INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

COMMENTS ON THE TAX AND REVENUE BILLS, 2024

APRIL 2024

Comments by ICPAU

	CLAUSE	OBSERVATIONS/ ISSUES	COMMENT(S)
		INCOME TAX (AMENDMENT) BILL, 2024	
1.	**Clause 3 Insertion of section 5A to Principal Act**	**Tax imposed on the disposal of Non-business Assets** The Principal Act is amended by inserting immediately after section 5 the following— **"5A. Tax imposed on disposal of non-business assets** (1) A tax shall be charged on the gains from the disposal of non-business assets at a rate of five percent on the gain computed under subsection (4) (2) The tax payable by a person under subsection (1), shall arise from the gains from the disposal of— (a) shares of a private company; (b) land in cities or municipalities except the principal place of residence; and c) rental property that is subject to rental tax under section 5 of this Act". **Our observations:** We note that:	**Our Proposal** We propose that ***the clause be deleted and the status quo be maintained***. The proposed amendment will increase the financial burden on taxpayers associated with the disposal of these assets, potentially reducing their gains arising from the sale of these investments. **Justification** The proposed amendment in its current form is anti-investment and will prevent people from investing and accumulating assets on top of creating enforcement challenges for URA with regard to who is liable to pay, the notification process, e.t.c. In the alternative, if the proposed clause is so retained, we recommend as follows:

		a. The Bill proposes a tax charge on the gains from the disposal of non-business assets at a rate of 5%. The Act under S.21(1)(k) exempts any capital gain that is not included in business income. We believe that without amending S.21(1)(k), there is potential for having two conflicting provisions. b. The law is now extending to non-trading activities, which we believe is against the principles of taxation – to tax where a person has not been earning income from the assets. c. The exclusion of certain areas i.e. cities or municipalities as provided for under the proposed clause amounts to discrimination.	***That the definition for non-business assets be provided for. This way, all immovable assets that the authority/ government intends to tax at 5% should be included within this definition.*** **Justification** To harmonize definitions to manage the confusion that may result with respect to assets that may have a double character. i.e. that is business and non-business assets such as rental property subject to rental tax.
2.	**Clause 12 Amendment of section 90 of the Principal Act**	**Submission of Transfer Pricing information** Section 90 of the Principal Act is amended by inserting immediately after subsection (3), the following— "(4) A person to whom this section applies shall at the time of filing returns, submit transfer pricing information to the Commissioner, in the format prescribed by the Commissioner." **Our observations:** The bill seeks to require persons to whom the section applies to submit transfer pricing information to the Commissioner at the time of filing returns. Under the present Transfer Pricing Regulations, a taxpayer only needs to have the requisite transfer pricing documentation at hand by the due date of filing the applicable tax returns. The new requirement is that taxpayers must provide transfer pricing information together with the filings of income tax returns in the format that would be prescribed.	**Our Comments** This is a welcome amendment – ICPAU made this proposal in 2021. However, there is a need to adopt the use of the term 'transfer pricing documentation' instead of information for harmonization, BUT also, there is a need to specify the time of filing returns referred to in the proposal i.e. that the documentation should be tied to the annual income tax return for the year. **Justification** a. To encourage compliance and greater enforcement of these requirements. b. To try and close any leakages that might exist as a result. c. To provide clarity on the time of filing of the transfer pricing documentation

