



Money, money, money

Citizens' views and experience of business and the tax environment in Uganda

1. Introduction and summary

A modern economy cannot function without businesses, or without taxes. When citizens are able to take advantage of business opportunities they see in the world around them, they earn an income for themselves and their families, contribute to government revenue for important public projects and improve the circulation of money and strengthen the local economy. And taxes enable the government to reduce donor dependence and invest in the public services that allow society and the economy to thrive – as outlined in the government's Domestic Revenue Mobilisation Strategy (DRMS, 2019-2024). Creating an environment that enables citizens to form and run businesses – to access capital, to operate without undue obstacles, to find markets – is central to stimulating economic growth. And similarly, establishing a tax environment that generates sufficient revenue in a fair way that is understood

by citizens despite the burden of taxation is key to national development as well as to managing the economy. Taxation also plays an important function as a basis for accountability: as they contributed part of their incomes to national efforts, citizens are more likely to ask for better services and a voice in how public funds are used.

This brief presents data on Ugandan citizens' experiences and views on matters of business and taxation. How many citizens own a business, and what types of businesses are they? Do they feel that their businesses are growing, and what do they see as holding them back? How well do they understand taxes and the Uganda Revenue Authority (URA)? How many would avoid paying tax if they thought they could get away with it? And what are citizens' experiences of interacting with the URA – how do they perceive its performance?

Data for the brief comes from Twaweza's *Sauti za Wananchi*, a nationally-representative, high-frequency mobile phone panel survey. Information on the overall methodology is available at www.twaweza.org/sauti, and more detail on panel members can be found in the brief introducing the second panel¹. For this brief, data were collected from 2,900 respondents in the first round of calls to the second *Sauti za Wananchi* panel, conducted between 15 January and 7 February 2022, and from 2,761 respondents in the second round, conducted between 24 April and 12 May 2022.

The key findings are:

- Just under half of citizens have owned a business at some point in the past five years
- Among businesses still operating, the most common type is agriculture
- The main reason why citizens' businesses closed is lack of capital
- The main challenge business owners say they face is access to capital
- Business owners are evenly split on the current state of their businesses
- 1 out of 3 business owners say doing business in Uganda is easy, while half say it is hard
- The tax that citizens are most familiar with is VAT
- Citizens' main motivation to pay taxes is to help improve delivery of public services
- Citizens show an increasing level of support for statements recognising the importance of paying tax
- Fewer citizens now say they would cheat on taxes, but fewer also say they would pay taxes without any enforcement
- More citizens say tax evasion in Uganda is common than say it is rare
- 7 out of 10 citizens have heard of the Uganda Revenue Authority (URA)
- 1 out of 20 citizens has had contact with URA
- Citizens are more likely to rate the performance of URA as good than bad, though most are unsure
- Citizens are confident that the government can prosecute tax evaders, but don't think current tax rates are fair

2. Sixteen insights on citizens' experience of business

Insight 1: Just under half of citizens have owned a business at some point in the past five years

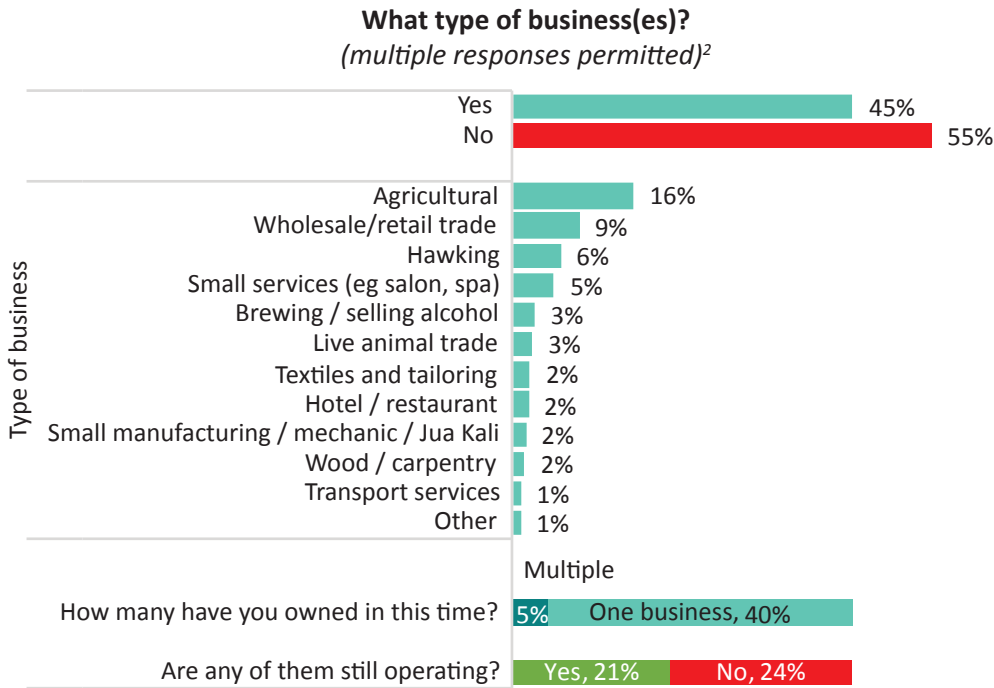
A little under half of citizens (45%) have owned a business at some point in the past five years. This includes two out of ten (21%) whose business is still operating as well as the remainder (24%) who previously operated a business. One out of twenty citizens (5%) has owned more than one business over this same time period.

1 <https://twaweza.org/download/voices-of-the-people-introducing-the-second-sauti-za-wananchi-panel/>

The main types of businesses owned by citizens in the last five years are agricultural (16%), wholesale/retail trade (9%), hawking (6%), other small scale services such as salons (5%), brewing and selling alcohol (3%) and trade in live animals (3%).

Business ownership is no more or less common among women than men, in urban or rural areas or among poorer or wealthier citizens. However, young citizens (under 25 years) and older citizens (55 and over) are a little less likely to have owned a business in the past five years than those aged 25-54 (not shown in charts).

Figure 1: Have you ever owned a business in the last five years?



Source: *Sauti za Wananchi* mobile phone panel survey round 1 (Jan–Feb 2022);
Base: all respondents; n=2,900

Insight 2: Among businesses still operating, the most common type is agriculture

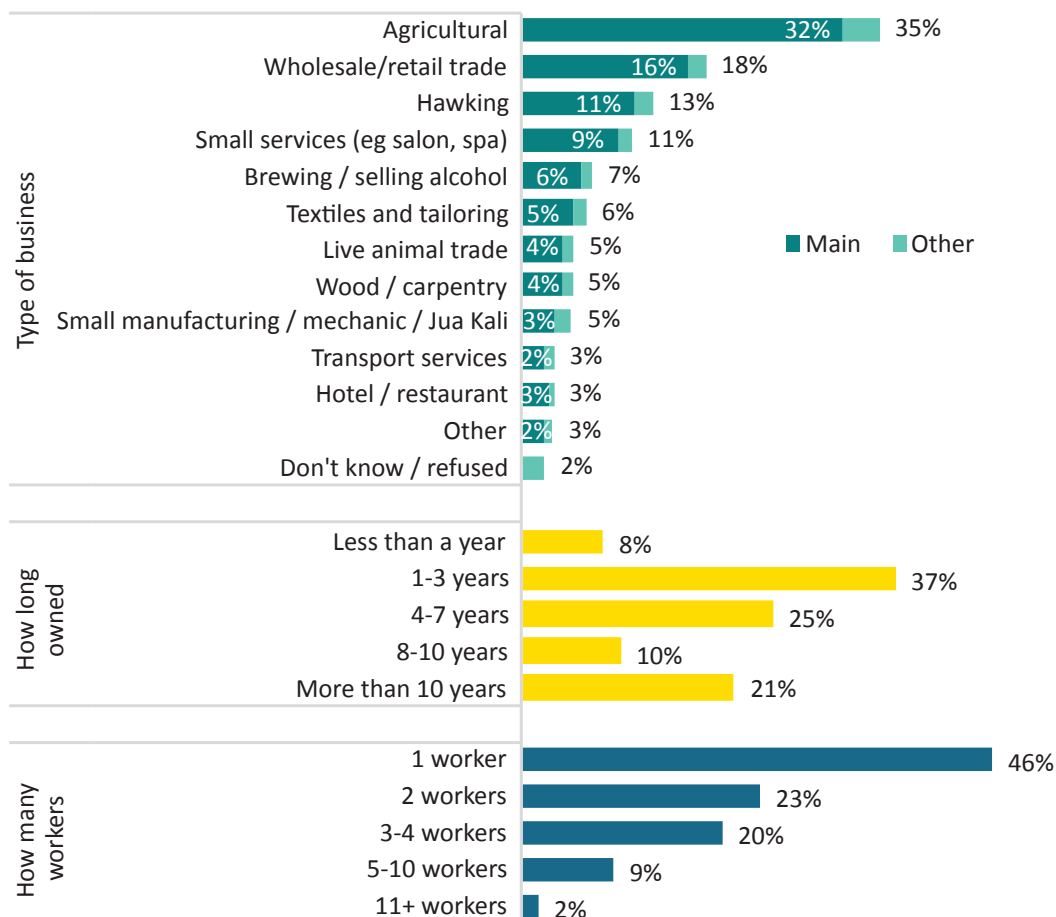
Among citizens’ who own businesses that are operating currently, the most common type is agricultural (32% as main business, 3% as a secondary business). This is followed by wholesale/retail trade (18%), hawking (13%) and small services (11%).

Close to five out of ten (45%) currently operating businesses began operating in the past three years, including 8% in the past year and 37% in the previous 1-3 years. Less than three out of ten (25%) began 4-7 years ago, one out of ten began 8-10 years ago, and two out of ten (21%) began more than ten years ago.

