

Value for money?

Perceived misuse of tax revenue,
corruption, and unfairness erode support
for broadening tax base in Uganda

By Makanga Ronald Kakumba and Matthias Krönke

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Introduction

Governments rely on tax revenue to finance investments in human capital, infrastructure, and public services for their citizens. The quality of government services and a country's development can be jeopardised if taxes are not collected, are squandered, or are misappropriated by the government.

According to statistics from the Uganda Revenue Authority (URA), about 2.6 million Ugandans were registered taxpayers as of September 2022, but only about 1 million Ugandans are actively paying taxes (Kayiwa, 2022; Oketch, 2021). Analysts attribute the low tax-revenue collections to inadequate administrative capacity, weak checks and balances, and a lack of social norms for tax compliance, among other factors (Lakuma & Lwanga, 2017).

Even so, during the 2021/2022 financial year the URA collected 21.7 trillion Ugandan shillings (UGX) (USD 5.9 billion), its highest-ever revenue collection, reflecting a 12% increase over the previous year. This amount fell just short of the target of UGX 22.4 trillion (Wanyenze, 2022). However, there is little cause to celebrate, for several reasons.

First, Uganda's ratio of taxes to gross domestic product (GDP) is still very low. In 2020, it stood at 11%, far below the African average of 16% and worse than regional peers Kenya (15.3%) and Rwanda (16.9%). This ratio improved slightly in 2021, to 12.9%, but still fell short of what is required for a country to be self-reliant or economically independent (Organisation for Economic Co-operation and Development, 2022). To increase tax collection, the Ugandan government implemented a domestic revenue mobilisation strategy covering the period 2019/2020-2023/2024. Over the course of this five-year plan, the URA is expected to collect revenues totalling between 16% and 18% of GDP. However, the target appears far from achievable, at least in the eyes of tax authority officials (Independent, 2021).

Second, the country's fiscal deficit and debt burden are both worsening (Bulime & Nakato, 2022).¹ While some analysts contend that Uganda's debt is manageable, sustainable, and safe, others argue that the country lacks a credible fiscal strategy for debt and deficit reduction (Nakato & Bulime, 2022).

As Uganda contends with a low tax-to-GDP ratio as well as a growing fiscal deficit and debt burden, it becomes even more important for the country to increase its tax base and improve tax compliance among citizens.

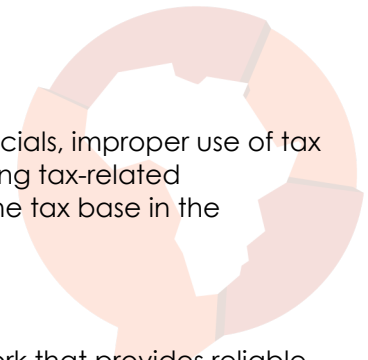
In this policy paper, we seek to provide insights into whether Ugandans perceive their tax system to be legitimate and fair and the extent to which citizens trust the Uganda Revenue Authority. We describe taxpayers' views on tax compliance and support for taxation of the informal sector and examine factors that shape these attitudes. For most of this analysis, we draw on data from the Afrobarometer Round 8 survey in 2019, which included a special module on taxation. For some of Afrobarometer's standard tracking questions, such as on institutional trust and corruption, we also bring in data from previous survey rounds as well as the most recent survey completed in 2022 (Round 9).

Overall, our findings show that a majority of Ugandans endorse their government's right to collect taxes. However, this perceived legitimacy has declined substantially over the past decade, whereas the perception that people often avoid paying their taxes has increased.

Moreover, most Ugandans question the fairness of their country's tax system, see tax officials as corrupt and untrustworthy, and say they find it difficult to get information about tax requirements and uses. Fewer than half think their government uses tax revenues for the well-being of citizens.

¹ For instance, the fiscal deficit increased from UGX 9.9 trillion (USD 2.7 billion) in 2019/2020 to UGX 13.5 trillion (USD 3.68 billion) in 2020/2021. Meanwhile, over just five years, the country's debt increased from UGX 29.6 trillion (USD 8.06 billion), or 34.6% of GDP, to UGX 69.5 trillion (USD 18.92 billion), or 47% of GDP, in 2020/2021 (Bulime & Nakato, 2022).

Our study also reveals that perceptions of corruption among tax officials, improper use of tax revenue, unfair taxation of ordinary citizens, and difficulty in accessing tax-related information significantly undermine public support for broadening the tax base in the informal sector.



Afrobarometer survey

Afrobarometer is a pan-African, non-partisan survey research network that provides reliable data on African experiences and evaluations of democracy, governance, and quality of life. Nine rounds of surveys have been completed in up to 42 countries since 1999. Round 9 surveys (2021/2023) cover 39 countries. Afrobarometer's national partners conduct face-to-face interviews in the language of the respondent's choice.

This policy paper draws mainly on a special module on taxation included in the Afrobarometer Round 8 survey, which was conducted in September-October 2019 by Hatchile Consult and interviewed a nationally representative, random, stratified probability sample of 1,200 adult Ugandans. A sample of this size yields country-level results with a margin of error of +/-3 percentage points at a 95% confidence level. Other surveys included in this analysis were conducted in 2005, 2008, 2012, 2015, 2017, and 2022.

Key findings

- **Perceived legitimacy of taxation:** Six in 10 Ugandans (61%) say their government has the right to make people pay taxes. But this support has declined by 23 percentage points since 2017.
- **Perceived fairness of the tax system:** About two-thirds (65%) of Ugandans say ordinary people have to pay too much in taxes. Only half as many (33%) say the same thing about the wealthy. And about two-thirds (67%) of respondents think it is fair to tax rich people at a higher rate than ordinary people in order to help pay for government programmes to benefit the poor.
- **Trust and integrity of tax authorities:** A majority (56%) of Ugandans say that "most" or "all" tax officials are corrupt. Only about one-third (35%) say they trust the Uganda Revenue Authority "somewhat" or "a lot."
- **Difficulty in accessing tax information:** Three-fourths (76%) of Ugandans say it is "difficult" or "very difficult" to find out what taxes and fees they are supposed to pay. An even larger majority (83%) report that it is hard to find out how the government uses the tax revenues it collects.
- **Taxes and government accountability:** Fewer than half (46%) of Ugandans believe that their government usually uses tax revenues for the well-being of its citizens. Two-thirds (66%) want Parliament to monitor how tax revenues are spent.
- **Tax avoidance:** About one-third (35%) of citizens say that people in their country "often" or "always" avoid paying taxes they owe, a 14-percentage-point increase from 2012 (21%).
- **Support for taxing the informal sector:** Fewer than four in 10 citizens (38%) say the government should make sure that small traders and others in the informal sector pay taxes, while a majority (58%) disagree.
- **Explaining popular support for broadening the tax base in the informal sector:** Institutional performance, perceived fairness of the tax system, and access to tax information play as important a role as people's personal circumstances.

Legitimacy of taxation

Michelle D'Arcy (2011) argues that governments earn the right to collect taxes from the citizenry if they fundamentally treat their citizens fairly and are seen to be addressing their

needs and improving services over time. However, the legitimacy of taxing citizens is undermined when people no longer trust the tax authority or the president, as well as by a lack of accountability of the executive branch (Isbell, 2022). Therefore, the first important question is: Do Ugandan citizens assent to paying taxes?

According to Afrobarometer data from 2019, six in 10 Ugandans (61%) “agree” or “strongly agree” that tax authorities always have the right to make people pay taxes. About one-third (31%)² disagree (Figure 1).

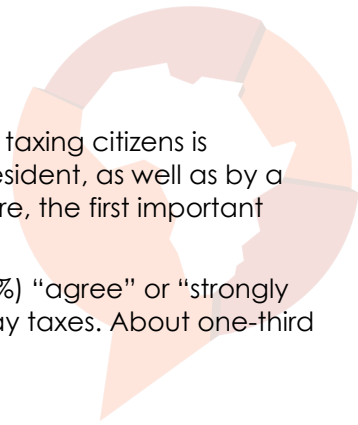
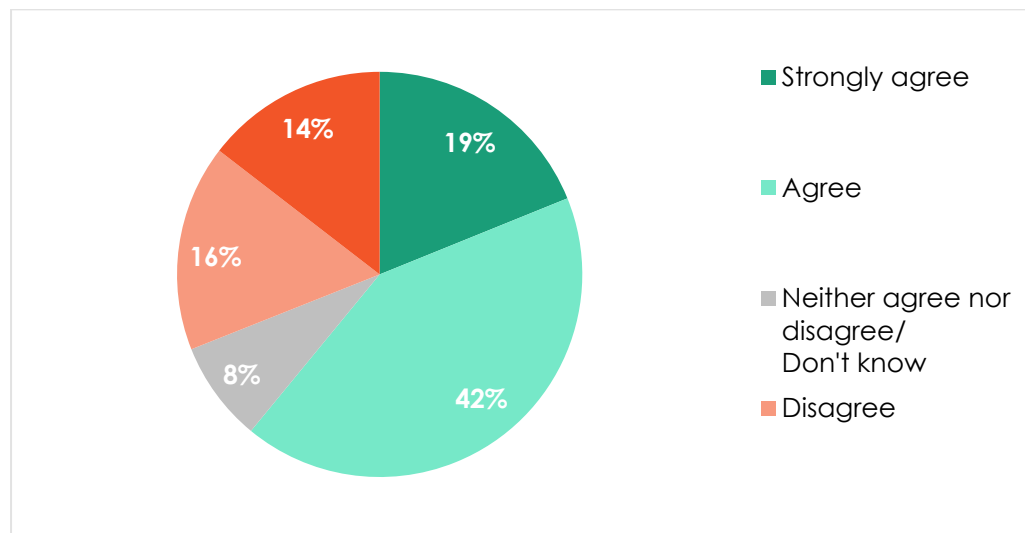


Figure 1: Legitimacy of taxation | Uganda | 2019



Respondents were asked: For each of the following statements, please tell me whether you disagree or agree: The tax authorities always have the right to make people pay taxes.

The legitimacy of tax collection has consistently been a majority view over the years, and increased between 2012 (66%) and 2017 (84%) before dropping by 23 percentage points in 2019 (Figure 2).