Other Recommendations under the ITA that should be considered			
3.	**Section 25 (3) and (5) of the Principal Act**	**Review the Limitation of Deductible Interest Provision** **Current Provision:** S.25(3) reads as follows- 'The amount of deductible interest in respect of all debts owed by a taxpayer who is a member of a group, other than a financial institution, micro-finance deposit-taking institution, tier 4 micro-finance institution, or a person carrying on insurance business, shall not exceed thirty percent of the tax earnings before interest, depreciation, and amortization'. **Our observations:** The above provision is such that apart from financial institutions, insurance companies, and other entities as provided under S.25(3), all other sectors will have to abide by the 30% cap to claim interest deductibility. This tends to constrain economic growth and development as the economy undertakes massive infrastructure developments and a general big push to all other sectors. It is important to note that this may be contrary to the original thin capitalization rules whose principal objective was to deter arbitrary repatriation of profits in the pretext of loan servicing. The Base Erosion and Profit Shifting (BEPS) Action 4 Recommendation aims to limit base erosion through the use of interest expense to achieve interest deductions, particularly by restricting groups from using intra-group loans to generate interest deductions in excess of the group's actual third-party interest expense. This provision would thus have primarily intended to curb tax avoidance through interest deductions by members of international groups through inter-related lending and not domestic ones. Interest capping in the nature premised in this section is likely not to yield the desired goal. Take an example of the following: (i) The Banking sector as of March 2023 comprised 33 financial	**Our proposals** We propose the following: a. To amend S.25(3) to read as follows: *The amount of deductible interest in respect of all debts owed by a taxpayer* ***arising from borrowing within a multinational group to which the taxpayer is a member*** *shall not exceed thirty percent of the tax earnings before interest, depreciation, and amortization.* b. To amend S.25(5)(b) to define multi-national group as follows: *In this section-* ***"'Multi-national group' means persons other than individuals with common underlying ownership operating in more than one jurisdiction, including through a permanent establishment."*** **Justification** To allow tax deduction on interest payment only on debts contracted within a multinational group without any exception. This will not only re-echo the intentions of thin capitalization but will also affirm the Organization for Economic Cooperation and Development (OECD) objectives under BEPS.

		institutions – 25 commercial banks, 4 microfinance deposit-taking institutions, and 4 credit institutions (as per the Bank of Uganda website accessed on 30 August 2023). The top 10 banks (by assets) controlled over 75% of the market share in 2021 and 80% of the top 10 banks were largely foreign-owned hence the likelihood of repatriation of funds out of the economy in the form of interest payments would equally be detrimental to economic progress especially that the practice cannot be curtailed as the spirit of the current law seems to suggest. (ii) While the preliminary estimates of the Gross Domestic Product (GDP) indicate that the economy grew by 5.3% in the fiscal year 2022/23, and while the services sector continued to be the biggest contributor to the GDP with a share of 42.6% in 2022/23, the financial and insurance activities registered a decline of 1.5% in 2022/23 unlike other sectors that registered growth such as the agriculture, forestry and fishing - 5.0%, manufacturing – 3.9%, among others[1]. (iii) If the clause intended to boost access to loans by ensuring that financial institutions easily access loanable funds from their parent companies to extend cheap credit to the private sector since they would be allowed 100% deductibility of interest from the group, the outcome seems to be contrary. Lack of affordable financing has continued to be a key impediment to doing business in Uganda. Loans are generally short-term with interest rates ranging from 15-24%. In addition to high rates, little liquidity exists for loans of a long period above 5 years. The above demonstrates that any concerted efforts to use the institutions enlisted under this section as drivers of economic progress may only achieve limited success. Even with stronger transfer pricing rules, we are not convinced that transfer pricing would be the most effective way to prevent profit-shifting using high-priced related party	

[1] Uganda Bureau of Statistics, 2013, The Preliminary Annual Gross Domestic Product 2022/23