2 Percentages in charts may not add up to 100% due to rounding.

Almost half of these businesses (46%) have just one worker (including the owner), and a similar number (43%) have either two workers (23%) or 3-4 workers (20%). The average number of workers per business is 2.4, of which 1.5 are family members and 0.9 are not family members (not shown in charts).

**Figure 2: What type of business is your business? How long have you owned it?
And how many people (including yourself) work for it?**

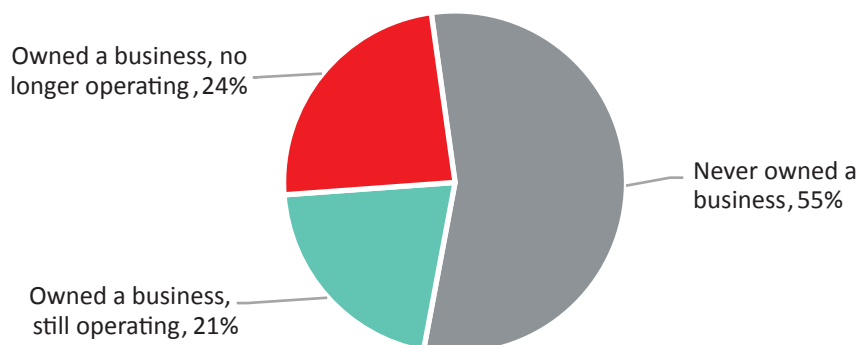


Source: *Sauti za Wananchi* mobile phone panel survey round 1 (Jan–Feb 2022);
Base: respondents who currently own a business; n=695

Insight 3: The main reason why citizens' businesses closed is lack of capital

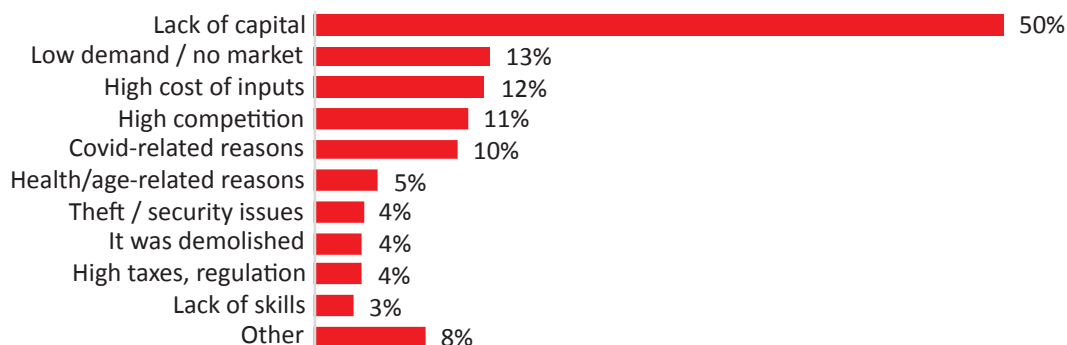
The main reason given by citizens for why their business(es) are no longer operating is a lack of capital, cited by five out of ten of those whose business has closed (50%). Other reasons given include lack of demand (13%), high cost of inputs (12%), high level of competition (11%) and Covid-related reasons (10%).

**Figure 3: Have you ever owned a business in the last 5 years?
Do you still operate the business(es) now?**



Source: *Sauti za Wananchi* mobile phone panel survey round 1 (Jan–Feb 2022);
Base: all respondents; n=2,900

**Figure 3a: Why don't you operate the business any more? / Why did it close?
(multiple responses permitted)**



Source: *Sauti za Wananchi* mobile phone panel survey round 1 (Jan–Feb 2022);
Base: respondents who previously owned a business that has now closed (n=740)

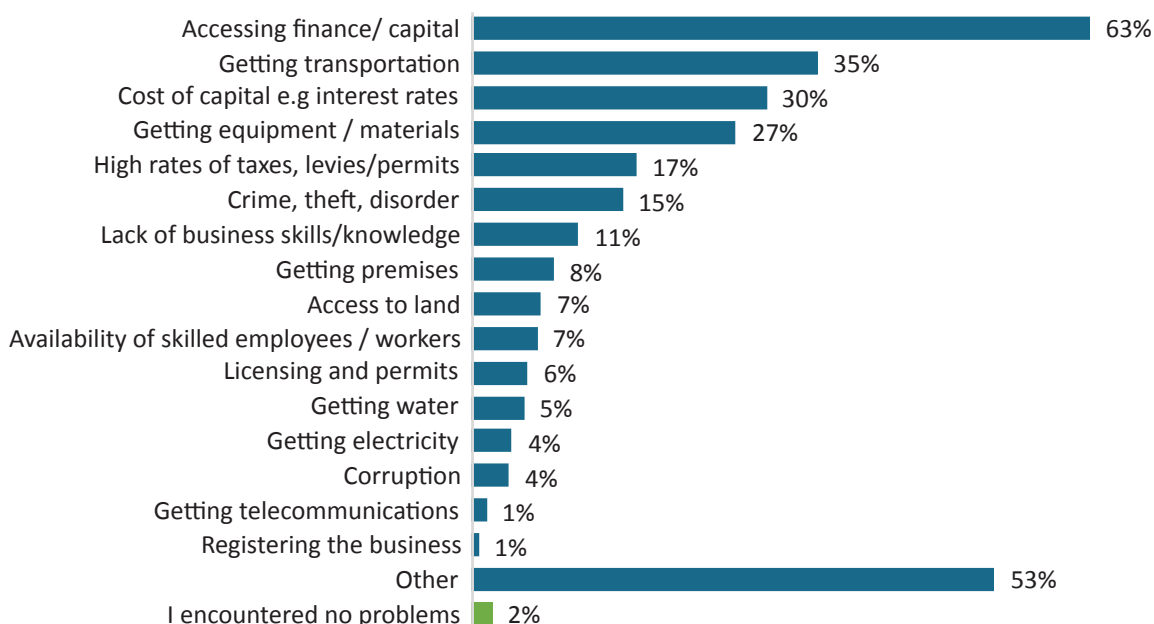
Insight 4: The main challenge business owners say they face is access to capital

Asked about the main problems they face, the main challenge cited by business owners is access to finance / capital, cited by six out of ten owners of currently operating businesses (63%). This is followed by issues with transportation (35%), the cost of capital (30%), and difficulties with accessing equipment and materials (27%). Others cite taxes, levies and permits (17%), crime and disorder (15%) or a lack of business skills or knowledge (11%).

The list of challenges is very similar for male and female business owners and for young and older business owners. However, business owners in different regions point to slightly different

challenges. In Northern and Eastern regions, accessing finance is listed even higher (72-74%), while it is lower in Greater Kampala, Central and Western regions (51-55%). Business owners in the Northern and Eastern regions are also more likely to point to transportation difficulties (38-42%) than those in other regions (22-26%). And in Greater Kampala accessing suitable premises for business operations (23%) is listed much more commonly than in other regions (5-9%) (not shown in charts).

Figure 4: What are the three main problems /challenges you face as a business owner?
(multiple responses permitted)



Source: *Sauti za Wananchi* mobile phone panel survey round 1 (Jan–Feb 2022);
Base: respondents who currently own a business; n=695

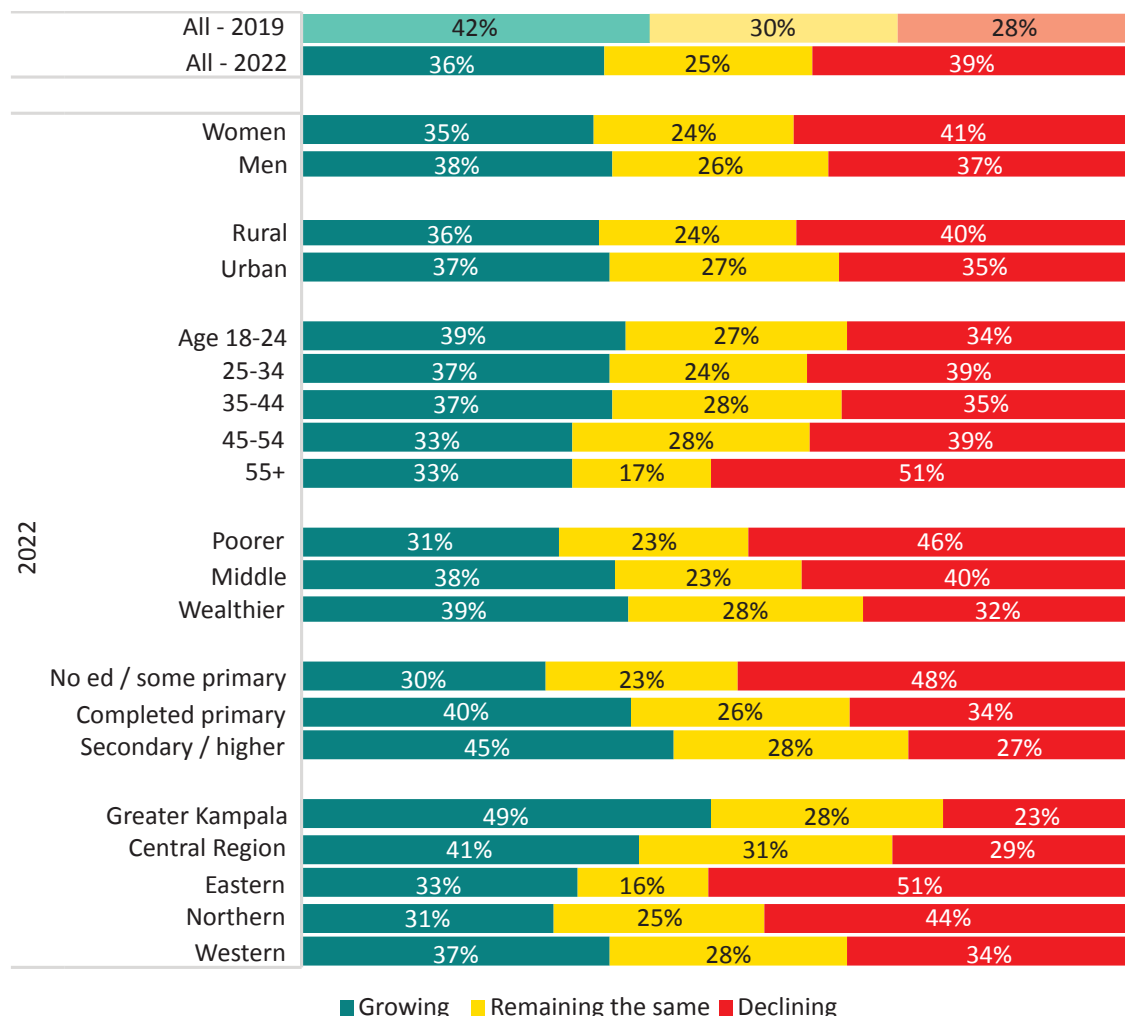
Insight 5: Business owners are evenly split on the current state of their businesses

