

Press Release | 13 September 2022

## **1 out of 4 Ugandans own a currently operating business, mostly in agriculture**

*Half of business owners have closed their business in the past five years, the main challenge is access to capital*

**Tuesday 13 September, Kampala:** Close to half of Ugandans (45%) have owned a business at some point in the past five years; among these, less than half (21%) say their business is still operating. The most common types of currently operating businesses are in agriculture (35%), wholesale / retail trade (18%), hawking (13%), and small services such as salons (11%).

Among Ugandans who have closed their business in the past five years, the most common reason mentioned is lack of capital, cited by half of former business owners. Other reasons include low demand, no market (13%); high cost of inputs (12%); and high levels of competition (11%). Fewer former business owners mention Covid-19 (10%) or taxes and regulations (4%) as the reason for their business closures. Similarly, current business owners are also most likely to mention access to capital (63%) among their top three business challenges. Other issues are also finance related but focused more on high costs: getting transportation (35%), the high cost of capital (30%) and getting equipment or materials (27%). The high costs in terms of taxes, levies and permits are the fifth most referenced challenge (17%).

These findings were released by Twaweza in a brief titled *Money, money, money: Citizens' views and experience of business and the tax environment in Uganda*. They are based on data from *Sauti za Wananchi*, Africa's first nationally representative high-frequency mobile phone survey. The findings are based on data 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.

Given the rates of business closure and seemingly widespread challenges around capital, it is to be expected that business owners provide mixed reviews about the state of their businesses; 4 out of 10 say their business is growing (36%) and the same proportion say it is declining (39%) while the rest say it is staying the same. However, business owners are more negative in 2022 compared to 2019 when they were more likely to say their business was growing or staying the same and less likely to say it was declining.

Business owners are even starker in the assessment of the business environment in Uganda overall: half (50%) say doing business in Uganda is hard. Fewer say the business environment is easy (33%) or normal (17%). Young people aged 18-24 (42%) and those in the Eastern region (52%) are much more likely to say doing business in Uganda is easy while those with secondary education (18%) and residents of Northern region (21%) are less likely to say so. However, citizens' assessments of the business environment in Uganda have improved compared to 2019.

When it comes to tax issues, Ugandans hold mixed views. Citizens are most likely to be fully aware of (69%) and pay (69%) VAT than any other tax in the country. The second most mentioned type of tax are unofficial levies, which 30% claim to pay.

Citizens say they and others pay taxes and levies with the expectation that this will help improve public services (64%). The second most cited reason for paying taxes is because it is compulsory (27%). Interestingly, wealthy people are more likely to mention service delivery (71%) as a reason to pay tax while poorer people are more likely to point to taxes being compulsory (36%).

And citizens do hold contradictory views on the issue of paying taxes. Compared to 2019, fewer citizens are likely to agree that they would cheat on taxes if they had the chance (30% in 2022, 46% in 2019). Also, more citizens are also

likely to agree that they would pay tax without enforcement (69% in 2022, 53% in 2019). Wealthier and urban citizens are more likely to agree with both these statements than their peers.

Overall, citizens are more likely now to recognize the importance of paying taxes compared to in 2019. Across a range of statements about tax, citizens are more supportive of taxes:

- More citizens agree in 2022 (84%) than in 2019 (79%) that taxes are important for national success
- More citizens agree in 2022 (67%) than in 2019 (52%) that paying tax is a civic duty and tax should be paid regardless of the quality of services
- More citizens agree in 2022 (36%) than in 2019 (29%) that all taxes, fees and fines are spent wisely

However, citizens are clear that taxes are hurting them: far fewer citizens (13%) agree in 2022 that tax rates are fair compared to 2019 (33%).

When it comes to Uganda Revenue Authority (URA), seven out of ten citizens (70%) are aware of URA although there are significant variations between groups. Men are more aware than women (77% of men, 63% of women), urban residents are more aware than rural (81% against 65%), and the wealthier and more educated are also likely to be more aware of URA. Regionally, most citizens are aware of URA in Greater Kampala (84%) and Central Region (87%) and least citizens are aware in Western Region (57%). However, only 1 out of 20 citizens (5%) have ever had contact with URA. Among them, half rated this interaction as good. However, among citizens more broadly, ratings of the performance of URA are more mixed: 2 out of 10 citizens say that URA performs well (20%), similar figures are unsure (23%) and 1 out of 10 say they perform badly (11%).

Violet Alinda, Country Lead for Uganda at Twaweza added: *“Some clear messages are emerging from citizens on doing business and paying tax in Uganda. It is positive to see growing agreement on the important role that taxes play in the country’s development. At the same time, resources are the biggest challenges facing business owners, past and present. In this context of scarce capital, taxes and levies hurt even more. Given the current global livelihoods challenges, to which Uganda is not immune, government would do well to heed the cries of the productive backbone of our economy. In this context, the high rate of business closures is also a challenge: closed businesses mean lost jobs and less cushions for our young people to land on.”*

*“At the same time,” she continued, “we can do more to encourage positive attitudes towards tax among citizens. Those who interact with URA have had largely positive experiences. More needs to be done to create collaborative engagements between citizens and tax collectors characterised by openness and responsiveness. We also critically need to reward and encourage compliance while incentivising new tax payers to widen the tax base, diminish individual burdens and entrench the social contract of taxes and participation in governance. Evidence from around the world has shown that greater expenditure transparency and increased inclusion in decision-making around resource use lead to greater tax compliance.”*

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#### Notes to Editors

- This brief and the data contained can be accessed at [www.twaweza.org](http://www.twaweza.org) / [www.twaweza.org/sauti](http://www.twaweza.org/sauti)
- Twaweza works to demonstrate how citizens can come together to collectively address their problems, and make government work better for them; enable citizens’ voices, interests and experiences to be heard and taken seriously in decision-making; promote and protect open civic space which enables citizens to freely assemble or organise, speak and act in Tanzania, Kenya and Uganda. We have programs, staff and offices across all three countries, and a globally respected practice of learning, monitoring and evaluation. Our flagship programs include *Sauti za Wananchi*, Africa’s first nationally representative mobile phone survey. We undertake effective public and policy engagement, through powerful media partnerships and global leadership of initiatives such as the Open Government Partnership. Follow us at Twaweza Uganda (Facebook), @Twaweza\_Uganda (Twitter), Twaweza East Africa (Instagram).