Income Tax (PAYE)

After learners have identified the sources of individual incomes, you can now introduce them to tax charged on employment incomes.

## Teacher Preparation

This lesson is on the interpretation of the income tax brackets.

**In your preparation you need the following:**

- i) Income Tax Act (most recent) and URA Handbook (revised).
- ii) A calculator
- iii) Earnings from employment by the taxpayer – both cash and non-cash benefits. You can formulate your own figures. You can also source for an actual payroll from the school or any other organisation.
- iv) Table containing the income tax brackets and tax rates. This table is provided in the learner's book but if learners do not have the book, provide photocopies of the table, draw it on a manila paper or draw it on the chalkboard.

## Tax Brackets for PAYE

In order to calculate pay as you earn (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 calculation of PAYE

SN	Monthly income tax brackets	Tax Rate
1.	Not more than Shs 235,000	Nil
2.	More than Shs 235,000 but not more than Shs 335,000	10% of the amount by which taxable income is more than Shs 235,000.
3.	More than Shs 335,000 but not more than Shs 410,000	Shs 10,000 plus 20% of the amount by which taxable income is more than Shs 335,000.
4.	More than Shs 410,000	(a) Shs.25,000 plus 30% of the amount by which taxable income is more than Shs.410,000. (b) Where the taxable income of an individual is more than Shs 10,000,000 an additional 10% is taxed on the amount by which taxable income is more than Shs 10,000,000=

*Adapted from URA Handbook 2021/2022*



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



Namitala is a nurse in Doho Health Centre IV and earns Shs 800,000= 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 calculating 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.

## Teacher Preparation

In your preparation you need the following:

- i) Learner's book – Activity 5.3 on calculation of Lucy's Tax Payable is provided in this book.
- ii) Photocopies of Activity 5.3 – Provide individual or shared copies.
- iii) Income Tax Brackets – This is provided in the learner's book as well but it is better to have photocopies available.
- iv) Income Tax Act (most recent) and URA Handbook (revised)
- v) Calculator

## TEACHER INSTRUCTIONS

- i) Pick one or two learners and make them demonstrate on the chalkboard using Lucy's salary of Shs 1,500,000 how to calculate: Taxable income, Tax Payable and Net Pay.
- ii) Guide the learners doing the calculations and ensure the other learners are participating in providing answers.
- iii) Wrap up by going through the steps and the work of the learners on the chalkboard.



## Solution to Activity 5.2

<b>Namitala works in Doho Health Centre IV where she earns Shs800,000.</b>	
a. How much does Namitala earn in a year?	Shs 800,000 x 12 months – 9,600,000=
b. In which tax bracket does her salary fall?	Bracket 4(a) i.e., Shs 800,000 is more than Shs 410,000 but less than Shs 10,000,000.
c. How much PAYE does she pay to URA per month?	$\text{Shs } 25,000 + \{(\text{Shs } 800,000 - \text{Shs } 410,000) \times 30\% \} = \text{Shs } 25,000 + \text{Shs } 390,000 \times 30\%$ $= \text{Shs } 25,000 + 117,000 = \underline{\underline{\text{Shs } 142,000}}$



## Activity 5.3 Calculating Individual Income Taxes

Lucy earns a monthly salary of Shs 1,500,000. Calculate the following taxes:

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

## TEACHER INSTRUCTIONS

- i) Pick one or two learners and make them demonstrate on the chalk board using Lucy’s salary of Shs 1,500,000 how to calculate: Taxable income, Tax Payable and Net Pay
- ii) Guide the learners doing the calculations and ensure the other learners are participating in providing answers.
- iii) Wrap up by going through the steps and the work of the learners on the chalkboard.

**Solution to Activity 5.3**

Lucy earns a monthly salary of Shs 1,500,000

a. Taxable Income	<b>Formula: (Gross Salary – Threshold)</b> Income Tax Bracket Applicable is bracket 4(a) Where: Gross Salary = Shs 1,500,000; Threshold = Shs 410,000; Fixed Amount = Shs 25,000 Substituting: $(\text{Shs } 1,500,000 - \text{Shs } 410,000) \times 30\% + \text{Shs } 25,000$ Taxable income = $(\text{Shs } 1,500,000 - \text{Shs } 410,000) = \underline{\text{Shs } 1,090,000}$
b. Tax Payable	<b>Formula: (Taxable income x 30%) + fixed pay</b> Substituting: $= \text{Shs } 1,090,000 \times 30\% = \text{Shs } 327,000$ Tax Payable = $\text{Shs } 327,000 + \text{Shs } 25,000 = \underline{\text{Shs } 352,000}$
c. Net Pay	<b>Formula: Gross Pay – Tax Payable</b> Substituting: $= \text{Shs } 1,500,000 - \text{Shs } 352,000$ Net Pay = $\underline{\text{Shs } 1,148,000}$

## The 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.

## Who is a 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

Give learners assignments to:

- 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 the findings to the class for discussion.