Roughly the same number of owners of currently operating businesses say their business is growing (36%) as declining (39%). The remainder say the business is neither growing nor declining (25%).

Business owners are a little more pessimistic currently about the state of their businesses than was the case in late 2019. The proportion who say their business is growing has fallen from 42% to 36% over this period, and the proportion who say it is declining has risen from 28% to 39%.

Poorer business owners, those aged over 55, those with lower levels of education and those in Eastern and Northern regions are more likely than others to say that their business is declining. Business owners in Kampala are more positive about the state of their businesses.

Figure 5: What word do you think would best describe the current status of your business?



Source: *Sauti za Wananchi* mobile phone panel survey round 1 (Jan–Feb 2022);
 Base: respondents who currently own a business; n=695

Three reasons stand out among those who say their business is growing: that their working capital has increased (10%), that their profits have increased (10%) or that there is increased demand for their products and/or services (9%).

Two reasons stand out among those who say their business is declining: the lack of capital (13%) and lack of customers (8%).

Figure 6: Why do you say your business is growing / declining?



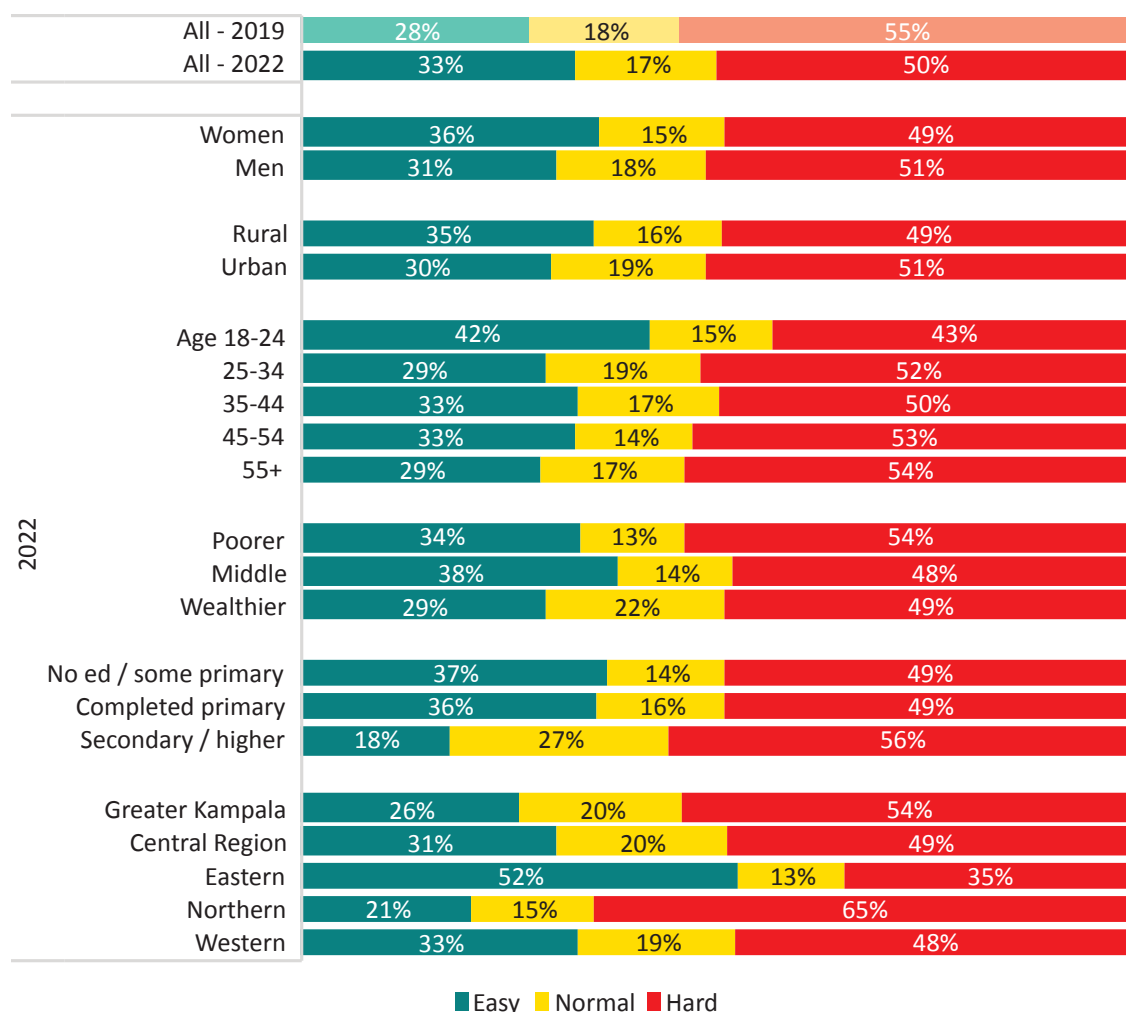
Source: *Sauti za Wananchi* mobile phone panel survey round 1 (Jan–Feb 2022);
Base: respondents who currently own a business; n=695

Insight 6: 1 out of 3 business owners say doing business in Uganda is easy, while half say it is hard

One out of three owners of currently operating businesses (33%) say doing business in Uganda is easy, while half (50%) say it is hard. These figures show a slight improvement since 2019, when slightly fewer (28%) said doing business was easy and slightly more (55%) said it was hard.

Business owners with secondary education or above (18%) and those in Northern region (21%) are less likely than others to say that doing business is easy, while those in the Eastern region (52%) and young people aged 18-24 (42%) are more likely than others to say it is easy.

Figure 7: Overall what is your general perspective on ease of doing business in Uganda?

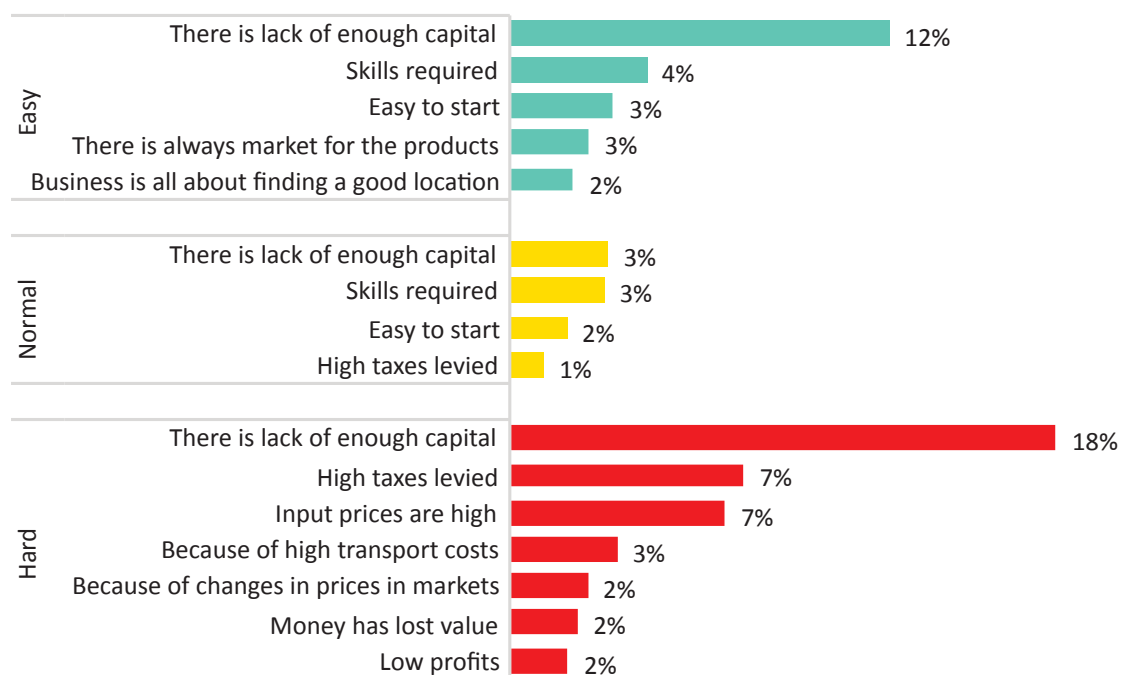


Source: *Sauti za Wananchi* mobile phone panel survey round 1 (Jan–Feb 2022);

Base: respondents who currently own a business; n=695

As before, the main reason given for saying doing business in Uganda is difficult is the lack of capital (18%). Among those who say doing business is easy the main reason given is enough capital (12%). Other reasons given for saying doing business is hard include high taxes (7%) and high input prices (7%).