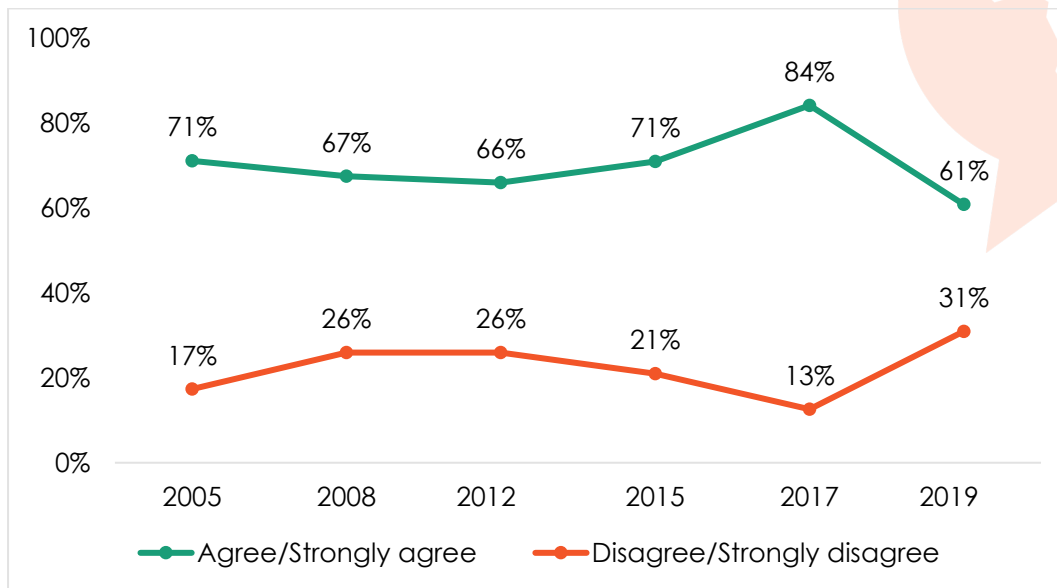
Citizens' views on the legitimacy of taxation vary considerably by socio-demographic group (Figure 3). Most dramatically, support for the government's right to collect taxes increases with respondents' education level, ranging from 44% of those with no formal schooling to 86% of those with post-secondary qualifications. Urban residents (64%) are more supportive of taxation than rural dwellers (60%), as are men (65%) compared to women (56%). Older respondents (69%) are more likely to assent to the government's right to collect taxes than the middle-aged (65%) and younger citizens (57%). So are those employed full time or part time (67%) compared to the unemployed (56%), as well as those working in the formal sector (71%) compared to everyone else (58%-61%).

Geographically, citizens living in the Central (72%) and Eastern regions (64%) are more supportive of the government's right to collect taxes than those living in Northern (60%), Kampala (60%), and Western regions (57%). The poorest citizens are less likely to agree that the tax authorities have the right to enforce taxes than their better-off counterparts (55% vs. 61%-70%), perhaps because they don't have enough money to pay taxes or they see few beneficial outcomes of taxation.³

² Due to rounding, percentages for combined categories reported in the text may differ slightly from the sum of sub-categories shown in figures (e.g. 16% “disagree” and 14% “strongly disagree” sum to 31%).

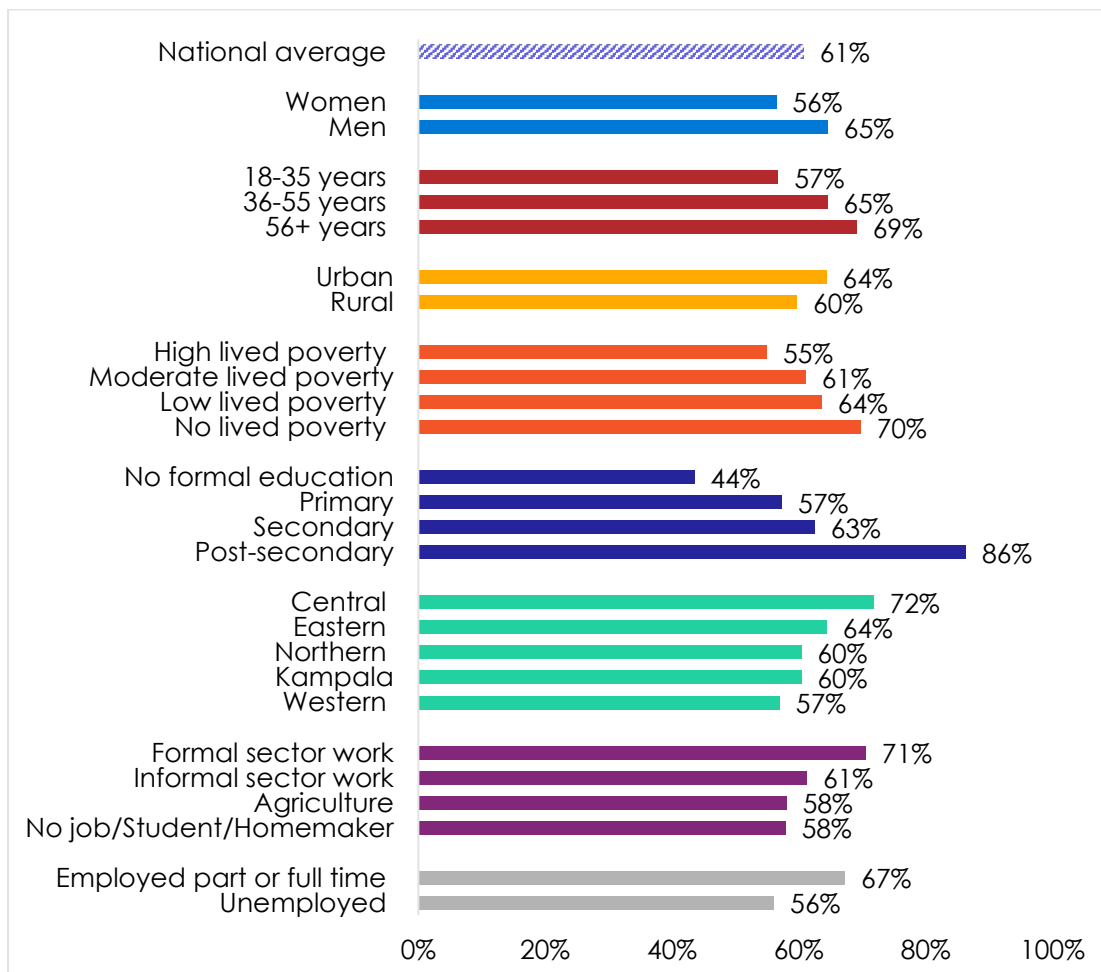
³ Afrobarometer's Lived Poverty Index (LPI) measures respondents' levels of material deprivation by asking how often they or their families went without basic necessities (enough food, enough water, medical care, enough cooking fuel, and a cash income) during the preceding year. For more on lived poverty, see Mattes and Patel (2022).

Figure 2: Trend in perceived legitimacy of taxation | Uganda | 2005-2019



Respondents were asked: For each of the following statements, please tell me whether you disagree or agree: The tax authorities always have the right to make people pay taxes.

Figure 3: Legitimacy of taxation | by demographic group | Uganda | 2019



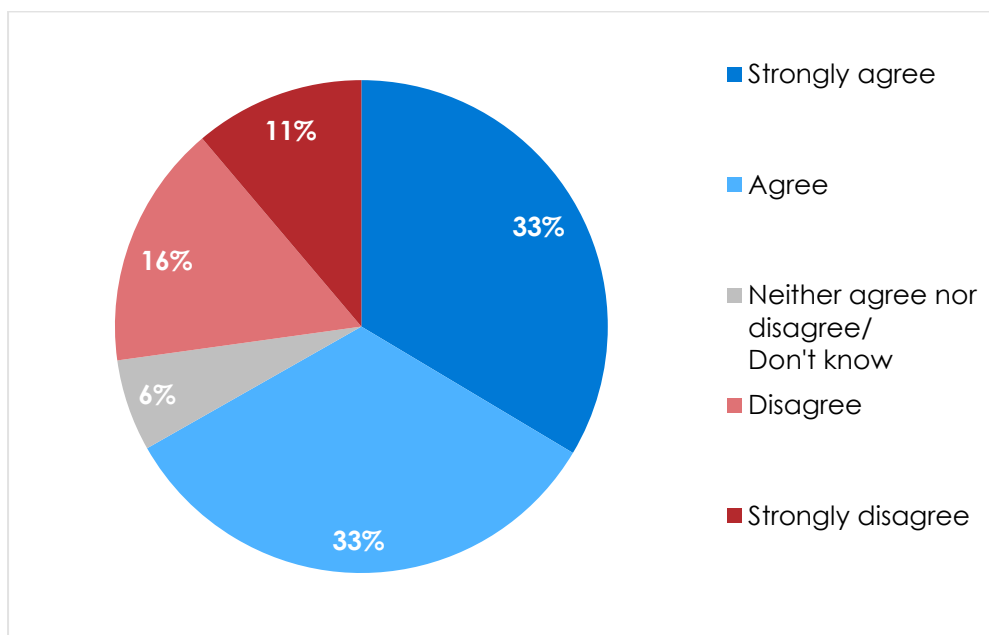
Respondents were asked: For each of the following statements, please tell me whether you disagree or agree: The tax authorities always have the right to make people pay taxes. (% who "agree" or "strongly agree")

Fairness of the tax system

Beyond having the legitimacy to tax its citizens, any regime's tax system should be perceived to be fair. If citizens see their tax system as unfair and inequitable, they may be encouraged to evade paying taxes, rendering the tax system less successful (Verboon & Goslinga, 2009; Sahaan, 2012).

Two-thirds (67%) of Ugandans "agree" or "strongly agree" that it is fair to tax rich people at a higher rate than ordinary people to fund government programmes that benefit the poor, while just 27% disagree (Figure 4). These findings suggest that Ugandans support a progressive tax system, where the tax rate rises alongside income levels. Currently, Ugandans earning less than UGX 2,820,000 (USD 747) per annum are exempted from paying any income tax, while those earning more than UGX 120,000,000 (USD 31,774) per annum are subject to a maximum income tax rate of 40% (PwC, 2023).⁴

Figure 4: Fair for the rich to pay higher tax rates? | Uganda | 2019



Respondents were asked: Do you agree or disagree with the following statement: It is fair to tax rich people at a higher rate than ordinary people in order to help pay for government programs to benefit the poor?

However, even though the income-tax structure is progressive, when asked about how fair current tax rates are, two-thirds (65%) of citizens say that ordinary people in Uganda are required to pay "somewhat too much" or "far too much" in taxes; only 15% say that ordinary people pay about the right amount of taxes (Figure 5).

The sentiment that tax rates are still too high despite the progressive income-tax structure could be caused by several factors. First, even the lower income-tax rates are difficult to pay for many ordinary citizens struggling to make ends meet. Second, the existence of different taxes and fees collected by both the Uganda Revenue Authority and local government authorities may lead ordinary citizens to say that they pay too many taxes (Monitor, 2021).