## Presumptive Tax



### Activity 5.5: What is presumptive tax?

Ask learners to use Internet or textbooks to find the meaning of presumptive tax.

### Suggested response to activity 5.5

Presumptive tax is one calculated from Gross Sales of a business using tax rates and brackets administered by URA for the purpose.

### Schedule for the Computation of “Presumptive” Income Tax for Small Businesses

In order to compute presumptive business income tax from small business we need the schedule provided by URA giving tax brackets and tax rates as follows.

#### Presumptive income tax brackets and rates

S/N	Gross Sales per annum	Tax Payable	
		With records	Without records
1	More than UGX 10 million but not more than UGX 30 million	0.4% of amount by which annual gross sales are more than 10 million	UGX 80,000
2	More than UGX 30 million but not more than UGX 50 million	UGX 80,000 plus 0.5% of amount by which annual gross sales are more than UGX 30 million	UGX 200,000

3	More than UGX 50 million but not more than UGX 80 million	UGX 180,000 plus 0.6% of amount by which annual gross sales are more than UGX 50 million	UGX 400,000
4	More than UGX 80 million but not more than UGX 150 million	UGX 360,000 plus 0.7% of amount by which annual gross sales are more than UGX 80 million	UGX 900,000

Adapted from URA handbook 2021/2022



### Activity 5.6: Calculation of presumptive tax

Jorem and Sons Groceries made annual sales of Shs 42,000,000. 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.

### Solution to Activity 5.6

#### Jorem & Sons Groceries' Presumptive tax

**Tax Payable = (Annual Gross Sales – Threshold) x Rate + Fixed Amount**

Where: = Annual Gross Sales = Shs 42,000,000; Threshold = Shs 30,000,000;

= Rate = 0.5% and Fixed Amount = Shs 80,000

Substituting: = (42,000,000 – 30,000,000) x 0.5% + 80,000 = 12,000,000 x 0.5% + 80,000

= 60,000 + 25,000

**Presumptive Tax Payable = Shs 85,000**

## Assignment

This assignment is meant to make learners practise all the brackets of the presumptive tax brackets.

Traders in Kumi Municipality were guided by officials from URA on how to keep their sales records for tax purposes. They have compiled their sales and want you to help them to calculate the “presumptive” income taxes they are to pay 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:**



**HOME CARE (U):** Annual Sales Shs 22 million

**Presumptive Income Tax:**



**MARKET VENDER (A):** Annual Sales Shs 3million

**Presumptive Income Tax:**

### Summary of the Sub-Module 5

In this sub-module, you have covered the calculation of employment tax (PAYE) and the basic business taxes so that the learner can be in position to calculate their own taxes and assess their business before the tax officials.

## 6. International Trade Taxes



Keywords	Learning Outcomes
1) imports and exports 2) customs duty 3) customs valuation 4) import duty 5) export duty	By the end of this topic, the learner should be able to: <ol style="list-style-type: none"> <li>i) define international trade.</li> <li>ii) differentiate between imports and exports.</li> <li>iii) categorises goods for international trade in Uganda.</li> <li>iv) calculate import duty.</li> </ol>

### Introduction

In this sub-module, guide the learners on the meaning of international trade, categories of goods in international trade for tax purposes, and taxes charged in international trade. You should emphasise the fact that countries depend on each other for goods and services which they are not able to produce or can produce at a higher cost. As a result, countries engage in international trade to cover up the gaps for such goods/services and obtain revenue that is taxed by governments.

## Meaning, advantages, and disadvantages of International Trade

In your introduction check the learners' understanding of the concept of "international trade". Take advantage of the learners' use of imported goods in their everyday life. Some of the learners may have knowledge of boarder points. You may also take to class either real goods or pictures of imports and exports.



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

Divide learners in small groups and assign them to research the:

- 1) Meaning of International trade.
- 2) Advantages of exporting goods to other countries.
- 3) Disadvantages of importing goods from other countries.
- 4) Let them present their findings in class for comparison and improvement.