Figure 8: Why do you say doing business is easy / hard in Uganda?



Source: *Sauti za Wananchi* mobile phone panel survey round 1 (Jan–Feb 2022);
Base: respondents who currently own a business; n=695

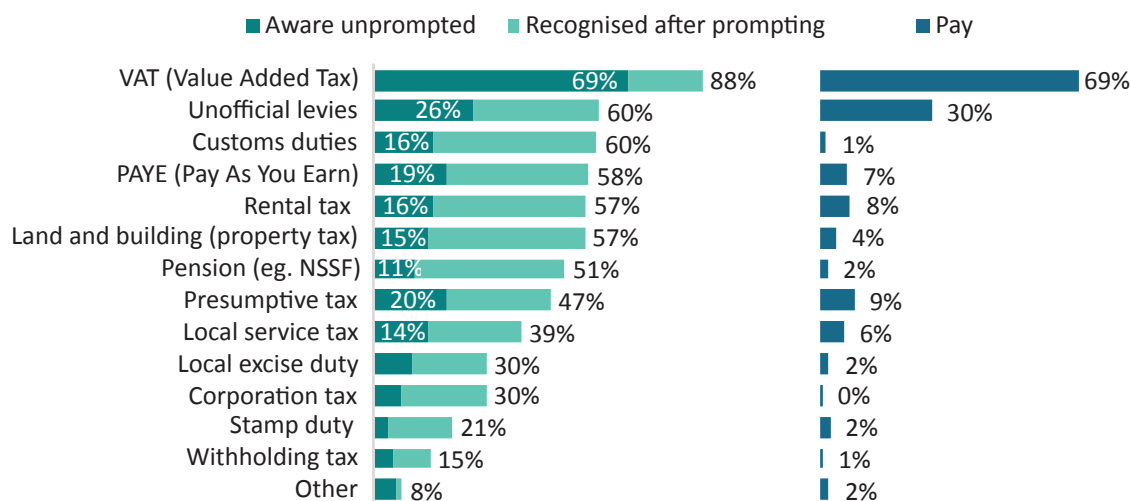
Insight 7: The tax that citizens are most familiar with is VAT

The vast majority of citizens (88%) are at least aware of value added tax (VAT), including seven out of ten (69%) who can name VAT unprompted³, more than any other form of tax in Uganda. Other taxes have much lower levels of unprompted recognition, including presumptive tax (20%), PAYE (19%), customs duties (16%), rental tax (16%), land and building (property) tax (15%), and local service tax (14%). A quarter (26%) also point to unofficial levies.

The two forms of tax that citizens recall paying are VAT (69%) and unofficial levies (30%), well ahead of other forms of taxation. It is likely that many of those reporting that they pay unofficial levies are referring to the (often compulsory) financial and/or in-kind contributions that residents of a particular area are required to make towards local development initiatives.

³ “aware unprompted” means respondents named this type of tax in response to the open question “which taxes are you aware of?”, while “after prompting” means respondents said they were aware of that particular tax after its name was mentioned to them.

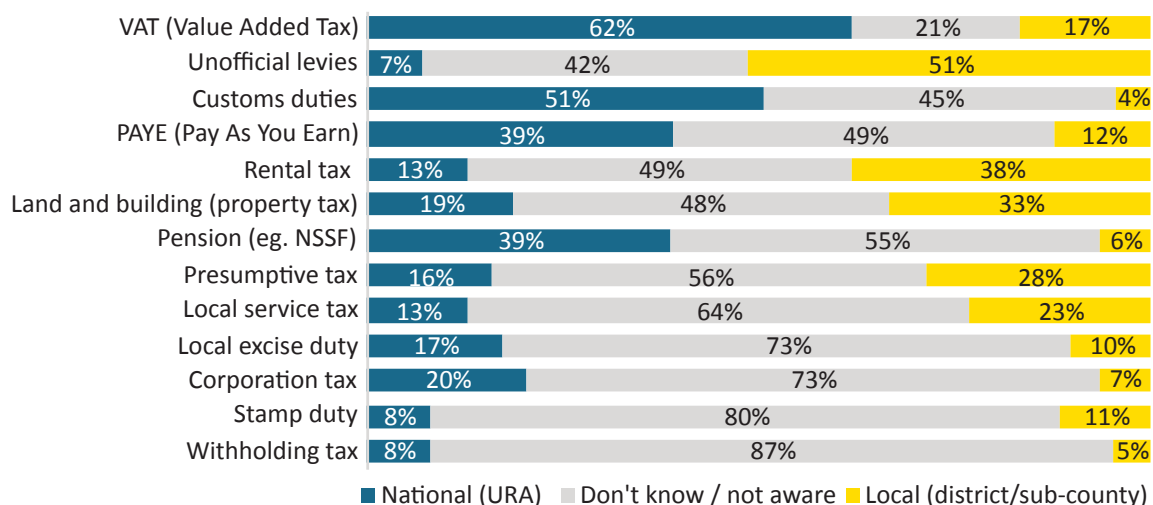
**Figure 9: Which taxes / mandatory fees / dues that citizens pay are you aware of?
And which do you pay?**



Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

In most cases, citizens are unaware of whether a particular tax is collected at the local or national level. The exceptions are VAT, where most citizens (62%) know this is collected nationally, unofficial levies, where most (51%) say these are collected locally, and customs duties, where most (51%) say nationally.

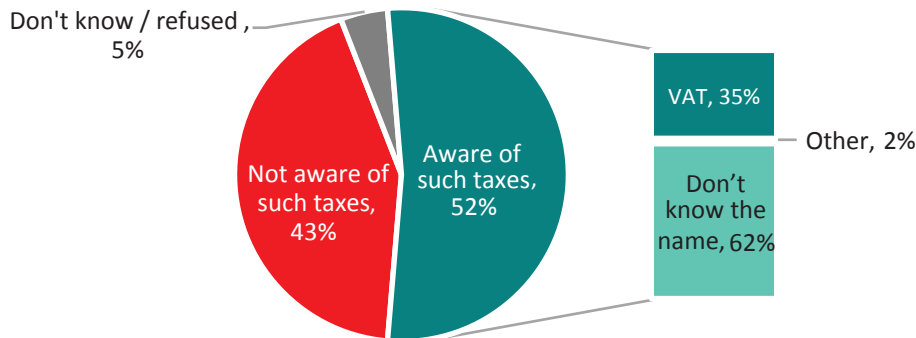
Figure 10: Are the following collected at the national level or at the local level?



Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

Half of citizens (52%) are aware of paying taxes on utilities, though most are unsure what tax this is: 35% of those aware say VAT while 62% don't know the name of the tax applied to utilities⁴.

Figure 11: Are you aware of any taxes that you pay on utilities? If so, what tax is this?

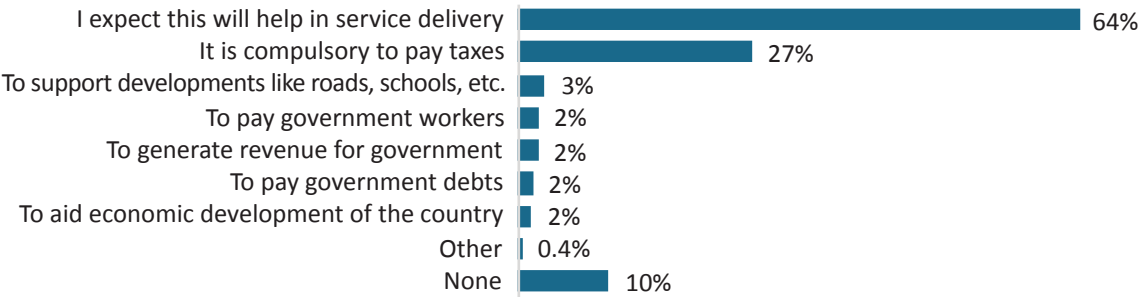


Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

Insight 8: Citizens’ main motivation to pay taxes is to help improve delivery of public services

Most citizens (64%) say the reason they and others pay taxes is to help with the delivery of public services. This is followed by a significant number (27%) who say the main reason is that taxes are compulsory.

Figure 12: Why do you or other people pay taxes/levies/duties?
(multiple responses permitted)

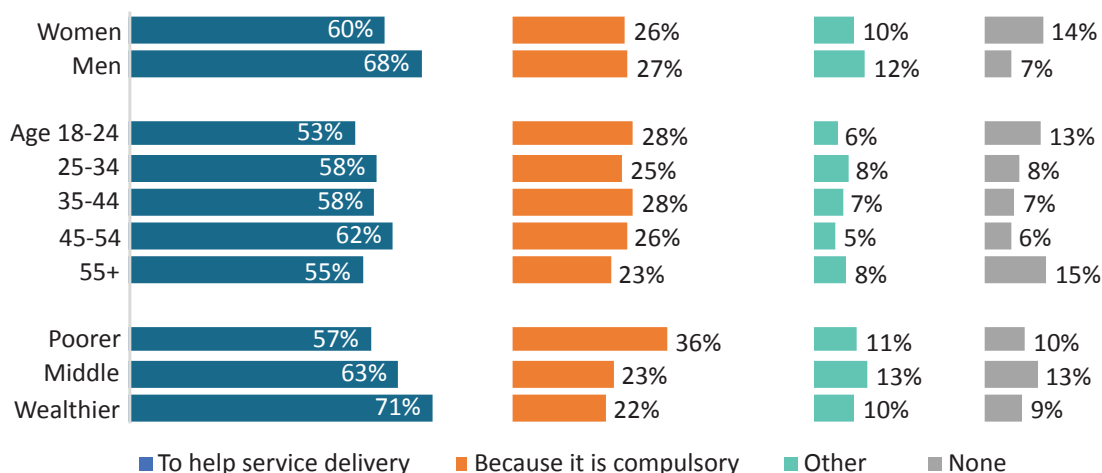


Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

Wealthier citizens are more likely than poorer citizens to point to public services as the main reason for paying taxes. Conversely, poorer citizens are more likely than wealthier citizens to say people pay taxes because it is compulsory to do so. Among women and men and between different age groups, the differences in reasons given are small.

