361b tax surplus raises optimism

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evenue Authority (URA) ed a surplus in revenue amounting to sh361.6b od July last year to April using optimism that total llection could surpass set he current fiscal year.

; to information from the nistry, tax and non-tax ollection for the period ew amounted to sh13.5 inst a target of sh13.1 gistering a surplus of

esents an overall growth e collection of 17.2%, to the same period the ancial year.

lus was mainly attributed ostantial turn around in activity and a stable and mestic economy.

eginning of this financial was handed a target of ion, up from sh15 trillion

ist growth of up to 6% covery of major growth uch as manufacturing, nstruction, public sector s in infrastructure, agriculture and services al trade, among others.

hit the target?

l year 2017/18, URA added 11.7 trillion compared to on recorded at the close vious financial year. The ssed the sh15 trillion target b due to poor performance nomy. URA was able to 4.5 trillion.

at URA said the nt raised the targets, but introduce major taxes to deficit.

, the new taxes, such as the y on mobile money, and social media tax, among expected to add nearly ion to the consolidated

g to the URA assistant ner of public and corporate nil Senyonjo, all current in revenue performance scal year remain within

y likely that we shall beat We project to collect sh1.5 trillion before the end of this month, alone. That will leave us with about sh1.8 trillion," Senyonjo said.

"Our peak collection is after the 15th of every month. What you need to know is that cumulatively, we have a surplus of sh350b. What has been happening previously is that by this time, we could have a deficit," he added.

Finance state minister in charge of general duties Gabriel Ajedra said the economy is now expected to grow even faster, to about 6.3% up, from the earlier projection of 6%.

"This implies that the size of the economy will increase to sh110 trillion in the financial year 2018/19 up from sh100 trillion in the financial year 2017/18 in nominal terms," he said.

However, economic growth in the first quarter of last year has been characterised by falling exports earning, rising inflation and a slowdown in private sector credit growth.

For instance, export receipts declined to $300.4m in February this year, from $304.3m in January last year.

Coffee exports posted the largest decline of $6.6m, according to March performance of the Economy Report.

Economists say regional trade disruptions in countries, such as South Sudan and Rwanda, among other external factors, will most likely impact Uganda's export earnings.

Trucks loaded with food for trade. Regional trade disruptions in countries such as South Sudan and Rwanda, among other external factors, will most likely impact in Uganda's export earnings

Revenue performance

In the financial year 2019/20, domestic resources are projected to rise by 0.25% of GDP, to sh18.3 trillion and on average, by 0.46% of GDP in the medium term.

Of the sh18.3 trillion, sh17.8 trillion is expected from tax revenues and sh521b from non-tax revenues.

According to the Budget Framework Paper, this will be supported by revenue administration measures, enhanced efficiency in tax collections, as well as the implementation of the medium-term domestic revenue mobilisation strategy.

"The projected increase in domestic revenues will lead to a rise in the percentage of the budget financed by domestic resources, from the anticipated 64.2% this financial year, to 67.9% during the 2019/20 and by approximately 84.8% by 2023/24," government says.

In the next fiscal year, the Government has introduced new revenue enhancement measures to further boost performance and strengthen tax administration and compliance.

Outlook of 2019/20

Going forward, the treasury expects performance to bounce back to target levels.

"For the financial year 2019/20, out growth strategy focuses on interventions aimed at increasing our GDP growth rate and ensuring that it is inclusive," Ajedra said.

Revenue as a share of tax to GDP ratio in the medium term of 2019/20, is expected to grow by 0.5% per annum.

According to government, the key areas for intervention, going forward, include enhancing agricultural production, investment in physical and social infrastructure to reduce the cost of doing business, industrialisation to speed up economic transformation, increasing opportunities for unemployed youth and improving governance and security.