### Teacher Preparation

In your preparation for "Introduction to International Trade" you need the following:

- i) **World map:** To give geographical boundaries of countries bordering Uganda and the geographical location internationally.
- ii) **Pictures or video clips:** These should be pictures or video clips on imported and exported goods and activities that take place in international trade.
- iii) **Chart:** Listing common goods Uganda imports and the country of importation

#### iv) Learners' Guide



### TEACHER INSTRUCTIONS

- i) Group the learners in preparation for Activity 6.1 in the learners' book.
- ii) Introduce the learners to the day's topic and refer them to Activity 6.1.1.
- iii) Guide the groups through the tasks provided in Activity 6.1.1.
- iv) Invite group leaders to display and present the group work.
- v) Guide a discussion on the points raised by each group and make corrections where necessary.
- vi) Display the world map, pictures and play video clips.
- vii) From the discussions and the display, develop the following:
  - a) A list of imports and exports for Uganda
  - b) Uganda's common border posts or entry points
  - c) An agreed and standard definition of "International Trade"

### Teaching and Learning Methods

Group discussion

### Teaching and Learning Resources

- 1) Atlas
- 2) A world map
- 3) Textbooks
- 4) Video clips on international trade

**Skills:** Numeracy, speed and accuracy, time management, problem-solving, attention to detail, organisation

**Values:** Integrity, commitment, innovation, teamwork, respect, passion, innovation and continuous improvement, objectivity, confidentiality

### Assessment strategy

- 1) Observe the learners as they brainstorm the advantages and disadvantages of international trade.
- 2) Note down all their answers to assess the creativity and problem-solving abilities
- 3) Allow them to critique their answers.

## Categories of Goods in International Trade for Tax Purposes

<b>Expected Responses to Activity 6.2: Meaning of the different categories of goods</b>	
<b>Category of goods</b>	<b>Meaning</b>
Consumer goods	These are products bought for consumption by the final user. Consumer goods are the end result of production and manufacturing.
Capital goods	They are assets used by businesses for manufacturing products that will later be sold to consumers.
Raw materials	Basic materials that are used to produce goods, finished products, energy, or intermediate materials.
Semi processed goods	They are partly finished goods used as inputs in the production of other goods including final goods.
Intermediary goods	Finished goods that are used as components or parts in the production of other goods. e.g., vehicle tyres, car radios, Sign posts etc.
Finished goods	Finished goods are products that have completed the manufacturing process.

### Teacher Preparation

In your preparation to teach the different categories of goods under international trade you need the following:

1. **Samples of goods** – Actual goods unique to international trade e.g., mobile phones, laptop, watches, calculator etc.
2. **Pictures or video clips.** These should be pictures or video clips on imported and exported goods and activities that take place in international trade.
3. **Chart:** Listing common goods Uganda imports and the country of importation.
4. Learners' book

## TEACHER INSTRUCTIONS

- i) The learner has been provided with Activity 6.3 in the learner's book. Organise a brainstorming session, take down learners' responses on the board, flip chart or manila paper.
- ii) Correct the learners' responses using the explanations provided in the completed Activity 6.3 with the standard definitions provided.
- iii) Ensure that the learners complete the table provided in their books after brainstorming.

## Teaching and Learning Methods

- 1) Research
- 2) Class discussion

## Teaching and Learning Resources

- 1) Photographs of different categories of goods
- 2) Textbooks
- 3) Masking tape
- 4) Video clip
- 5) URA taxation handbook

**Skills:** Team work, problem solving, critical thinking, communication

**Values:** Hard work, patience, respect for others, unity

## Assessment Strategy

1. Observe the learners as they present their work in class to appreciate their problem-solving, analysis and team work spirit and also take note of their values and how well they cooperate.
2. Let the learners discuss in small groups the effect of tax on imported goods and make classroom presentation.

## Calculating Import Duties

### Calculation of International Trade Taxes

#### a) Import duty rates

Import duty rates are set according to the category of goods being taxed. The following are the current rates for calculating import duties:

- i) 0% for Raw materials and goods that are not manufactured in the EAC region like chemicals, 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 EAC region

## b) 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 get the customs value of imported goods at the port of entry such as Mombasa, Dar-es-Salam etc.

The customs value consists of the following:

- i) Cost of goods at the country of origin
- ii) Insurance
- iii) Freight (cost of transporting goods either by water, land or air)

The abbreviation for this is **CIF**.