4 VAT is the only tax paid on utilities in Uganda.

Figure 13: Why do you or other people pay taxes/levies/duties?
(multiple responses permitted)



Source: Sauti za Wananchi mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

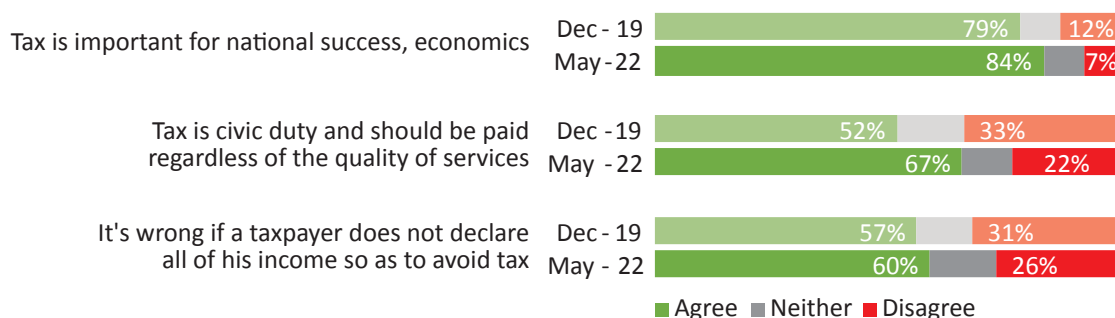
Insight 9: Citizens are increasingly recognising the importance of paying tax

Compared to late 2019, citizens now have a slightly higher level of support for statements that recognise the need for taxation. A large majority of citizens (84%) now say tax is important for national success and the country's economy, up from 79% in 2019.

Seven out of ten citizens (67%) now say paying tax is important, irrespective of the quality of public services, up from five out of ten (52%) in 2019.

And there is a small increase in the number of citizens who say that it is wrong for taxpayers to hide their income from the authorities in order to avoid paying tax (from 57% to 60%).

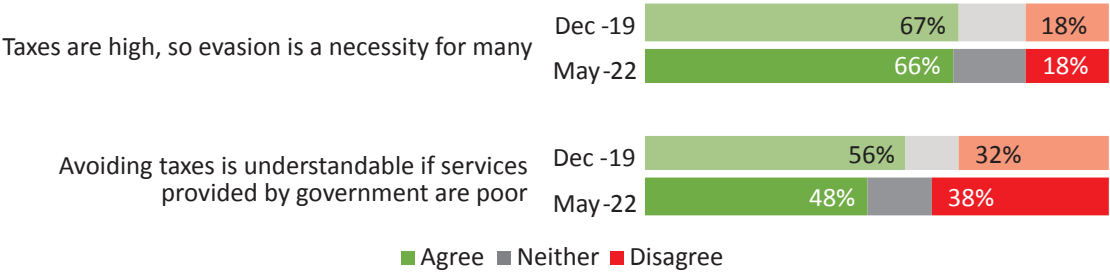
Figure 14: Do you agree or disagree with the following statements?



Source: Sauti za Wananchi mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

Similarly, citizens are now a little less likely to agree with statements that support tax avoidance. Most particularly, fewer citizens now agree with the view that avoiding taxes is understandable if services provided by the government are poor (48%, down from 56% in 2019).

Figure 15: Do you agree or disagree with the following statements?

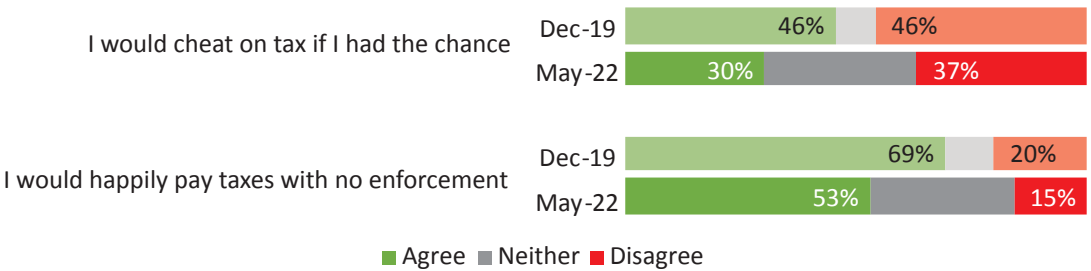


Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

Insight 10: Fewer citizens now say they would cheat on taxes, but fewer also say they would pay taxes without any enforcement

Fewer citizens now say they would cheat on taxes if they had the chance (30%, down from 46% in 2019). However, fewer also say they would happily pay taxes without any enforcement (53%, down from 69%). This apparent contradiction likely reflects the tension citizens feel – wanting to do the right thing, but also recognising the pain of tax.

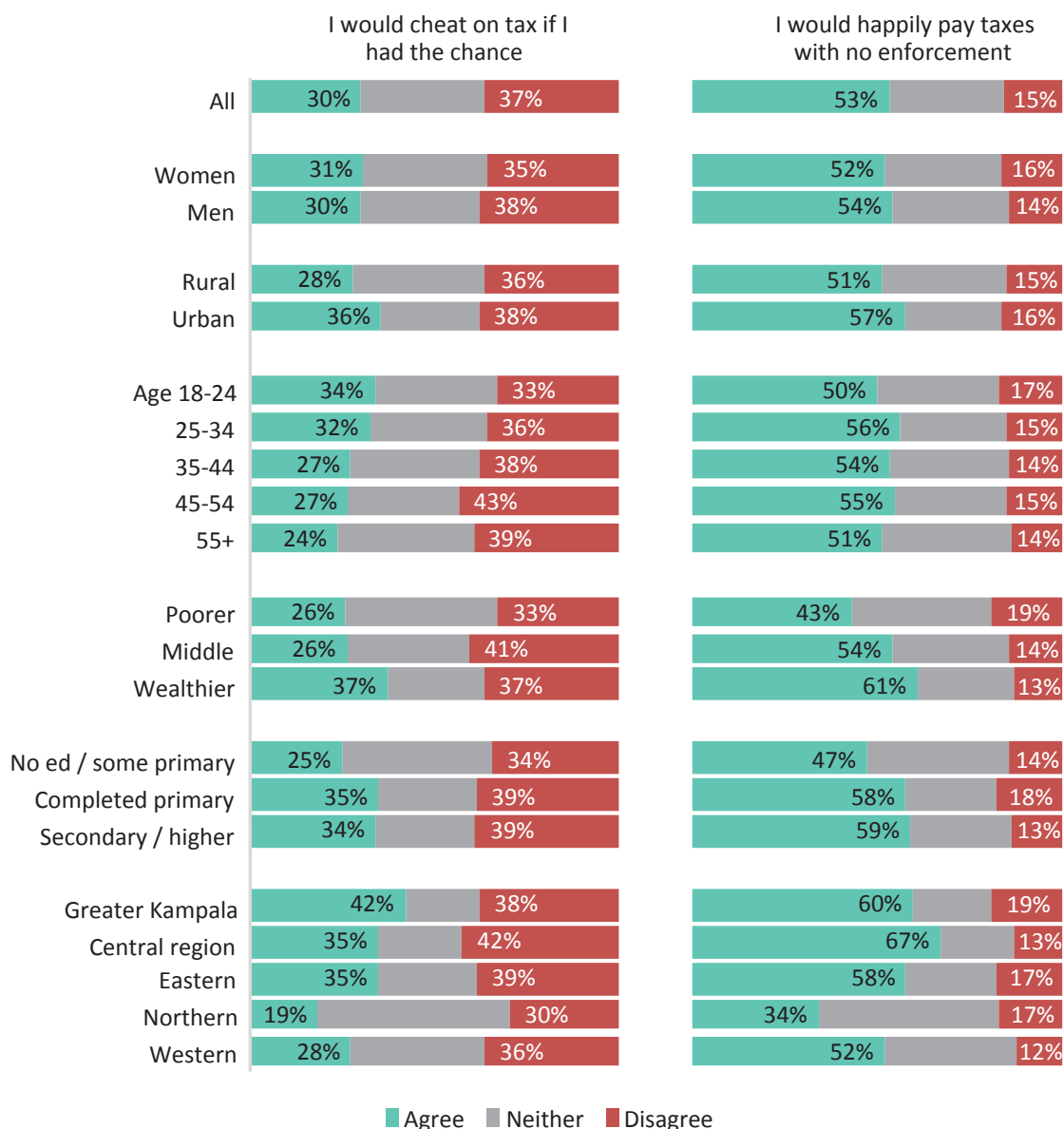
Figure 16: Do you agree or disagree with the following statements?



Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

Younger citizens, wealthier citizens and those in urban areas are a little more likely than others to say they would cheat on their taxes if they had the chance. However, wealthier citizens are also more likely to say that they would happily pay taxes without any enforcement.