		debt. When borrowing from a third party, commercial pressures will drive the borrower to try to obtain as low an interest rate as possible – for example, by providing security on a loan if possible. These same pressures do not exist in a related-party context. There are no commercial tensions driving interest rates to a market rate. Indeed, it can be profitable to increase the interest rate on related-party debt – for example, if the value of the interest deduction is higher than the tax cost on the resulting interest income. Therefore, introducing the interest cap to all other sectors and only excluding financial institutions and insurance sectors may not yield the desirable goals.	
4.	**Section 77(4)(a) of the Principal Act**	**Roll-over relief** Current provision: Section 77(4)(a): 'For purposes of this section, reorganisation means— (a) a transaction in which a company transfers its assets to another company that is controlled by the transferor or its shareholders following which the stock of the transferee is distributed' Our observations: The current provision disregards instances where an individual decides to transfer assets to a company to which they are majority shareholders or to which they fully own. While the transferor and transferee in such instances are one and the same, the current law requires capital gains tax on the transaction. This in practice tends to curtail business growth and expansion.	**Our Proposal:** We propose to amend Section 77(4)(a) for the clause to read as follows: ***'For purposes of this section, reorganisation means—*** ***"a transaction in which a person transfers his or her assets to another person other than an individual that is controlled by the transferor or its shareholders following which the stock of the transferee is distributed."*** Justification a. Where such transactions are protected, there will be an increase in business efficiency thus generating more revenue for the government. b. Also, when such transactions are encouraged, there will be clarity in the law which will enable businesses to transform rather than close and restart other names.

THE VALUE ADDED TAX (AMENDMENT) BILL, 2024			
5.	**Clause 5 Amendment of Section 18 of the Principal Act**	**Supply of Goods or Services by an Employer** Section 18 of the principal Act is amended by inserting immediately after subsection (9) the following— "(10) The supply of goods or services by an employer who is a taxable person to an employee, for no consideration shall be regarded as the supply of goods or services for consideration as part of the person's business activities." **Our observations:** The bill seeks to classify the supply of goods or services by an employer to an employee at no consideration as a taxable supply. Accordingly, employers will be required to account for VAT on such goods and services. Under the VAT law, a taxable supply results from a supply made by a taxable person for consideration as part of their business activities. This denotes a key attribute for there to be a direct or indirect receipt of payment by the supplier in money or kind form. It may be difficult to establish the above elements in an arrangement between an employer and employee, hence compounding on implementation challenges of the proposed clause. Also, we believe that the current regime under s.18 of the VAT Act ably covers goods and/or services extended to the employees by employers. With the current proposal, we believe the draftsperson intends to limit any input claim associated with the goods and/or services that may have been extended to employees by way of gift or in a non-payment transaction.	**Our comment** ***Delete the Clause***. In the alternative, we propose that instead, the credit for input VAT on goods and/or services extended to staff should not be claimed. We thus propose that subclause 28(5)(f) be inserted that reads as follows: ***'.....*** ***the supply of goods or services by an employer to an employee, for no consideration.'*** **Justification** a. All employment-related transactions should remain out of the scope of VAT. It can be contended that with respect to the application to own use provisions in the VAT Act, this proposed amendment is not necessary. b. To ensure that the government and URA are not seen working so hard to collect more taxes from the existing compliant taxpayers.
Other Recommendations under the VAT Act that should be considered			
6.	**Section 65(3) and the Fifth**	**The rate of interest chargeable as a penalty** **Current provisions:**	**Our comment** We propose that the Fifth schedule be amended as