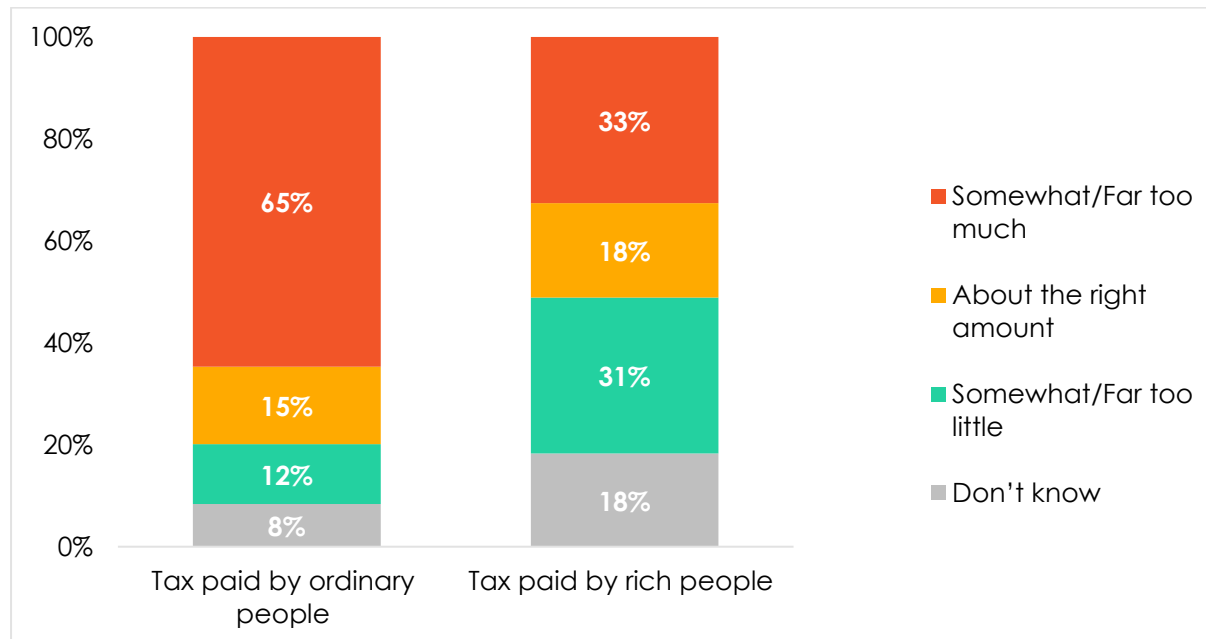
Third, the additional burden of indirect taxes (e.g. value-added tax) that Ugandans pay daily contributes to the perceived unfairness of the system. Since only a minority of citizens pay the progressive income tax, Uganda's overall tax system remains heavily dependent on indirect

⁴ Individuals who earn at least UGX 120,000,000 have to pay 30% tax on the first 120,000,000 and 40% tax on any additional income.

taxes, which make up 64.4% of total revenues (Oxfam, 2021). Because indirect taxes disproportionately affect low-income earners, some analysts consider Uganda's overall tax system regressive in nature.

In contrast, Ugandans are divided on whether the rich are overtaxed. While one-third (33%) say wealthy people pay "somewhat too much" or "far too much" in taxes, 31% say they pay too little. Only about one in five (18%) think the rich pay the right amount of taxes.

Figure 5: Perceptions of taxes paid by rich people and ordinary people | Uganda | 2019



Respondents were asked: Do you think that the amount of taxes that [ordinary people/rich people] in Uganda are required to pay to the government is too little, too much, or about the right amount?

Trust and perceived corruption in the tax system

Trust in the tax authority

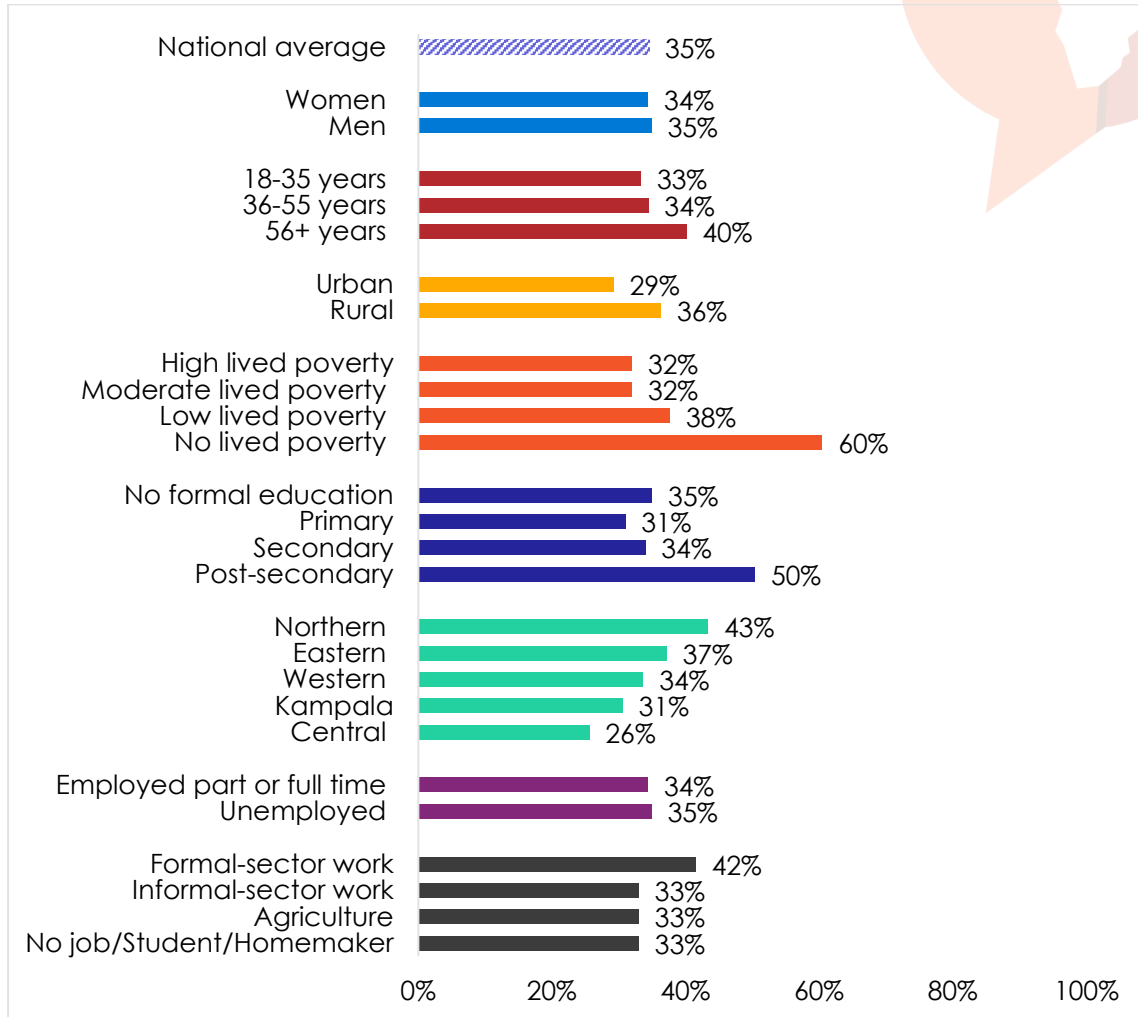
Trust in the tax authority matters. For example, on average, Africans who trust the tax office are also more likely to say that their government has the right to make people pay taxes (Isbell, 2022). However, our findings show that only about a third (35%) of Ugandans say they trust the Uganda Revenue Authority (URA) "somewhat" or "a lot" (Figure 6). This is below the continental average of 41% based on data from 34 countries surveyed in 2019/2021.

Ugandans with post-secondary education trust the tax authority far more than their less educated counterparts (50% vs. 31%-35%), and the wealthy (60%) are almost twice as likely as those with moderate and high levels of lived poverty (32%) to trust tax administrators.

Trust is also somewhat higher among rural dwellers (36%) than among urbanites (29%), among older people (40%) than among middle-aged (34%) and young adults (33%), and among those who work in the formal sector (42%) than among others (33%). Across regions, trust in the tax authority is lowest in Central Region (26%) and Kampala (31%) and highest in the Northern Region (43%).

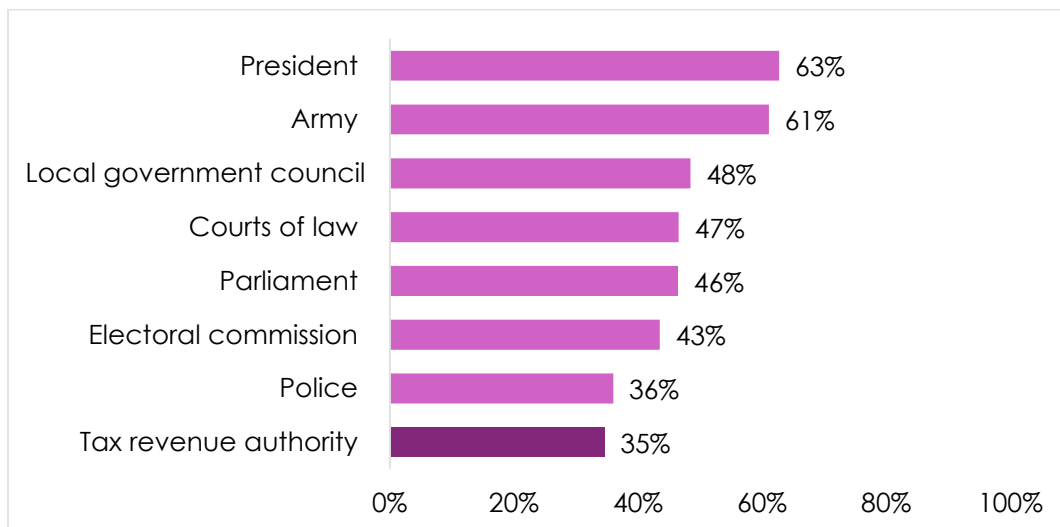
When compared with seven other key public institutions that survey respondents were asked about, the URA ranks lowest in public trust along with the Uganda police (trusted "somewhat" or "a lot" by 36%). In contrast, citizens express considerably more faith in other arms of the executive branch, including the president (63%) and the army (61%) (Figure 7).