## How to Calculate Customs Value

$$CV = C + I + F$$

Where:

- CV = Customs Value
- C = Cost,
- I = Insurance and
- F = Freight (for water and land cargo)

**Note:** For goods transported by air the freight is not included in the calculation of customs value.

### Example 1:

Mandela Auto Spares Ltd imported motor vehicle tyres from Japan which cost as follows:

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

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

**Step 2: Calculate Customs Value**

Formula:

$$CV = C + I + F$$

**Substituting:**

$$CV = \text{UGX } 3,850,000 + \text{UGX } 5,775 + \text{UGX } 115,500 = \text{UGX } \underline{\underline{3,971,275}}$$

$$\text{Customs Value} = \text{UGX } 19,250,000 + \text{UGX } 770,000 = \text{UGX } \underline{\underline{20,020,000}}$$

**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)

$$\text{Import Duties} = (\text{Import Duty} + \text{VAT} + \text{WHT} + \text{Inf. Levy})$$

**Example:**

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

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

**Workings:**

**Step 1:**

Convert US\$ to Uganda shillings (Shs)

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

Step 2: Calculate using Shs

**Formula:**

Import Duty = Customs Value x Import Rate

Where:

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

**Substituting:**

Import Duty = Shs 23,100,000 x 25% = Shs **5,775,000**

## Solutions to Activity 6.4

**Task 1:**

Customs Value for motor vehicles.

Step 1: Convert US\$ to Shs

$$C = 10 \text{ units} \times \text{US\$ } 500 = \text{US\$ } 5,000 \times \text{Shs } 3,850 = \text{Shs } 19,250,000$$

$$I = 10 \text{ units} \times \text{US\$ } 50 = \text{US\$ } 500 \times \text{Shs } 1,925,000$$

$$F = 10 \text{ units} \times \text{US\$ } 250 = \text{US\$ } 250 \times \text{Shs } 3,850 = \text{Shs } 962,500$$

Step 2: Calculate Customs Value using Shs:

**Formula:**  $CV = (C + I + F)$

Where:

$$C = \text{Shs } 19,250,000$$

$$I = \text{Shs } 1,925,000$$

$$F = \text{Shs } 962,500$$

Substituting:

$$CV = \text{Shs } 19,250,000 + \text{Shs } 1,925,000 + \text{Shs } 962,500 = \text{Shs } \mathbf{\underline{22,137,500}}$$

**Task 2:**

Customs Value for mobile phones.

Step 1: Convert \$ to UGX

$$C = 80 \text{ sets} \times \text{US\$ } 20 = \text{US\$ } 1,600 \times \text{Shs } 3,850 = \text{Shs } 6,160,000$$

$$I = 80 \text{ sets} \times \text{US\$ } 2 = \text{US\$ } 160 \times \text{Shs } 3,850 = \text{Shs } 616,000$$

Step 2: Calculate Customs Value

**Formula:**  $CV = (C + I)$

Where:

C = Shs 6,160,000

I = Shs 616,000

**Substituting:**

$CV = \text{Shs } 6,160,000 + \text{Shs } 616,000 = \text{Shs } \underline{\underline{6,776,000}}$

**Note:** Freight is not included in the calculation of customs value when goods are transported by air.

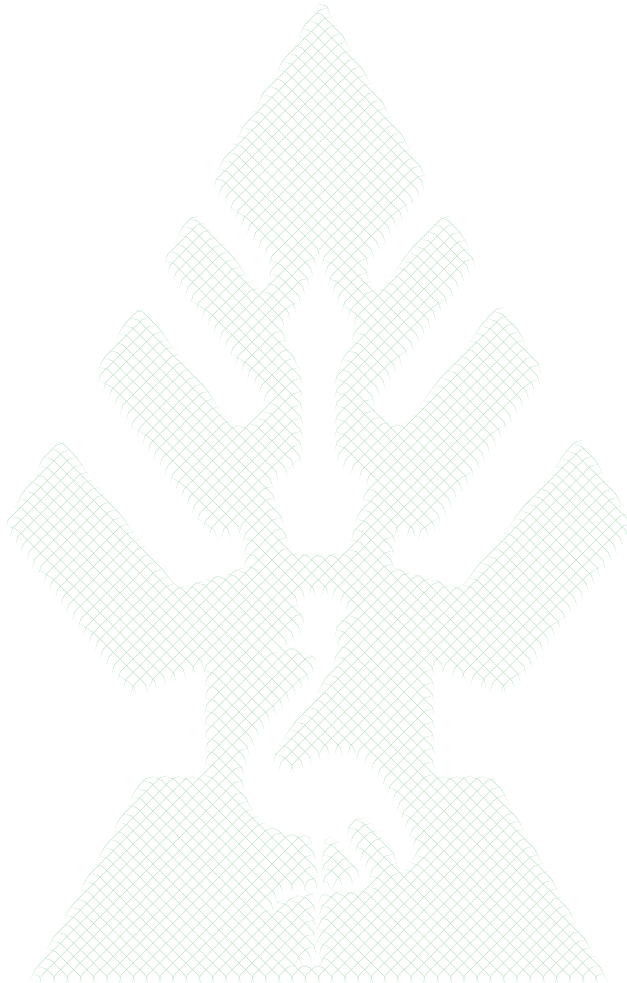
### Summary of the Sub-Module 6

In this sub-module, you introduced the learner to international trade so that they get attitude to carry out business across borders. You covered the categories of goods in international trade for tax purposes and guided on how to calculate the import duties involved.