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<td>Schedule to the Principal Act</td>
<td>Section 65(3)-
“A person who fails to pay tax imposed under this Act on or before the due date is liable to pay a penal tax on the unpaid tax at a rate specified in the fifth schedule for the tax which is outstanding.”
Fifth Schedule-
“The rate of interest chargeable as penalty shall be 2% per month, compounded.”
<u>Our Observations/ Challenges</u>
• We take note that the interest charged on all other tax heads is simple.
• Section 65A(1) provides that the interest due and payable on unpaid tax shall not exceed the aggregate of the principal and penal tax.
• If the interest remains compounded, it means that it will always exceed the principal and penal tax.
• Compounding interest in the circumstances makes VAT a very unhealthy tax to pay thus encouraging illegality.</td>
<td>follows:
<u>“The rate of interest chargeable as penalty shall be 2% per month, simple.”</u>
<u>Justification</u>
• This will increase taxpayer voluntary compliance because the tax will be easier to understand thereby increasing revenue collection for the government.
• The proposal once adopted will also increase the efficiency of URA.</td>
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<td colspan="4"><u>EXCISE DUTY (AMENDMENT) BILL, 2024</u></td>
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<td>7.</td>
<td>Amendment of Schedule 2</td>
<td><u>Substituting for Paragraph 8 (a) (b) and (e)</u>
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<tr><td>(a)</td><td>Motor spirit (gasoline)</td><td>shs 1550 per litre</td></tr>
<tr><td>(b)</td><td>Gas oil (automotive, light, amber for high-speed engine)</td><td>shs 1230 per litre</td></tr>
<tr><td>(e)</td><td>Illuminating kerosene</td><td>shs 500 per litre”</td></tr>
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<u>Our Observations</u>
The amendment proposes an increase in tax on gasoline and gas oil by Shs. 100 each per litre and illuminating kerosene by Shs. 300 per litre.
We note that the demand for gasoline and oil and illuminating kerosene is inelastic and thus a high probability that incident of any increment</td>
<td><u>Our comment</u>
We propose that the <u>status quo be maintained</u>.
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<tr><td>(a)</td><td>Motor spirit (gasoline)</td><td>shs 1450 per litr</td></tr>
<tr><td>(b)</td><td>Gas oil (automotive, light, amber for high-speed engine)</td><td>shs 1130 per litr</td></tr>
<tr><td>(e)</td><td>Illuminating kerosene</td><td>shs 200 per litre</td></tr>
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<u>Justification</u>
a. In the interest of keeping the economy running and commodity prices relatively low. Production costs are likely to surge due to heightened fuel expenses, businesses will find themselves</td>
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		in tax on them is likely to rest on the final consumer. This is attributed to the fact that these products are essential and that they do not readily have available substitutes. The importance of the products in the entire production chain can not also be undermined and thus a further tax on the products at a moment when businesses are struggling may not be a welcome gesture.	compelled to pass these additional costs onto consumers. This could lead to price hikes across various goods and services, exacerbating inflationary pressures and potentially dampening consumer spending. Moreover, such price increases could provide opportunistic businesses with a pretext to inflate their prices beyond what is justified solely by the fuel tax hike. Any increase in fuel prices invariably raises the cost of production, posing challenges for manufacturers who heavily rely on diesel as a supplementary power source. b. Connectivity challenges and affordability have kept many rural areas off the national grid and masses 'omutu wa wansi' are still dependent on illuminating kerosene.
Other Recommendations under the Tax Procedures Code Act that should be considered			
8.	**Introduce Section 40(3)**	**<u>Our Observations</u>** • Section 113(2) of the Income Tax Act provides that Applications for refund should be made within 5 years. This provision is in line with Section 15(1)(c) of the Tax Procedures Code Act which requires a taxpayer to retain the accounts and records for a period of 5 years after the end of the tax period to which it relates or other period as specified by law. • Today, it is a custom that URA asks taxpayers to provide accounts or records as far as back as 13 years! • This is why we are proposing that where the taxpayer has declared tax and has not paid for 7 years, the due tax should be deemed to have been automatically remitted save for instances of fraud.	**<u>Our proposal</u>** We propose as follows: a. Introduce Section 40(3) to read as follows: ***<u>Section 40(3)(a) "Where tax assessed remains unpaid for more than seven years from the date of assessment other than through court process or fraud, the said tax is deemed remitted.</u>*** ***<u>Section 40(3)(b) The Commissioner shall prepare a list of such cases referred to in 40(3)(a) and forward them to the Minister to be presented before Parliament for approval."</u>*** b. Rename the rest of the clauses.