Figure 6: Trust in Uganda Revenue Authority | by demographic group | Uganda | 2019



Respondents were asked: How much do you trust each of the following, or haven't you heard enough about them to say: The Uganda Revenue Authority (URA)? (% who say "somewhat" or "a lot")

Figure 7: Trust in institutions | Uganda | 2019

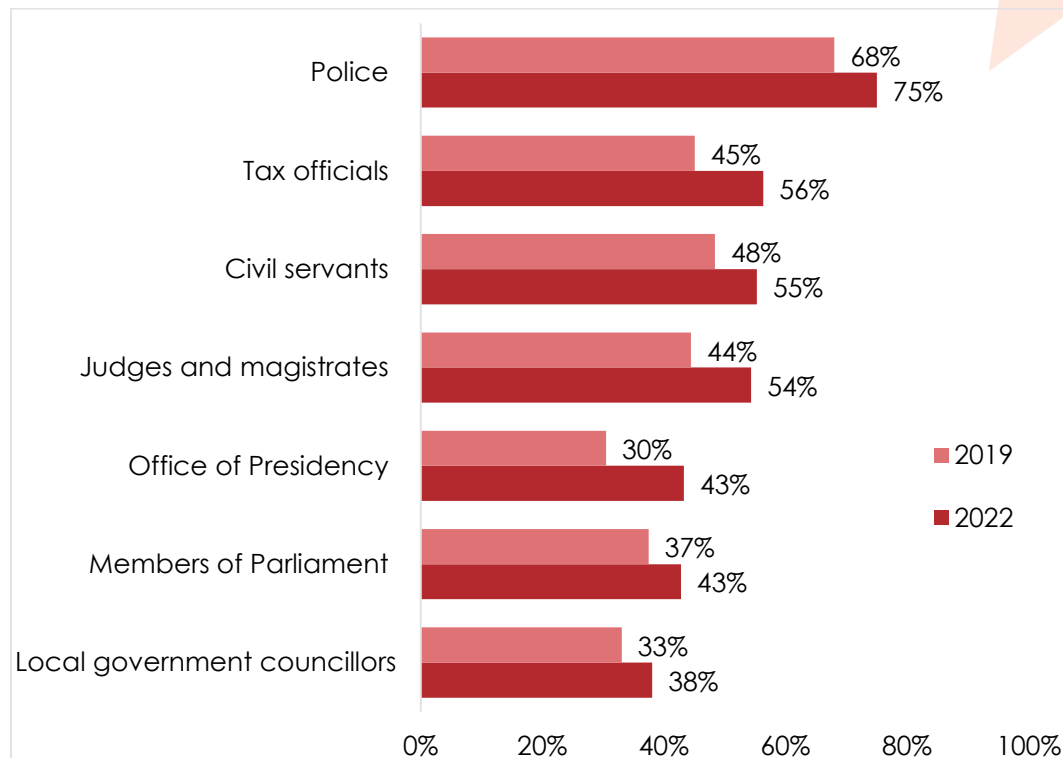


Respondents were asked: How much do you trust each of the following, or haven't you heard enough about them to say? (% who say "somewhat" or "a lot")

Perceived corruption among tax officials

Alongside low levels of trust, tax administrators in Uganda are widely seen as corrupt. According to Afrobarometer's most recent survey in 2022, more than half (56%) of Ugandans believe that "most" or "all" tax officials are engaged in corruption (Figure 8).

Figure 8: Perceived corruption among institutions | Uganda | 2019-2022



Respondents were asked: How many of the following people do you think are involved in corruption, or haven't you heard enough about them to say? (% who say "most of them" or "all of them")

Across seven government institutions, Ugandan tax administrators are second-most widely seen as corrupt, surpassed only by the police (75%) and on par with other civil servants (55%) as well as judges and magistrates (54%).⁵ In comparison, officials in the Presidency (43%), members of Parliament (MPs) (43%), and local government officials (38%) fare somewhat better.

What's more, the proportion of citizens who see "most" or "all" tax officials as corrupt has increased by 11 percentage points since 2019. The more negative evaluations are not limited to tax officials, however, as the share of citizens who see widespread corruption increased between 2019 and 2022 for all seven institutions.

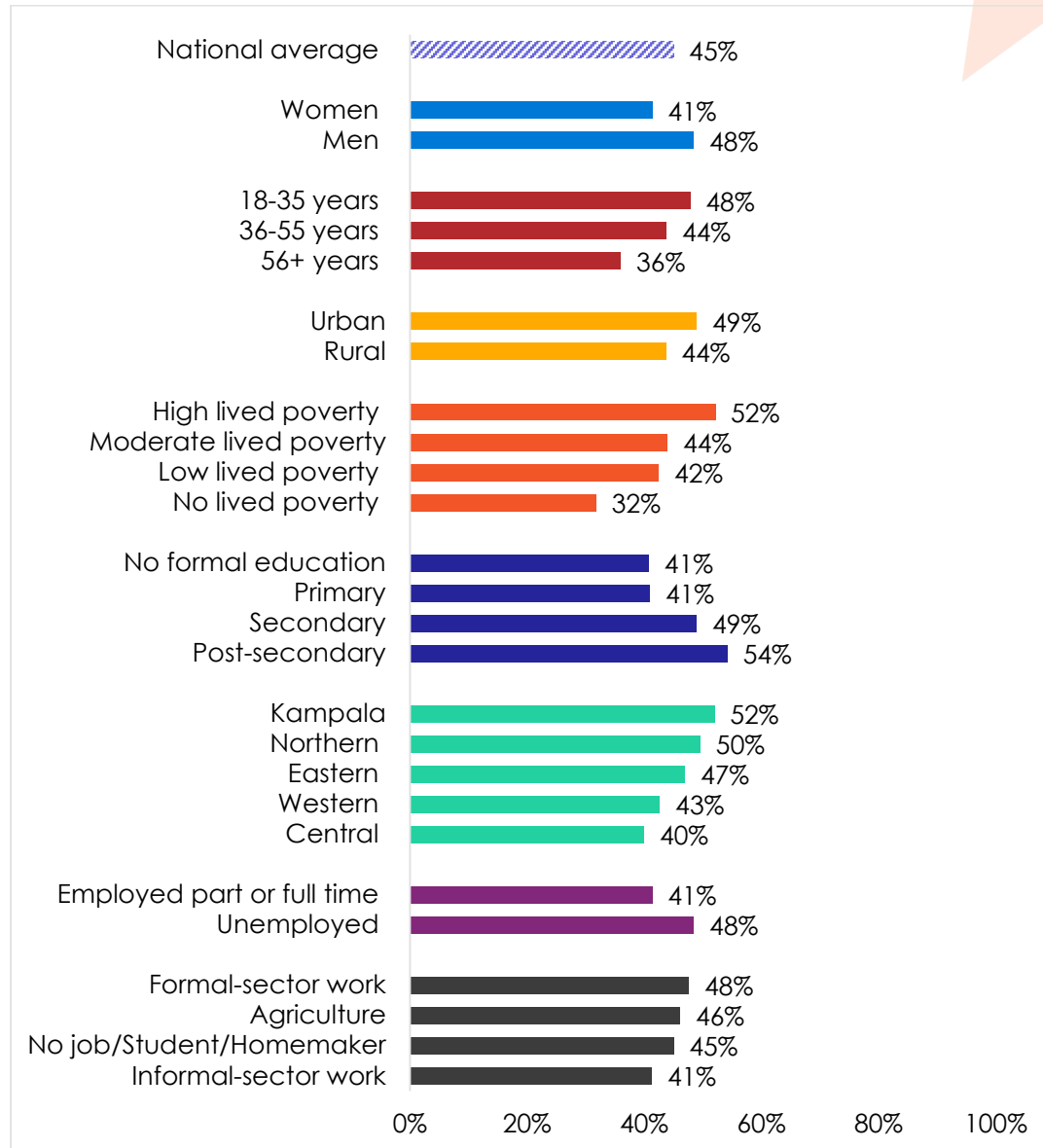
Perceptions of most/all tax officials as corrupt are more common among men (48%) than among women (41%), among the unemployed (48%) than among the employed (41%), and among urbanites (49%) than among rural residents (44%). These perceptions also change with an individual's economic status, ranging from 32% of those with no lived poverty to 52% of the poorest respondents (Figure 9).

Less educated Ugandans are less likely to see widespread corruption among tax officials compared to those with post-secondary education (41% vs. 54%), as are older people (36%)

⁵ In a series of recent publications, we provide more detailed analyses of Ugandans' view on several of the other stakeholders: police (Kakumba & Krönke, 2023), members of Parliament (Krönke & Kakumba, 2022a), local councillors (Krönke & Kakumba, 2022b), and the Electoral Commission of Uganda (Krönke, 2022).

compared with middle-aged (44%) and young adults (48%). Citizens living in Kampala (52%) and Northern Region (50%) are more likely to say that most/all tax officials are corrupt than their counterparts in Eastern, Western, and Central regions (40% to 47%).

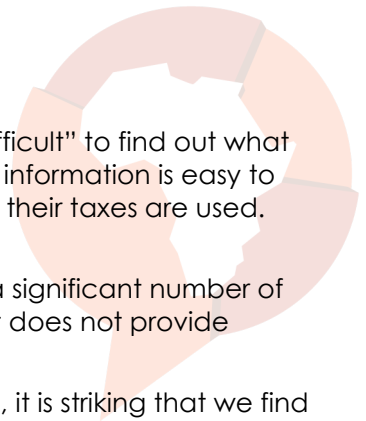
Figure 9: Perceptions of corruption among tax officials | by demographic group
| Uganda | 2019



Respondents were asked: How many of the following people do you think are involved in corruption, or haven't you heard enough about them to say: Tax officials, like officials from the Uganda Revenue Authority or URA? (% who say "most of them" or "all of them")

Difficulty of accessing tax information

Previous studies have shown that citizens who are not knowledgeable about the tax system are less likely to comply with existing tax law (Kamleitner, Korunka, & Kirchler, 2012; Ali, Fjeldstad, & Sjursen, 2014; Palil & Mustapha, 2011). Further, poor knowledge about the tax system is also likely to evoke distrust and negative attitudes toward taxation (Niemirowski, Wearing, Baldwin, Leonard, & Mobbs, 2012). We asked Ugandans how easy or difficult it is for them to get information about what taxes they owe in Uganda's tax system and about how their taxes are used by the government.