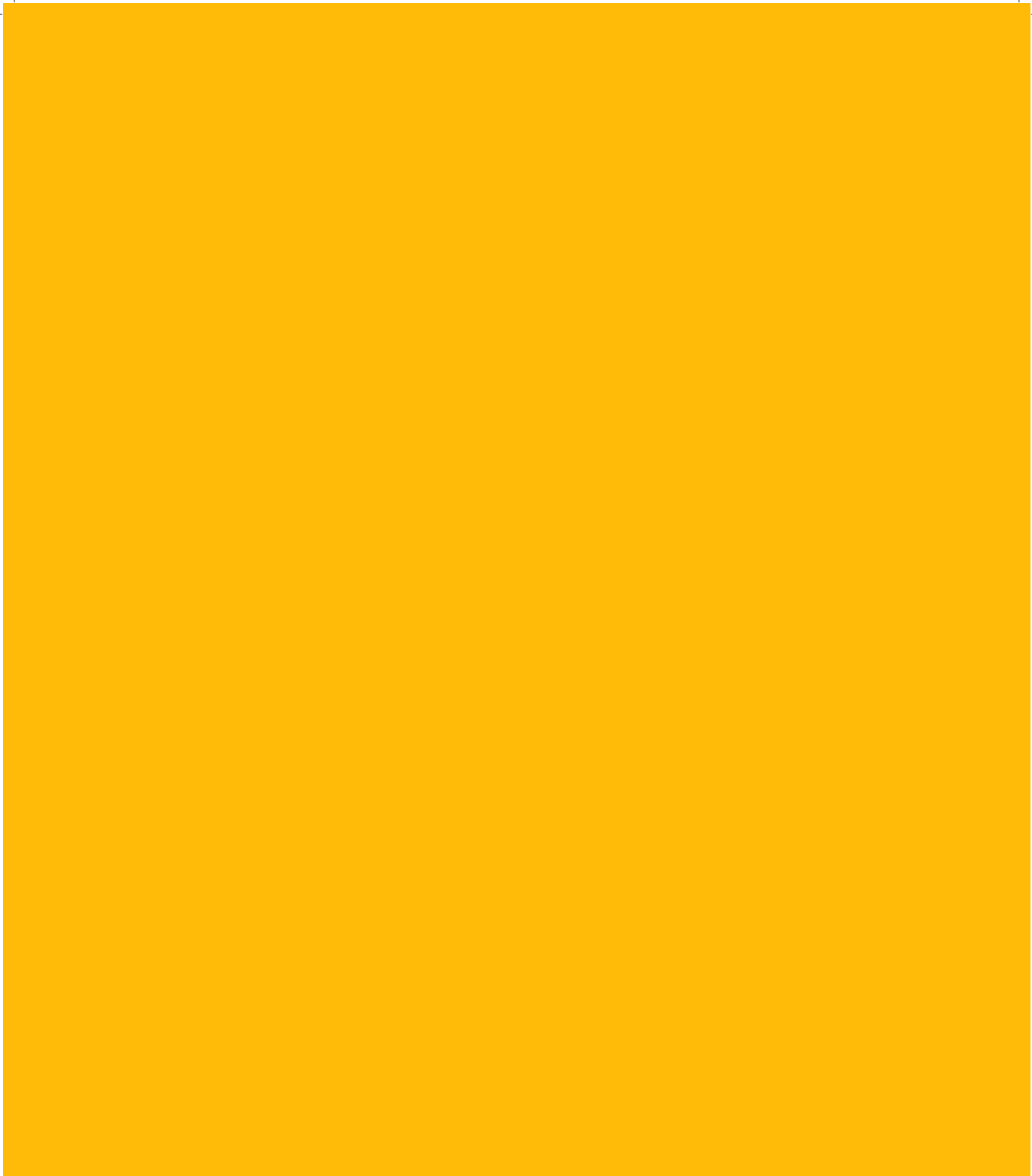


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