			Justification • The above proposal is in harmony with the provisions on keeping accounts and other records for 5 years and would increase taxpayer voluntary compliance and efficiency in tax administration by URA. • The provision will encourage tax administration to recover due tax within a short period and minimise businesses being closed for assessments that were issued when business was thriving.
9.	**Section 40(D) of the Tax Procedures Code Act**	**Re-instate the waiver in Section 40(D) of TPCA** S.40(D) of the TPCA – "(4) Any interest and penalty outstanding as at 30th June 2023, shall be waived where the taxpayer pays the principal tax by 31st December 2023". **Our observations** a. Whereas the government intended to waive outstanding interest and penalties for taxpayers who paid their outstanding principal by 31st December 2023, URA's ledger function was not fully operational to ably facilitate the project. b. While many taxpayers were eager and expressed interest in complying with the requirement to benefit from this waiver, the operational challenges experienced by the Uganda Revenue Authority (the Authority) made it impossible for the section to be applied in time and in essence to attain its intended purpose for a good number of taxpayers. c. The time of implementation of S.40 (D) was cut short by the concerns of the unreliable and inconsistent ledgers. d. Despite the Authority's efforts to reconcile taxpayers' accounts, this has not yielded the desired fruition as more uncertainties on the exact balances accruing as principal tax as well as the interest and	**Our Proposals** We propose ***to re-instate the waiver in Section 40(D) of the TPCA*** together with the following administrative measures: a. The exercise of taxpayer account reconciliation be fast-tracked to ensure that the reconciliation is demonstrative of the changes in the law over time. For instance, the reconciliation should deliberately cater for the following: • The waiver of interest due and payable as at 30th/06/2017, where the interest exceeds the aggregate of the principal tax and the penal tax [S.136(8), of the ITA]. • The waiver of interest and penalty on unpaid principal tax outstanding as at 30/06/2020 [S.40 (C) of the TPCA]. • The moratorium of interest and penalty on the deferred principal payments between 1/04/2020 and 30/06/2020 for the specified sectors [S.40 (B) of the TPCA]. • The waiver of interest and penalty outstanding as at 30/06/2023, where taxpayers made

		penalties to be waived are now a common contest. To many taxpayers, the ledger position remains unsettled. e. The above notwithstanding, the Authority has continued to issue agency notices and erroneous demands for unpaid taxes, interest, and penalties. Calls have been made by the Authority for taxpayers to appeal for error corrections at the individual level. We believe that selective calls by individuals to amend is promoting unwanted/ unethical practices among officers of the Authority when dealing with individual persons. A general common time framework that allows both URA and the taxpayers to resolve reconcile the accounts will be ideal.	payments of principal tax by 31/12/2023 [S.40 (D) of the TPCA]. b. To extend the period of the waiver of interest and penalties outstanding as provided in the current S.40(D) of the TPCA for another 6 months starting from the time the taxpayers' accounts will have been duly reconciled. The impact of the reinstatement extends far beyond allowing businesses the opportunity to settle outstanding tax liabilities. The wider benefits include availing interest/ penalty cash to be used by businesses for further investments and growth but also to promote trust and confidence in the tax system fostering voluntary tax compliance efforts. **<u>Justification</u>** (a) To provide much-needed relief to businesses as envisaged by the government. (b) This amendment will benefit all taxpayers in driving compliance and URA to collect the correct outstanding taxes without litigation.
Other Recommendations under the Tax Appeals Tribunal Act that should be considered			
10.	**Section 16(1) of TAT**	**<u>Review of Timelines for Alternative Dispute Resolution</u>** **<u>Current Provision:</u>** **Section 16(1) -** Application for review of a taxation decision 'An application to a tribunal for review of a taxation decision shall – (a) be in writing in the prescribed form; (b) include a statement of the reasons for the application; and (c) be lodged with the tribunal within thirty days after the person making the application has been served with notice of the decision. **<u>Our Observations:</u>**	**<u>Our Proposal</u>** We recommend that S.16 of TAT be amended by inserting the words 'other than an application arising from ADR' immediately after the word 'decision' and also introducing a new subsection (2) immediately after the current subsection (1) and re-number the rest, for the amendment to read as follows: *a.* ***Section 16(1) -*** *Application for review of a taxation decision*