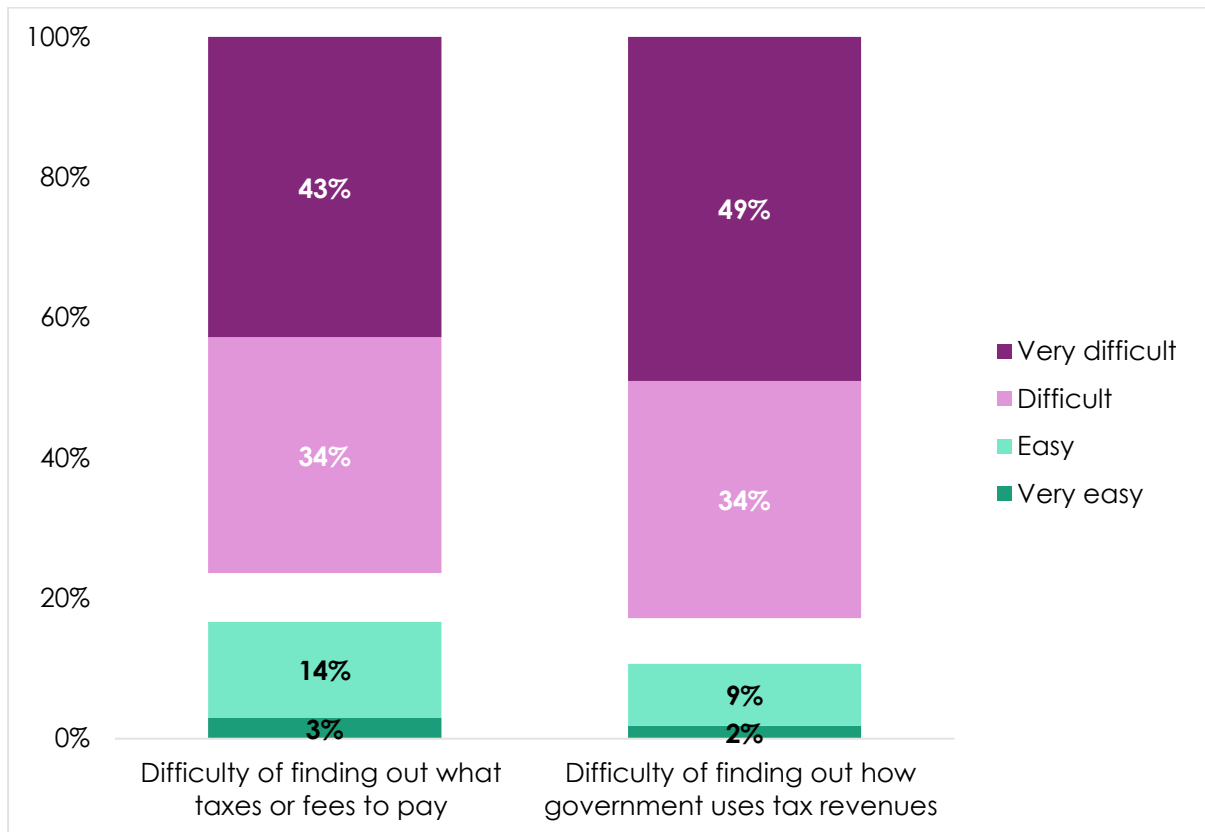


Three-fourths (76%) of Ugandans report that it is “difficult” or “very difficult” to find out what taxes or fees they are supposed to pay (Figure 10). Only 17% say this information is easy to obtain. An even larger majority (83%) say it is difficult to find out how their taxes are used. Only 11% say this information is easy to obtain.

These findings suggest that the tax system may be too complex for a significant number of citizens to understand and use effectively, and that the government does not provide adequate information about how it uses tax revenues.

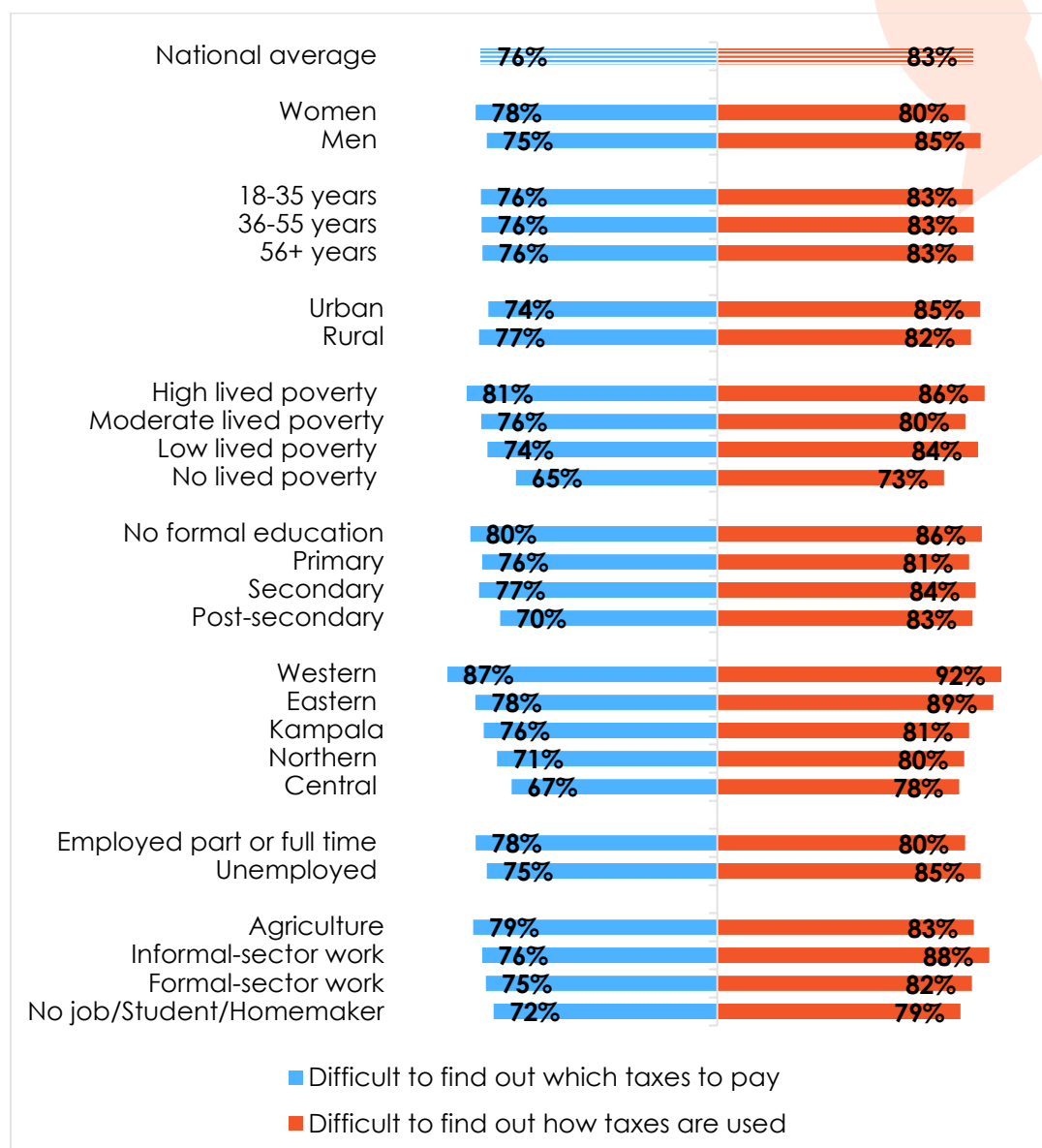
When disaggregating the data using the same categories as above, it is striking that we find relatively little variation (10 percentage points or less) across age, gender, education, employment, and location (urban vs. rural) for both questions (Figure 11). By comparison, respondents’ level of material deprivation as well as the region they live in seem to shape their information about the tax system to a greater extent (between 13 and 20 percentage points difference).

Figure 10: Difficulty finding out what taxes to pay and how the government uses tax revenues | Uganda | 2019



Respondents were asked: Based on your experience, how easy or difficult is it: To find out what taxes and fees you are supposed to pay to the government?; To find out how government uses the revenues from people’s taxes and fees?

Figure 11: Difficulty finding out what taxes to pay and how tax revenues are used
| by demographic group | Uganda | 2019



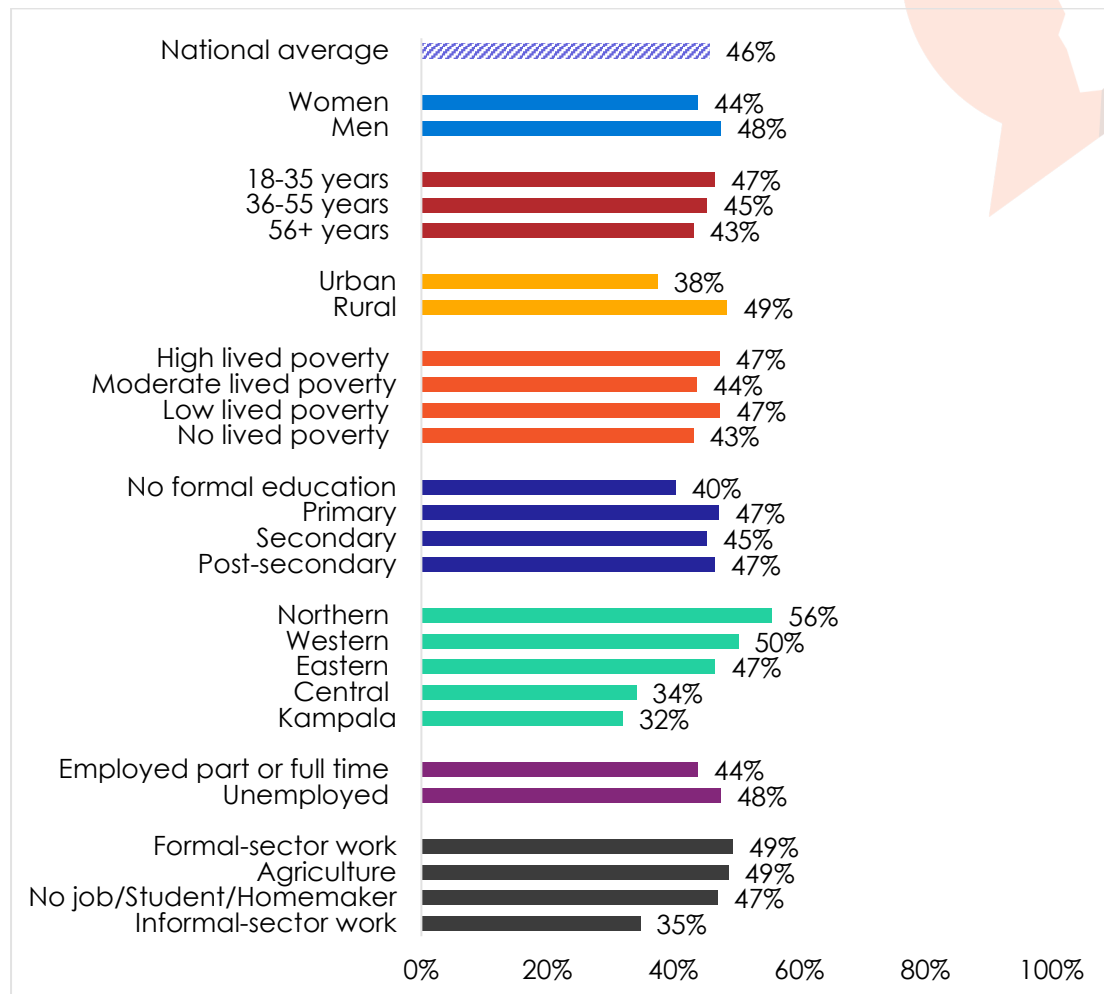
Respondents were asked: Based on your experience, how easy or difficult is it: To find out what taxes and fees you are supposed to pay to the government? To find out how the government uses the revenues from people's taxes and fees? (% who say "difficult" or "very difficult")

Taxes and government accountability

Citizens' perceptions of government accountability in relation to taxes are important because people's willingness to pay taxes is often influenced by how they think their taxes are being used (D'Arcy, 2011; Ali, Fjeldstad, & Sjørnsen, 2014; Isbell, 2016, 2022). Fewer than half (46%) of Ugandans agree that their government generally uses tax revenues for the well-being of citizens (Figure 12), while 38% "disagree" or "strongly disagree."

Across key demographic groups, women (44%), urbanites (38%), citizens living in Kampala (32%) and the Central region (34%), and workers in the informal sector (35%) are less likely to say that the government uses tax revenues well than men (48%), rural dwellers (49%), residents of other regions (47%-56%), and citizens who work outside the informal sector or don't hold jobs (47%-49%). In contrast, we see no clear difference between wealthy and poor citizens on this issue.