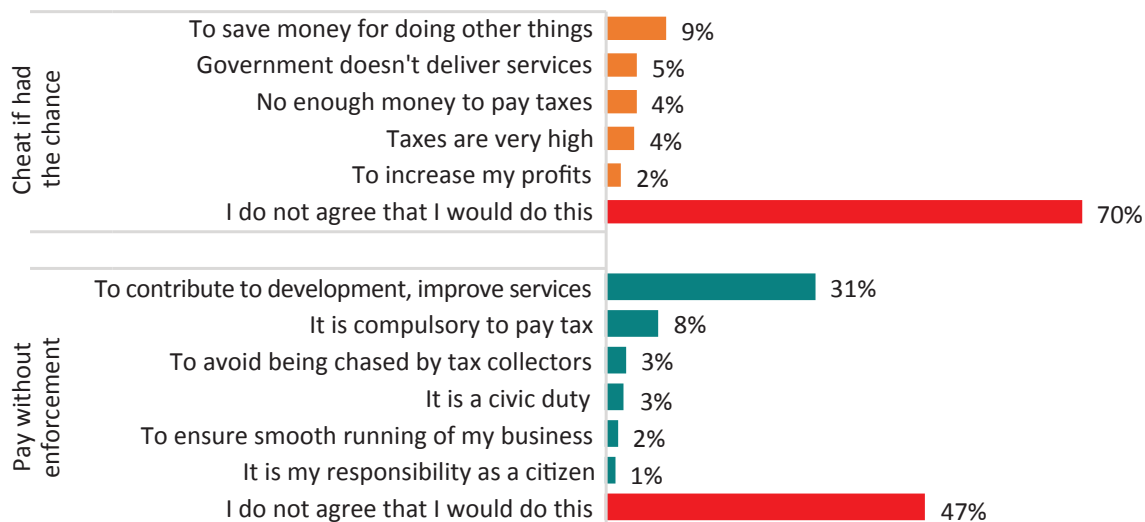
Figure 17: Do you agree or disagree with the following statements?



Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

The main reason given for cheating on taxes is to save money for other things (9%), while the main reason given for willingness to pay taxes without enforcement is to contribute to development and the improvement of public service delivery (31%).

Figure 17a: Why would you pay taxes without any enforcement / cheat on tax if you had the chance?
(top answers shown in each case, those who agree with each statement)

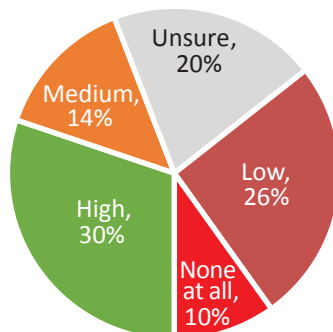


Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

Insight 11: More citizens say tax evasion in Uganda is common than say it is rare

Three out of ten citizens (30%) say they think that the level of tax evasion in Uganda is high, and a further 14% say it is at a medium level. This compares to one out of ten (10%) who say they think tax evasion is very rare and 26% who say the level is low.

Figure 18: How do you see the level of tax evasion in Uganda?

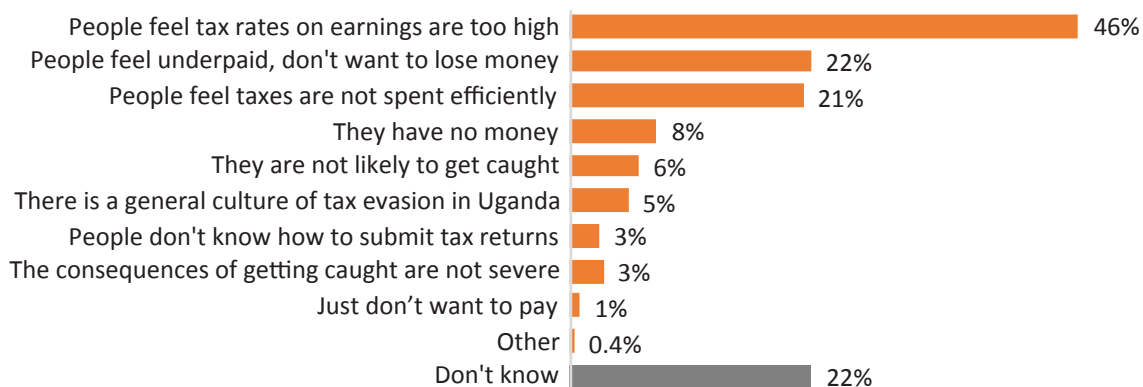


Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

The main reason given for why some people avoid or evade taxes is that they feel tax rates are too high, cited by close to half of citizens (46%). This is followed by a feeling that their income is too low (22%) and a sense that tax revenues are not spent efficiently by government (21%).

Figure 19: Why do you think people avoid/evade taxes?

(multiple responses permitted)



Source: Sauti za Wananchi mobile phone panel survey round 2 (Apr–May 2022);

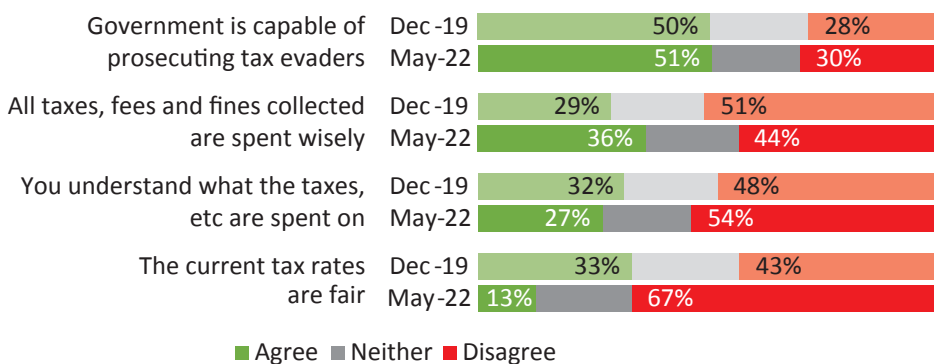
Base: all respondents; n=2,761

Insight 12: Citizens are confident that the government can prosecute tax evaders, but don't think current tax rates are fair

More citizens agree (51%) than disagree (30%) that the government is capable of identifying and prosecuting tax evaders.

However, citizens are more likely to disagree than agree with the views that taxes are spent wisely and that they understand what taxes are spent on. Further, a low (and declining) number of citizens (13%, down from 33% in 2019) think that current tax rates are fair.

Figure 20: Do you agree or disagree with the following statements?



Source: Sauti za Wananchi mobile phone panel survey round 2 (Apr–May 2022);

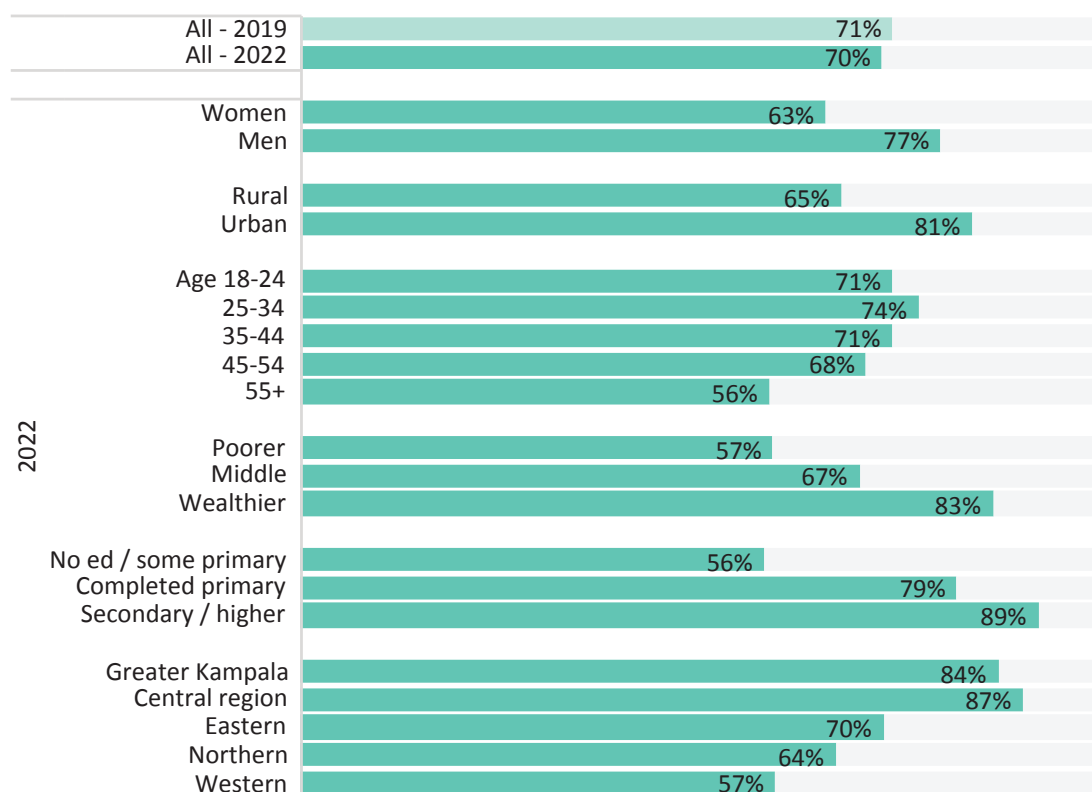
Base: all respondents; n=2,761

Insight 13: 7 out of 10 citizens have heard of the Uganda Revenue Authority (URA)

Most citizens (70%) have heard of the Uganda Revenue Authority (URA), a figure that is essentially unchanged since 2019.

Recognition of URA is higher among men, residents of urban areas, Greater Kampala and Central Region, younger citizens, wealthier citizens and those with higher levels of education.

Figure 21: Are you aware/ have you heard of the Uganda Revenue Authority (URA)?



Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

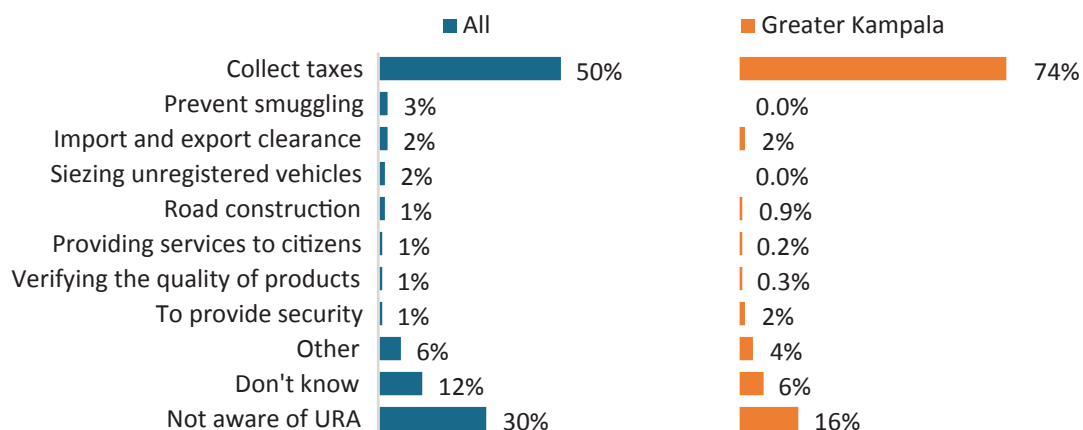
Half of citizens (50%) point to tax collection as the main work of URA, well ahead of any other aspect of the institution's activities. Prevention of smuggling (3%), import and export clearance (2%) and seizure of unregistered vehicles (2%) were also mentioned by some.

A small number of citizens pointed incorrectly to road construction (1%), providing public services (1%), verifying the quality of products (1%) and providing security (1%) as among URA's functions.

In Greater Kampala, fewer citizens (16%) are unaware of the URA, and citizens are more likely to understand the organisation's main function – to collect taxes (74%).

Figure 22: What services does the Uganda Revenue Authority (URA) provide / what is their work?

(multiple responses permitted)



Source: Sauti za Wananchi mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

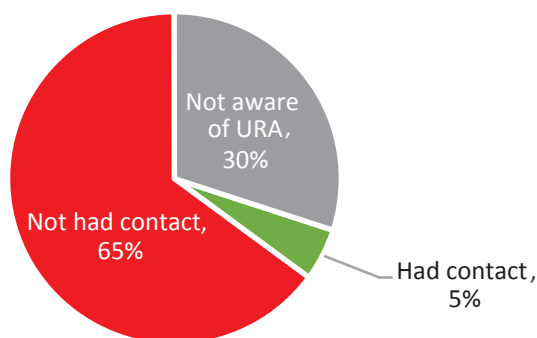
Insight 14: 1 out of 20 citizens has had contact with URA

Nineteen out of twenty citizens (95%) say they have never had contact with the Uganda Revenue Authority (URA), leaving just one out of twenty (5%) who say they have done so.

The most common form of contact is an office visit (74%), and the most common reason was to get a Taxpayer Identity Number (TIN; 39%).

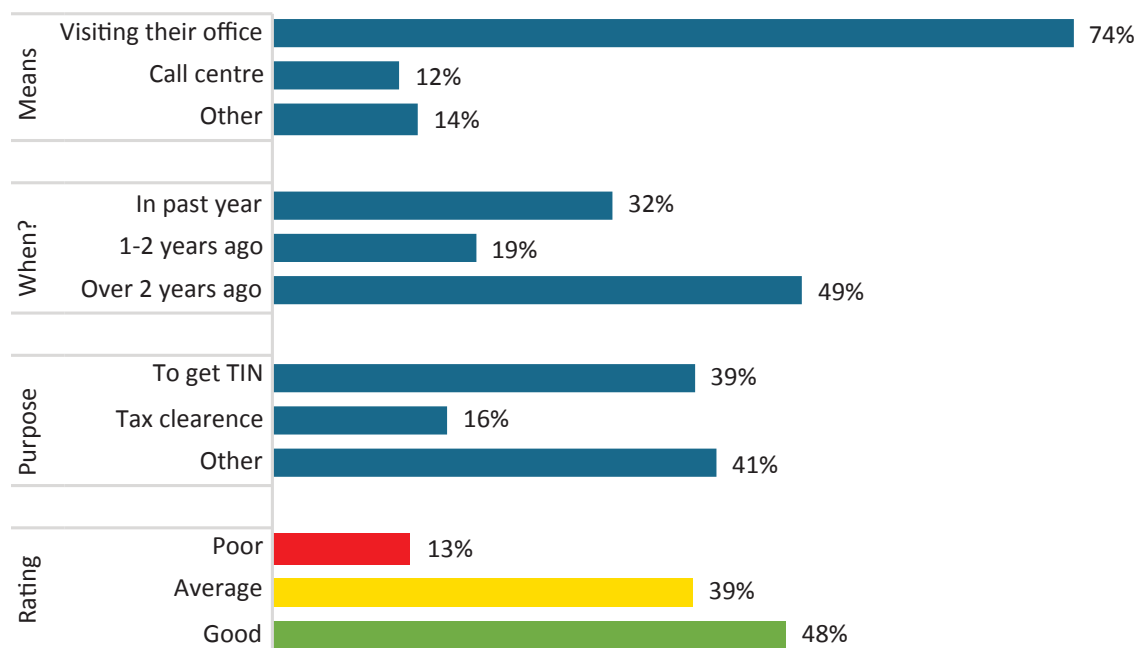
More citizens say their interactions with URA were good (48%) than poor (13%).

Figure 23: Have you had contact with URA?



Source: Sauti za Wananchi mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

**Figure 24a: How, when and for what purpose did you have contact with the URA?
And how would you rate this contact?**



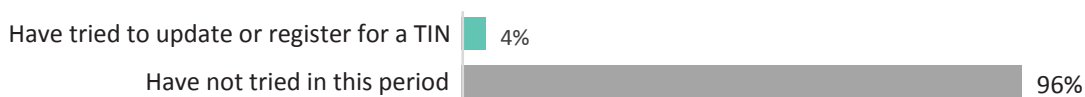
Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: those who have had contact with the URA; n=135

Insight 15: A small number of citizens have sought a TIN in the previous two years

A small number of citizens (4%) report having tried to register or update a TIN the previous two years. This is a little more common among men (6%) than women (2%), more common in urban areas (6%) than rural (3%), and more common among wealthier (6%) and better-educated (9%) citizens (not shown in charts).

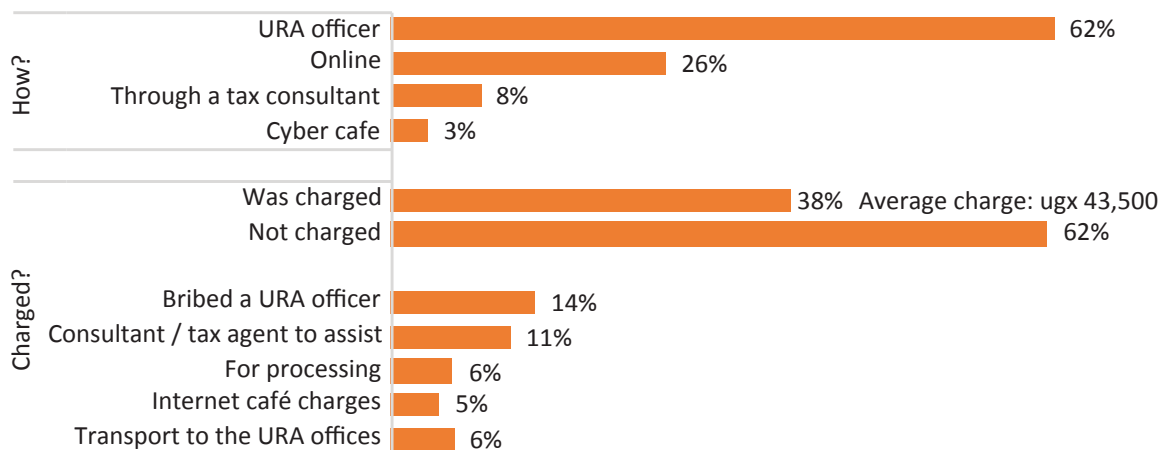
More than a third of this number (1.5% of all citizens, or 38% of those who tried to register or update a TIN) report having been charged when doing so, including a few (0.5% of all citizens, or 14% of those who tried to register or update a TIN) who said they paid a bribe to a URA officer.

Figure 25: In the last two years, have you tried to update or register for a TIN?



Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

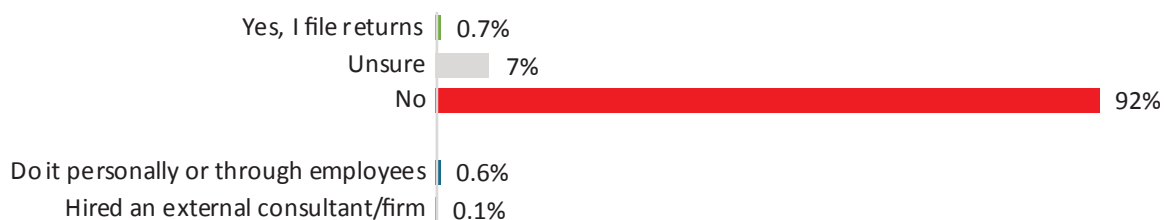
Figure 26: How did you do this? Were you charged, and if so what for?



Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: those who have tried to register or update a TIN; n=103

Few citizens (0.7%) report that they file tax returns with URA, of which most do so personally rather than via an external firm or consultant.

Figure 27: Do you make/file tax returns to URA? If so, how do you manage this?



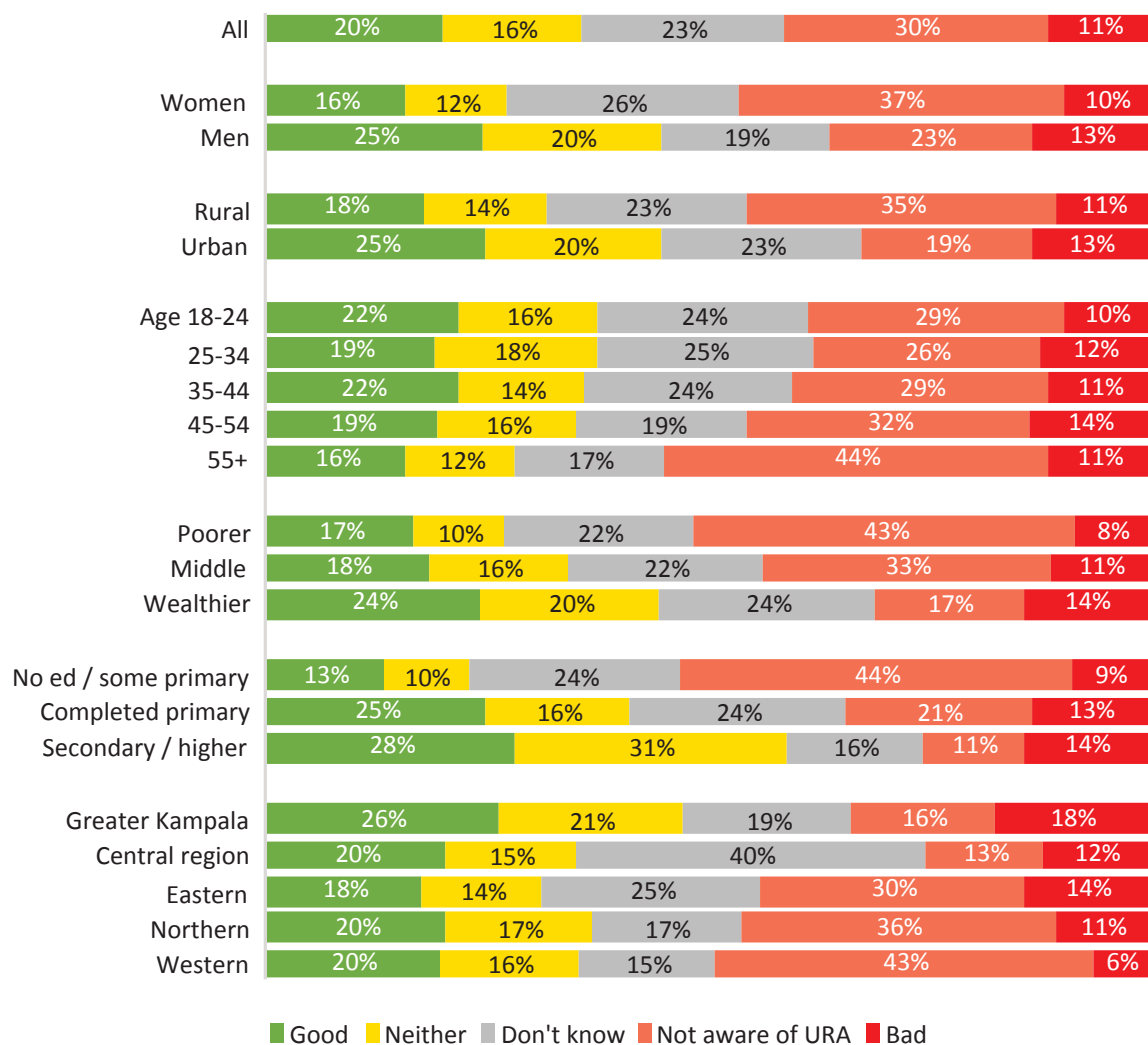
Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

Insight 16: Citizens are more likely to rate the performance of URA as good than bad, though most are unsure

Two out of ten citizens (20%) rate the performance of URA as good, twice as many as say URA's performance is bad (11%). However, the majority (69%) are unsure, either because they are unaware of URA (30%), don't know URA's performance (23%) or see it as neither good nor bad (16%).

URA is more often rated as good by men, those in urban areas, wealthier citizens, those with higher levels of education, and residents of Greater Kampala. In some cases, however, these same groups are also more likely to rate URA's performance as bad.

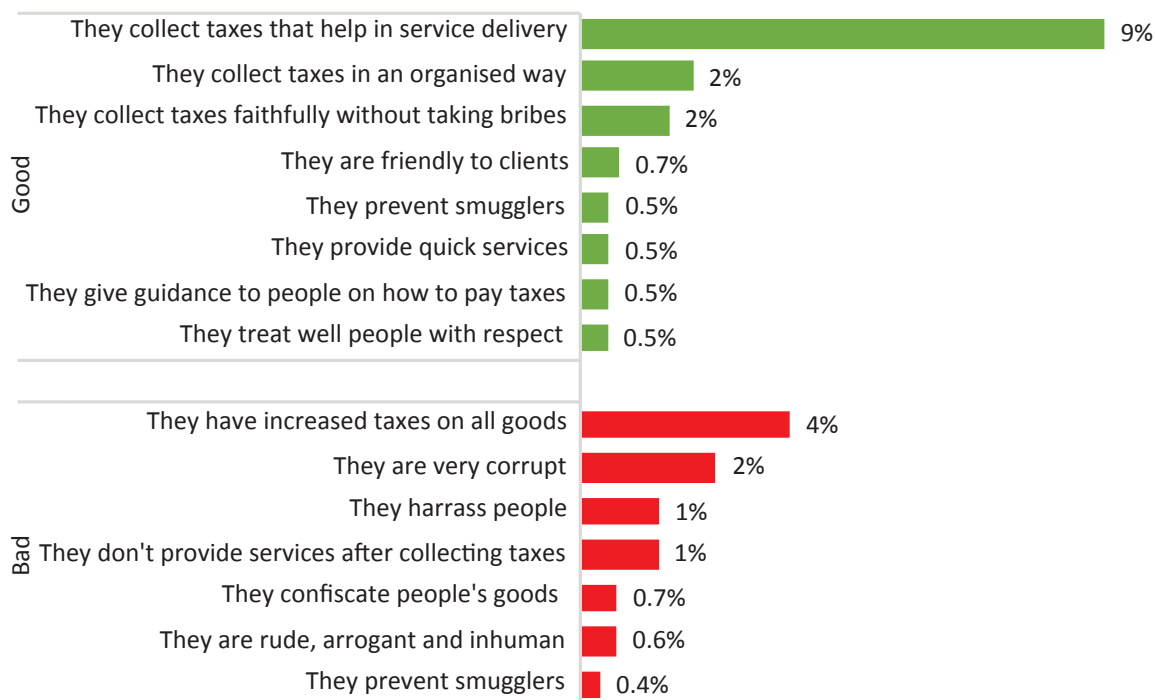
Figure 28: Overall how would you rate the performance of URA?



Source: Sauti za Wananchi mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

The main reason given for rating URA's performance as good is that the taxes URA collects help pay for services (9%). The main reason given for rating URA's performance as bad is that taxes have increased (4%). In both cases, these top reasons essentially point to factors outside the control of URA itself.

Figure 29: Why do you rate URA's performance as good / bad?




Source: *Sauti za Wananchi* mobile phone panel survey round 2 (Apr–May 2022);
Base: all respondents; n=2,761

3. Conclusions

A significant number of citizens – close to half – have been involved in business ownership in recent years, though in most cases these business are no longer operating. A healthy business environment does include both successful and unsuccessful attempts at entrepreneurship; businesses that are able to find and exploit a gap in the market and to make a profit, and those that are not. And the Coronavirus pandemic may have had some role to play in leading to business closures. Nevertheless, this high rate of business closures does suggest that the business operating environment is very challenging.

Perhaps the most interesting business-related findings of this brief are therefore the reasons given by former business owners for the closure of their businesses and the challenges listed by current business owners. On both counts, one issue stands out: access to capital / finance. This is the main reason given by those whose businesses have closed, by those who say their business is declining and by those who say the business environment is tough, as well as the biggest challenge listed by owners of currently operating businesses. In contrast, Covid-19 is rarely cited as a reason for any of these things.



Business owners are currently more positive than they were three years ago about the state of their own businesses. But they are less positive about the business environment in Uganda as a whole. It is not entirely clear why this is the case, but it may relate to the pandemic – with business owners seeing challenges in the wider economy but not seeing reasons to lose confidence in their own business prospects.

On taxation, there is some good news and some less good news here. On the positive side, there is high and growing support for taxation in principle, recognition that paying tax is a civic duty, and a falling number of people who say they would avoid tax if they could.

On the other hand, there are clear signs that many citizens don't truly understand the tax system – for example, not recognising the name of the Uganda Revenue Authority, ascribing functions to URA that do not fall within its responsibilities, or lacking recognition of significant taxes.

More seriously, there is a widespread view that tax evasion is common in Uganda. Nevertheless, many of the reasons given – for why people avoid tax, for why URA's performance is rated as good or bad, etc. – relate to factors that are essentially outside the control of URA, such as the setting of tax rates and the delivery of public services. It is probably unavoidable for tax authorities to shoulder some of the credit and/or blame for the decisions and performance of other parts of government.