		The ADR Regulations, 2023 provide for 7 days within which to apply for resolution of a dispute using the ADR procedure, and that the process of resolving tax disputes through the ADR process does not affect the timelines within which a taxpayer should apply to TAT (i.e., 30 days from the date of receiving the objection decision). We note that: a. 7 days is very little time for a taxpayer to prepare and submit evidence challenging the objection. b. There is confusion among taxpayers as to when to start counting the days – is it when they receive an email or when the physical copy of the letter of the tax decision has been delivered to them? c. In practice, URA is rarely able to review the ADR application and conclude on it before the expiry of the TAT timelines of 30 days from the date of the objection decision. This has led to taxpayers making dual applications to ADR and TAT to resolve the disputes through ADR and at the same time not lose out on the opportunity to apply to TAT in case the ADR outcome is not positive. This dual application is inefficient as the taxpayer incurs more costs while URA and TAT resources are also made to address the same matter.	*An application to a tribunal for review of a taxation decision* ***other than an application arising from ADR,*** *shall –* *(a) be in writing in the prescribed form;* *(b) include a statement of the reasons for the application; and* *(c) be lodged with the tribunal within thirty days after the person making the application has been served with notice of the decision* *b.* ***16(2) - An application to a tribunal for review of a taxation decision arising from ADR shall comply with the provisions under (1)(a) and (b) above and shall be lodged with the tribunal within fourteen days from the date the person making the application is served with the ADR report.*** *c. Re-number the rest of the clauses* **Justification** a. This will help to avoid the duplication costs incurred when taxpayers make dual applications to ADR and TAT. b. This proposal aligns with the purpose for which ADR was set up.
Other Recommendations under the Tax Procedures Code (Alternative Dispute Resolution) Regulations, 2023			
11.	**Regulation 4(1)**	**Current Provision** **Regulation 4(1):** "A taxpayer who is dissatisfied with a tax decision of the Commissioner may, within seven days after being served with the tax decision, apply to the Commissioner for resolution of the dispute using the alternative dispute resolution procedure."	**Our Proposal:** We recommend that Regulation 4(1) is amended by extending the number days to 30 days to read as follows: ***"A taxpayer who is dissatisfied with a tax decision of the Commissioner may, within 30 days after***

		Our Observations: • 7 days are very few for a taxpayer to prepare and submit evidence challenging the objection decision by filing an application for alternative dispute resolution procedure. • There is confusion for the taxpayers as to when to start counting the days as whether when they receive an email or a physical copy of the letter of the tax decision has been delivered to them. • A taxpayer who chooses to apply for the alternative dispute resolution procedure should be able freeze the time within which to apply to the Tax Appeals Tribunal for review of the objection decision.	***being served with the tax decision, apply to the Commissioner for resolution of the dispute using the alternative dispute resolution procedure.*** ***For avoidance of doubt, a taxpayer is served with a tax decision when the tax decision is delivered to the taxpayer or their representative in person or when a tax decision is sent by registered mail or email to the taxpayer's known address.***
	Regulations 4(3):	**Current Provision** **Regulation 4(3):** "Where an alternative dispute resolution procedure is commenced between the taxpayer and the Commissioner, the time within which the taxpayer is required to file an Application with the Tribunal, or a suit with a court shall not be affected by the alternative dispute resolution procedure." **Our Observations:** • In practice and for avoidance of any inconvenience on the taxpayer, the taxpayer has to file for both the Alternative Dispute resolution procedure and to the Tribunal so as not to lose out on the right to file in the Tribunal to challenge the objection decision if the Alternative Dispute resolution procedure is not completed within 30 days within which they have to apply to Tribunal. • Therefore, there is need to harmonise and streamline the Alternative dispute resolution procedure and that before the Tribunal in resolving the tax dispute. • This will strengthen the importance of Alternative dispute resolution procedure and increase taxpayer's confidence in the process.	**Our Proposal:** We recommend the following at Regulation 4(3) to be re-drafted as follows • **Regulation 4(3):** *"Where an alternative dispute resolution procedure is commenced between the taxpayer and the Commissioner,* ***an application to the tribunal or suit with court, for review of a taxation decision arising from ADR, shall be lodged with the tribunal or court within fifteen days from the date the taxpayer is served with the ADR report."***