Figure 12: Government uses taxes for well-being of citizens | by demographic group | Uganda | 2019



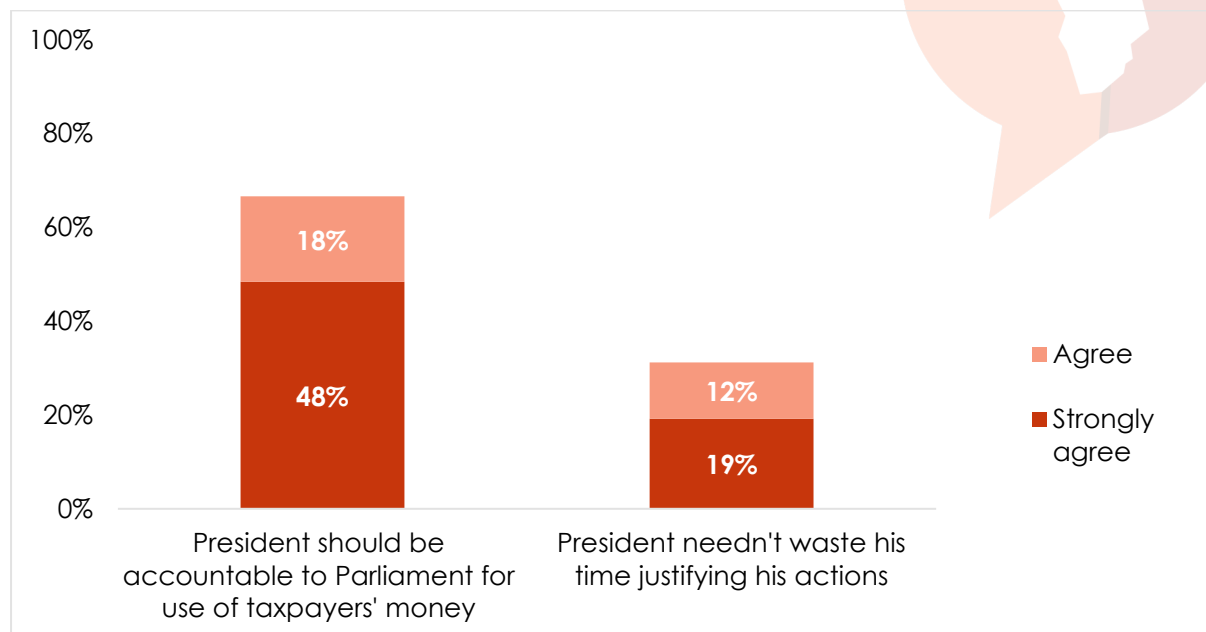
Respondents were asked: Do you agree or disagree with the following statement: The government usually uses the tax revenues it collects for the well-being of citizens? (% who “agree” or “strongly agree”)

If fewer than half of Ugandans believe that the executive uses tax revenues to improve the well-being of citizens, do they expect other branches of government to monitor executive spending? According to our data, two-thirds (66%) of respondents say Parliament should ensure that the president gives a regular account of how tax revenues are spent (Figure 13). Although this confirms citizens' clear expectations about horizontal accountability across government branches, we have shown elsewhere that Ugandans perceive MPs as increasingly corrupt and unable to hold the president to account (Krönke & Kakumba, 2022a).

To summarise our findings so far, we have shown that although most Ugandans endorse their government's right to collect taxes, the URA's legitimacy to tax citizens has declined between 2005 and 2019. At the same time, the URA is among the least-trusted government institutions, and tax officials are more widely seen as corrupt than the country's elected officials.

Moreover, most Ugandans question the fairness of their country's tax system and find it difficult to get information about tax requirements and how tax revenues are spent, and, fewer than half of all Ugandans think their government is using tax revenues for the well-being of the public. With these findings in mind, we now turn to citizens' views on tax avoidance and potential changes to the tax system.

Figure 13: Should Parliament monitor how taxpayers' money is spent? | Uganda
| 2019



Respondents were asked: Which of the following statements is closest to your view?
 Statement 1: Parliament should ensure that the president explains to it on a regular basis how his government spends taxpayers' money.
 Statement 2: The president should be able to devote his full attention to developing the country rather than wasting time justifying his actions.

Tax avoidance and support for taxation

Tax avoidance

In Uganda, half of about 20 million people engaged in gainful employment earn less than UGX 200,000 (USD 53) per month, or UGX 2,400,000 (USD 636) per year (Ladu, 2022). However, citizens only pay income tax if they earn more than UGX 2,820,000 (USD 747) per year.

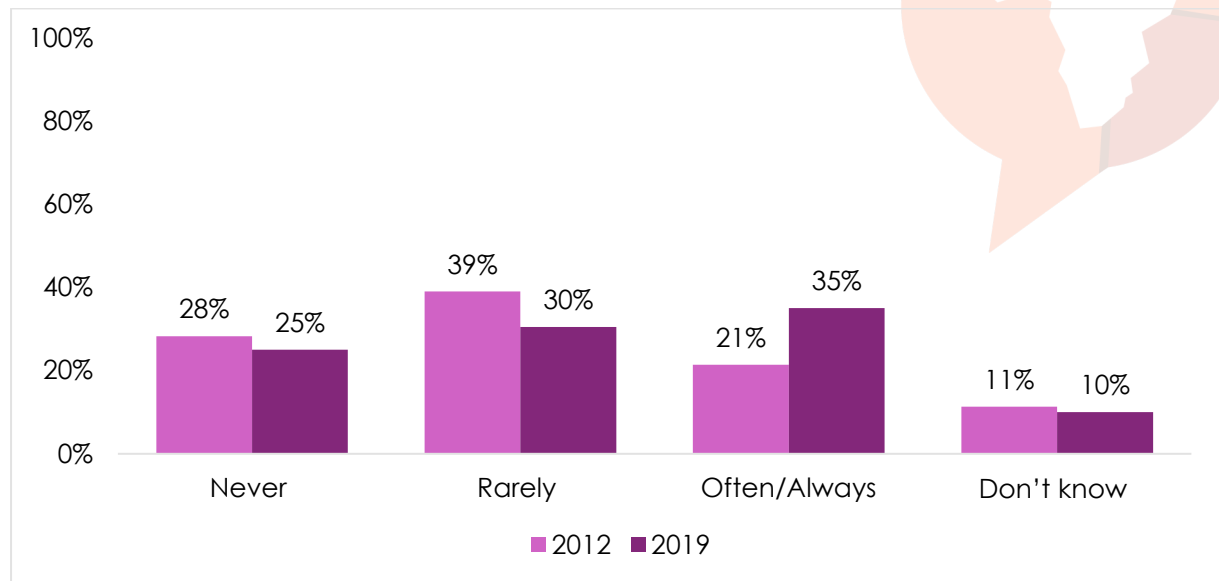
This means that a majority of employed Ugandans are not required to pay personal income tax. What's more, only about 20% of Ugandans are employed in the formal sector. Taken together, this means that most of the tax burden falls on a very small share of the working population. Consequently, those who do pay tax may feel overburdened and try to legally avoid or even illegally evade tax payments (Nakitende, 2023).

Tax avoidance is a form of non-compliance that encompasses the legal usage of a tax regime to one's own advantage, reducing the amount of tax that is payable. Though we do not have data on the share of citizens who avoid paying taxes, we can measure whether Ugandans think their fellow citizens engage in this practice. This is an important barometer for the perceived fairness of the tax system.

The 2019 survey data show that more than one-third (35%) of Ugandans say people in their country "often" or "always" avoid paying taxes they owe. This is a 14-percentage-point increase compared to 2012 (21%), when Afrobarometer asked this question for the first time (Figure 14).

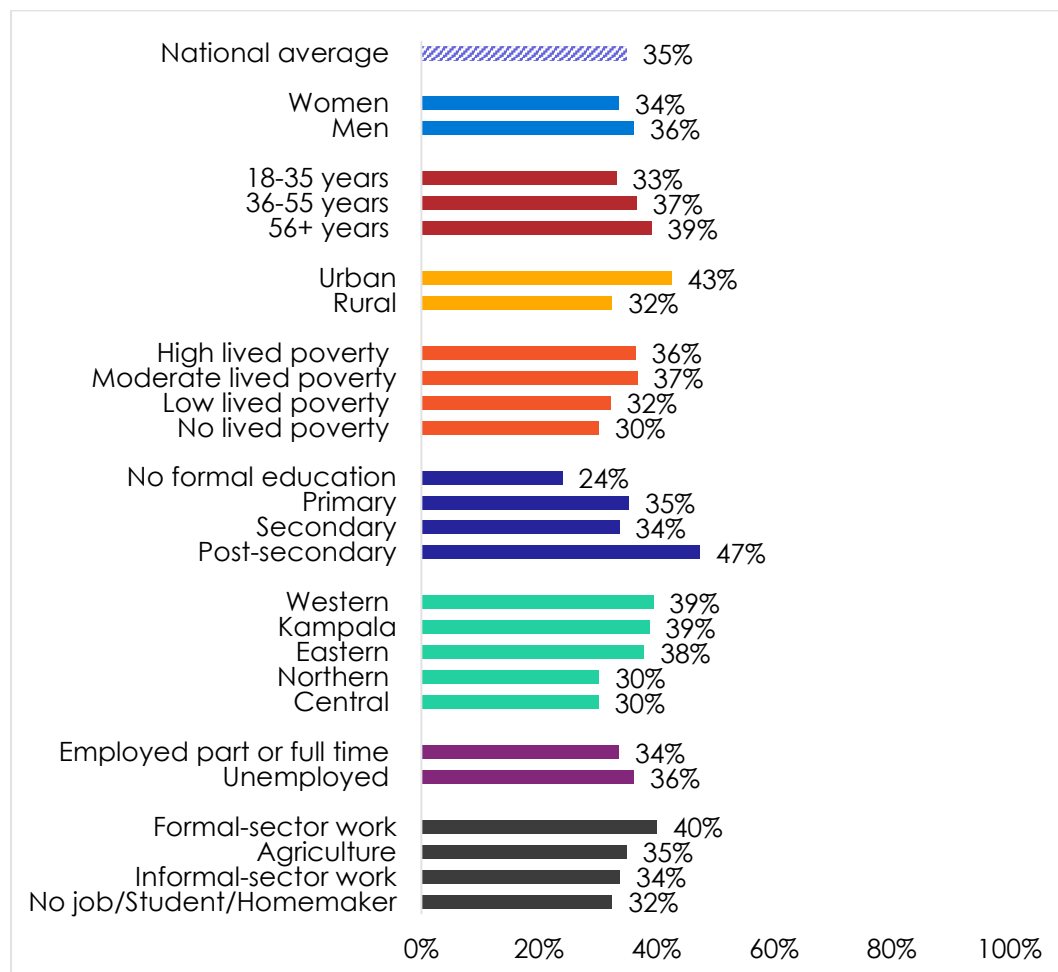
The perception that people avoid paying taxes is particularly widespread among urbanites (43%), highly educated Ugandans (47%), older people (39%), and those living in the Western (39%), Kampala (39%), and Eastern (38%) regions (Figure 15). Those most likely to pay taxes – respondents working in the formal sector – are also more likely than their peers to say that people avoid paying taxes (40%).

Figure 14: How often people avoid paying taxes | Uganda | 2012-2019



Respondents were asked: In your opinion, how often, in this country, do people avoid paying the taxes that they owe the government?

Figure 15: People often/always avoid paying taxes | by demographic group | Uganda | 2019



Respondents were asked: In your opinion, how often, in this country, do people avoid paying the taxes that they owe the government? (% who say "often" or "always")

Support for broadening the tax base

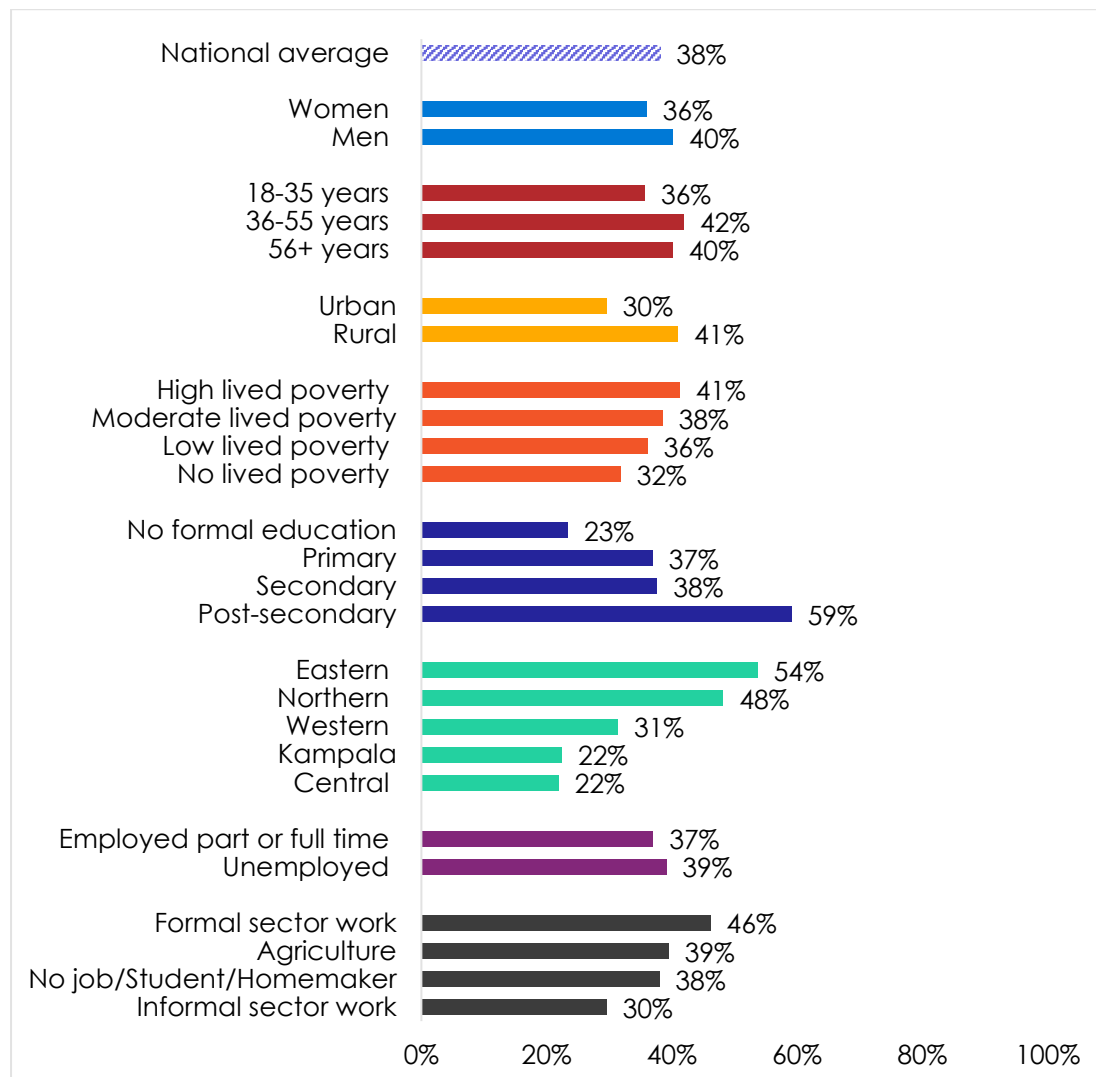
As mentioned earlier, Uganda's tax system largely depends on indirect taxes (64.4% of overall revenues), while most of the personal income-tax burden falls on those employed in the formal sector. Over the past few years, Uganda's government has been making efforts, as Nakitende (2023) says, to

... reduce the share of the informal sector from 51% of the economy in 2018/19 to 45% in 2024/25 by increasing the competitiveness of the private sector and promoting sustainable inclusive growth. As such, it has put in place strategies to enable taxation of the informal sector. These taxes are both direct and indirect through formalization to push firms and individuals into the tax net.

This raises an important question: Do citizens agree that the government should push small traders and others in the informal sector to pay taxes?

According to Afrobarometer survey data, only 38% of respondents think the government should ensure that small traders and others in the informal sector pay taxes, while a majority (58%) "disagree" or "strongly disagree" with this sentiment (Figure 16).

Figure 16: Informal sector should be taxed | by demographic group | Uganda | 2019



Respondents were asked: Do you agree or disagree with the following statement: Government should make sure small traders and other people working in the informal sector pay taxes on their businesses? (% who "disagree" or "strongly disagree")



Support for government taxation of the informal sector varies significantly across demographic groups. As might be expected, informal-sector workers (30%) are much less likely to support taxes levied on their sector than those who are working in other sectors or are not working (38%-46%).

Citizens with post-secondary education are more than twice as likely as the unschooled to support broadening the tax base in this way (59% vs. 23%). But support decreases as respondents' economic status improves, ranging from 41% of those with high lived poverty to 32% of those with no lived poverty.

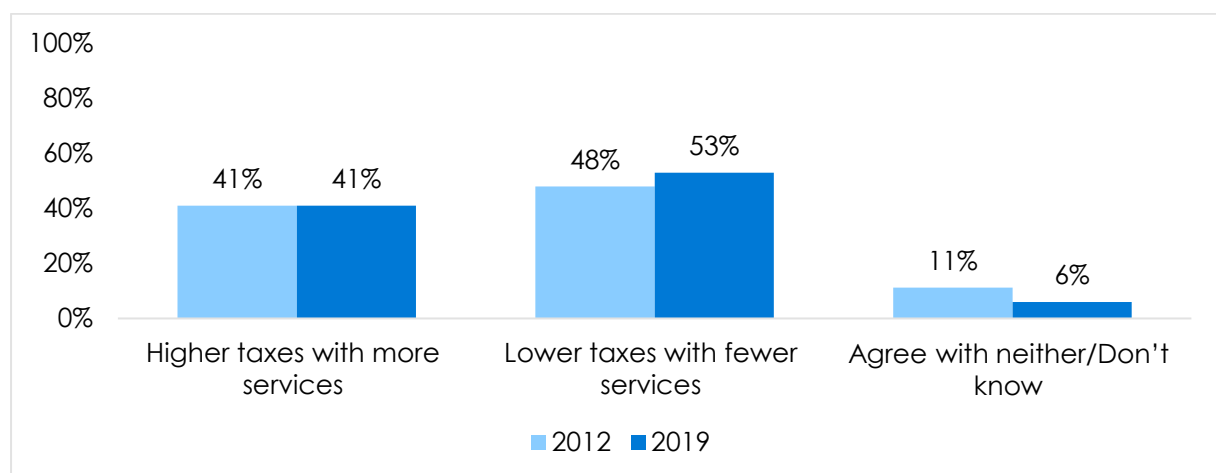
Across regions, support for broadening the tax base by taxing the informal sector is far lower among citizens living in the country's economic hub, the Central Region (22%) and Kampala (22%), than among residents in other regions (31%-54%). It is perhaps unsurprising that in the Central Region and Kampala, perceptions that the government uses tax revenues for citizens' well-being are also lower than in other regions, as seen in Figure 12 above. This suggests that there may be a correlation between support for broadening the tax base and attitudes about tax utilisation.

Views on payment of taxes in exchange for services

While the previous survey question explored how citizens think about taxing a particular sector of the economy, another way to gauge Ugandans' support for changes in the tax base is by asking whether they would be willing to pay more taxes if they received more services from the government.

This could justify the increase of both direct and indirect taxes. However, the data show that only four in 10 Ugandans (41%) say they would be willing to make this trade-off, a proportion that has not changed since 2012 (Figure 17). In contrast, more than half (53%) would prefer lower taxes with fewer government services, up 5 percentage points since 2012. This is in line with our previous finding that fewer than half of Ugandans say the government uses tax revenues for the well-being of citizens. It is also consistent with findings reported elsewhere that the Ugandan government's capacity to deliver basic services has remained limited, with average levels of professionalism and below-average levels of service infrastructure across the country when compared to other countries on the continent (Krönke, Mattes, & Naidoo, 2022).

Figure 17: Higher taxes with more services vs. lower taxes with fewer services
| Uganda | 2012-2019



Respondents were asked: Which of the following statements is closest to your view?

Statement 1: It is better to pay higher taxes if it means that there will be more services provided by government.

Statement 2: It is better to pay lower taxes, even if it means there will be fewer services provided by government.

(% who "agree" or "strongly agree" with each statement)

What explains the variation in popular support for broadening the tax base?

To improve the country's tax-to-GDP ratio to the targeted 16%-18%, the Uganda Revenue Authority needs to refine current tax policies. One way to improve policies and strengthen implementation might be to adopt a more bottom-up approach that engages citizens in the development of tax policy (Wales & Lees, 2020). The survey findings presented here can inform these processes, especially by offering insight into popular support to broaden the tax base by taxing the informal sector.

We construct a regression model that allows us to understand which factors are related to respondents' attitudes about broadening the tax base (our dependent variable). This analysis also allows us to explore the strength of these relationships.

With regard to explanatory factors, we group the variables introduced above into four categories, with expected impacts as noted:

- 1) **Institutional performance:** This includes citizen perceptions of corruption among tax officials and citizens' views of whether their taxes are used for the well-being of citizens in general. We expect favourable assessments of institutional performance to be associated with greater support for taxation of the informal sector (hypotheses 1 and 2).
- 2) **Perceived tax fairness:** To test the assumption that perceptions of fairness in the tax system could enable the URA to broaden the tax base (hypotheses 3A and 3B), we include questions on whether ordinary people and rich people pay too much or too little in taxes.
- 3) **Access to tax knowledge:** We expect that citizens who find it easier to access information about what taxes to pay and what they are used for – i.e. who find the tax system more intelligible, transparent, and usable – will be more in favour of taxing the informal economy (hypotheses 4A and 4B).
- 4) **Control variables:** To ensure that the regression results are driven by the above explanations, rather than by respondents' sociodemographic background, we include a standard battery of control variables (age, gender, education, experiences of poverty, type of employment, urban-rural location, and region) (hypotheses 5-8).