	Regulations 4(4):	**Regulation 4(4):** "For avoidance of doubt, the alternative dispute resolution procedure under these Regulations shall not have any effect or negate the rights of the Commissioner or taxpayer to file an application with or the suit with the court or have an effect on the rules and procedures of the Tribunal or court." • The implication of the above clause is to the effect that a taxpayer ends up pursuing both the alternative dispute resolution procedure and TAT at the same time against two different departments of Government which is challenging and for both parties involved and brings confusion in resolving the dispute.	• ***Repeal Regulation 4(4)*** From the above proposals, this regulation becomes redundant.
	Introduce Regulation 8(7)	**Our Observations:** • There should be a new regulation enacted to provide the number of days within which a decision on the Alternative Dispute Resolution application should be made. • Regulation 12 only provides when both parties reach a settlement agreement but does not provide for the time lines within which a settlement agreement or contrary decision should be made. • In practice, the Alternative Dispute resolution process goes on for several months with minimal efforts from URA and the taxpayer to conclude it which ties up a lot of revenue in dispute and also creates uncertainty indefinitely for the taxpayer as to the status of the tax liability in question.	**Our Proposal:** Regulation 8(7): ***"The outcome of the meeting referred to under Regulation 7 above shall be communicated in writing to the taxpayer. For avoidance of doubt, the timelines and schedule of ADR proceedings referred to under 7(c) shall not exceed 60 days from the date of application of ADR".*** The proposal will increase government revenue and improve efficiency of the Alternative dispute resolution procedure.
	Introduce Regulation 9(1)(f)	**Our Observations:** The proposal will improve efficiency of the Alternative dispute resolution procedure and Tax administration by enhancing its efforts to settle matters under Alternative Dispute Resolution procedure.	**Our Proposal:** Regulation 9(1)(f)): ***"Where the sixty (60) day timeline required to resolve the dispute under alternative dispute resolution has elapsed before the dispute is concluded".***

	Introduce Regulation 9(3)	**<u>Our Observations:</u>** The proposal will improve efficiency of the Alternative dispute resolution procedure and Tax administration by enhancing its efforts to settle matters under Alternative Dispute Resolution procedure.	**<u>Our Proposal:</u>** Regulation 9(3): ***<u>"Upon termination of ADR proceedings under 9(1)(f), the Commissioner shall be deemed to have made a decision to allow the application for alternative dispute resolution procedure."</u>*** ***<u>"Upon termination of ADR proceeding under Regulation 9, a notice of termination shall be sent to the taxpayer and the matter be referred to the Tribunal or Court as the case may be"</u>***.
Other Recommendations for Consideration			
12.	**Tax Education**	**<u>Enhancing and Deepening the URA Tax Education Strategy</u>** High levels of distrust coupled with low levels of citizen engagement results in low levels of tax compliance. URA needs to invest in more innovative ways of engaging the business community for them to appreciate the value of paying taxes.	**<u>Our Proposal</u>** We propose the following measures: a. Increased and deepened training, education, and capacity-building programs for both current and potential taxpayers. Conducting more rigorous tax education is very important if all potential taxpayers are to be attracted to register for tax purposes. b. For tax education to take root, every individual must be required to file an income tax return and declare their expenses. This will drive the demand for these tax education programs and taxpayers will be drawn to them whenever they are organized. The government will also be able to pick up more information from potential taxpayers in the process. c. Tax education serves as a tool to help reach and encourage new taxpayers; explain the role of tax in society; build tax morale; and ultimately increase revenues, and those taxpayers who

			distrust the tax authorities are likely to be more in need of tax education. This should also be done for political and other leadership categories in the country. d. The tax education strategy should address concerns of all stakeholders including taxpayers, political leadership and URA tax officers among others. **<u>Justification</u>** Providing citizens with the information to understand how the tax system works, the rights and obligations of taxpayers, and how citizens can influence the development of the tax system, is vital to building public trust in tax systems. It is a key component in raising tax morale and encouraging voluntary compliance.