The results of the ordinary least squares (OLS) regression analysis are reported in Table 1. Model 1 includes variables related to institutional performance, perceived tax fairness, and access to tax knowledge, while Model 2 adds the control variables. For ease of interpretation, each model includes the unstandardised coefficients for comparison across the statistical models as well as the standardised beta coefficients, which allow for a comparison of the relative weight of the independent variables within each model.

The results reveal four important points. First, citizens' support for broadening the tax base by taxing the informal sector is driven by their views of the URA's institutional performance. Specifically, all else being equal, citizens who say that tax officials are not corrupt and those who think the government uses tax revenues for the well-being of citizens are more likely to support the broadening of the tax base.

Second, respondents who view the tax system as unfair to ordinary citizens are less likely to say that the government should make sure that small traders and other people working in the informal sector pay taxes on their businesses. However, whether or not citizens think that the tax system is unfair to the rich is not statistically correlated with their views on the broadening of the tax base.

Third, Ugandans who say it is difficult to find out what taxes and fees they are supposed to pay to the government are less likely to support taxing the informal sector.

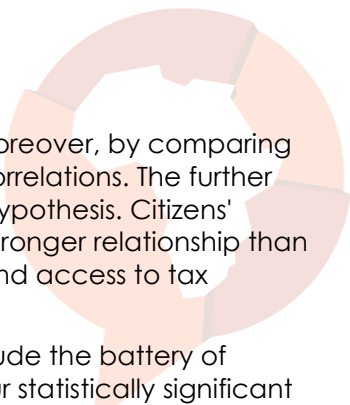
Table 1: Factors associated with support for broadening the tax base
| OLS regression | Uganda | 2019

		Model 1		Model 2	
		Unstd. coeff. (std. error)	Std. coeff. beta	Unstd. coeff. (std. error)	Std. coeff. beta
(Constant)		3.406***		2.667***	
Institutional performance					
H1	Perceived corruption among tax officials	-.118(.058)	-.070*	-.151(.055)	-.090**
H2	Tax use for the well-being of citizens	.247(.035)	.242***	.195(.034)	.191***
H3 Perceived tax fairness					
A	Tax unfairness for ordinary people	-.099(.045)	-.077*	-.168(.046)	-.130***
B	Tax unfairness for the rich	.007(.037)	.007	.006(.035)	.006
H4 Access to tax information					
A	Difficulty knowing what taxes to pay	-.192(.070)	-.107**	-.229(.069)	-.128**
B	Difficulty knowing how taxes are used	-.095(.078)	-.048	-.032(.079)	-.016
Contextual factors					
H5	Employment status (Ref=Unemployed)			.262(.121)	.088*
H6	Occupation type (Ref=Formal sector)				
	Agriculture			-.098(.156)	-.033
	Informal-sector work			-.215(.162)	-.058
	No job/Student/Homemaker			.128(.183)	.035
H7	Region (Ref=Northern)				
	Central			-.732(.161)	-.210***
	Eastern			.365(.148)	.106*
	Kampala			-.829(.268)	-.120**
	Western			-.361(.150)	-.106*
H8 Respondent characteristics					
	Education level			.252(.070)	.140***
	Location (Ref=Rural)			-.008(.131)	-.002
	Gender (Ref=Female)			.077(.106)	.026
	Lived poverty			.057(.066)	.031
	Age			.007(.003)	0.070*
	Adj. R ²	.93		.192	
	Observations	783		782	

Dependent variable: Do you agree or disagree with the following statement: Government should make sure small traders and other people working in the informal sector pay taxes on their businesses?

*** $p \leq 0.001$ level; ** $p \leq 0.01$ level; * $p \leq 0.05$. Significant correlations are highlighted in bold.

Sample size: The exclusion of "Don't know" responses decreased the sample size substantially from the initial 1,200 (e.g. 14% of respondents said "Don't know" in response to the corruption question).



Taken together, these results confirm hypotheses H1-H4 (Model 1). Moreover, by comparing the standardised beta coefficients, we are also able to rank these correlations. The further away from zero, the stronger the relative explanatory power of the hypothesis. Citizens' perceptions of institutional performance (H1 and H2) have a much stronger relationship than the other two explanations focusing on perceived tax fairness (H3) and access to tax knowledge (H4).

Finally, and importantly, these results remain consistent once we include the battery of control variables (Model 2). Among the control variables, we find four statistically significant relationships: 1) employment status – employed respondents are more likely to support the broadening of the tax base; 2) region – respondents from the Northern region are more likely to support the broadening of the tax base than people from other regions; 3) education – more educated Ugandans are less likely to support the broadening of the tax base; and 4) age – support for taxation increases with an individual's age. In contrast, citizens' occupation type, gender, urban vs. rural location, and level of material wealth are not statistically significantly correlated with this policy option once we account for the alternative hypotheses.

Overall, these results suggest that institutional performance, perceived fairness of the tax system, and access to tax information play as important a role as people's personal circumstances in shaping their support for broadening the tax base by taxing the informal sector.

Conclusion

Even though the Ugandan Revenue Authority has announced its highest-ever revenue collection in financial year 2021/2022, the country underperforms when measured against its own plans as well as many other African countries. Analysts have pointed to several reasons for this, including inadequate administrative capacity, weak checks and balances, a lack of social norms for tax compliance, and the large untaxed informal and agricultural sectors.

In this policy paper, we set out to enrich the ongoing debate among experts and policy makers about how to improve revenue collection by providing insights into how ordinary Ugandans perceive their tax system and the URA. Public support for different aspects of taxation matters not only because it has the potential to improve tax compliance, but also because it should inform the development of new policy initiatives.

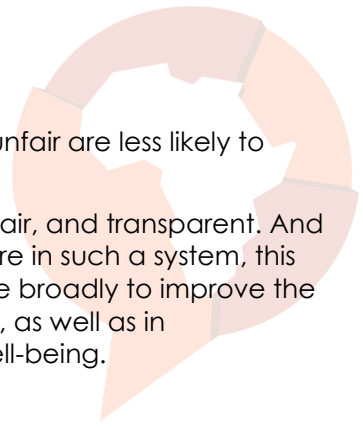
While most Ugandans say their government has the right to make people pay taxes, citizens are unhappy with how the government makes use of this right. Two-thirds of Ugandans say ordinary people have to pay too much in taxes, while only half as many say the same thing about the wealthy. Thus, it should not be surprising that only 38% of citizens are in favour of broadening the tax base in the informal sector. Moreover, only one-third of Ugandans trust the URA, while almost half view most or all tax officials as corrupt – some of the worst assessments received by state institutions.

Dissatisfaction is also evident when we look at how government spends taxpayers' money. Not only do most Ugandans have trouble finding out how the government uses the tax revenues it collects, but fewer than half think the government uses tax revenues for the well-being of its citizens. Against this background, it is telling that two-thirds of Ugandans want Parliament to monitor how tax revenues are spent, even though they have provided only lukewarm approval ratings of MPs over the past decade (Krönke & Kakumba, 2022a). In short, citizens echo analysts' complaints about inadequate administrative capacity in the URA and the need for horizontal accountability.

In the past, some analysts have pointed to the large informal sector of traders and agriculture as a potential solution to the government's fiscal difficulties. While the government has taken some steps toward taxing the informal economy, these efforts have faced significant public resistance at times (Wales & Lees, 2020). Such resistance may at least partly be the result of poor policy-planning processes, but our regression analyses also show that citizens who view tax officials as corrupt, are dissatisfied with the utilisation of tax

revenues, and perceive the tax system as difficult to understand or unfair are less likely to support taxing traders and other workers in the informal economy.


Ultimately, Ugandans want a tax system that is easy to understand, fair, and transparent. And while citizens have shown that they would be willing to pay their share in such a system, this analysis shows that it is now up to the URA and the government more broadly to improve the current tax system in a way that builds public confidence in the URA, as well as in government's ability to spend taxpayers' money to improve their well-being.



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Appendix

Table A.1: Hypotheses and measurement

	Variable/Concept	Variable coding description	Relationship with outcome variable
H1	Perceived corruption among tax officials	0=None, 1=Some of them, 2=Most of them, 3=All of them	Negative
H2	Tax use for the well-being of citizens	1=Strongly disagree, 2=Disagree, 3=Neither agree nor disagree, 4=Agree, 5=Strongly agree	Positive
H3	Perceived tax fairness		
H3A	Perceived tax unfairness for ordinary people	1=Far too little, 2=Somewhat too little, 3=About the right amount, 4=Somewhat too much, 5=Far too much	Negative
H3B	Perceived tax unfairness for the rich	1=Far too little, 2=Somewhat too little, 3=About the right amount, 4=Somewhat too much, 5=Far too much	Positive
H4	Access to tax knowledge		
	A. Difficulty knowing what taxes to pay	1=Very easy, 2=Easy, 3=Difficult, 4=Very difficult	Negative
	B. Difficulty knowing how taxes are used	1=Very easy, 2=Easy, 3=Difficult, 4=Very difficult	Negative
H5	Employment status (Ref=Unemployed)	Dummy: 0=Unemployed, 1=Employed	Positive
H6	Occupation (Ref=Formal sector work)		
	Agriculture/Farming	Dummy: Other occupations, 1=Agriculture/Farming	Negative
	Informal sector work	Dummy: Other occupations, 1=Informal sector work	Negative
	No job/student	Dummy: Other occupations, 1=No job/Student	Positive
H7	Region (Ref=Northern)		
	Central region	Dummy: Other regions, 1=Central region	Negative
	Eastern region	Dummy: Other regions, 1=Eastern region	Positive
	Western region	Dummy: Other regions, 1=Western region	Negative
	Kampala	Dummy: Other regions, 1=Kampala	Negative
H8	Respondent characteristics		
	A. Education level	0=No formal education, 1=Primary, 2=Secondary, 3=Post-secondary	Positive
	B. Age (Years)	Age in years measured on a continuous scale	Positive
	C. Gender (Ref=Female)	Dummy: 0=Female, 1=Male	Positive
	D. Location (Ref=Rural)	Dummy: 0=Rural, 1=Urban	Negative
	E. Lived poverty	Index of how frequently people go without enough food to eat, clean water for home use, medicines or medical treatment, fuel for cooking, and a cash income. Scores of the average index range from 0 to 4.	Positive

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Makanga Ronald Kakumba is a senior data manager for MRC/UVRI and LSHTM Uganda Research Unit in Entebbe, Uganda, and a researcher in the Afrobarometer Analysis Unit.

Matthias Krönke is a researcher in the Afrobarometer Analysis Unit.

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Contact:

makanga.ronnie@gmail.com

mkroenke@afrobarometer.org