



REPUBLIC OF UGANDA

LWENGO DISTRICT LOCAL GOVERNMENT

REVENUE ENHANCEMENT PLAN

FOR

FINANCIAL YEAR

2020/2021

1.0 Introduction

Lwengo District Local Government revenue enhancement plan for the period 2020/2021 to 2022/2023 has been developed through consultations with the stakeholders from lower levels to the District level and has incorporated data on revenue collections from all Sub-counties.

Local revenue is crucial to Local Governments for many reasons, some of which include maintaining and sustaining investments, meetings, servicing borrowing obligations, financing council operations and funding of other locally prioritized activities aimed at promoting the autonomy of Local Governments. Failure to collect local revenue will therefore have far reaching consequences and threatens overall sustainability of investments and services ordinarily delivered by Local Governments.

2.0 Financial Decentralization

It is one of the functions that the Central Government decentralized to Local Governments under which they are mandated to mobilize, generate, collect and manage their own financial resources. It is therefore apparent that Local Governments have total discretion to plan, allocate and manage locally generated financial resources in order to deliver services. Central Government on one hand has to remit funds in form of transfers i.e. unconditional grants, conditional grants and equalization grants. It is the constitution of Uganda 1995, the Local Government Act 1997 as amended, the Financial Accounting Regulations 1998 and the Public Finance Management Act 2015 which provide the legal and regulatory frame work for Financial Management in Local Governments.

2.1 Justification for Revenue Enhancement

It has been noted that over the years, the performance of Local revenue in the area of Locally raised revenue (LRR) has been very poor as most Local Governments have been recording declining tax collections. Some of the reasons for the decline in locally raised revenue that should be highlighted include poor management and administration of revenues, negative political intervention in support and abolition of graduated tax.

2.2 Strategies

1. Reviving functionality of the Revenue Desk for the District and at the Sub-county level.
Its role should be to review performance for the previous month and to lay strategies for the following month of operation.
2. Request Ministry of Local Government to approve charge of 2% from District contractors.
3. Directing contractors who contract works within the District to charge local service tax from their employees and remit it to the District.
4. Introduction of bodaboda registration fee.
5. Introduction of business registration fee.
6. Advising District Health Inspector to examine health fitness of food handlers at least twice a year.

7. Introducing hides and skins license.
8. Advising sub-county authorities to put more emphasis on collection of fees for birth and death registration.
9. Identification and assessment of venues and centres for gazetting into markets, trading centres, roadside markets, community tourism sites and public convenience sites.
10. Regular inspection for the revenue collections to avoid misuse by revenue collectors.
11. Implementation of the LED strategy where the community is given capacity to generate income.
12. Reviving issues of cattle traders' license.
13. Outsourcing collections from forestry products and advising District Environment Officer to put patrols on high way.
14. Conducting regular monitoring of constructions within the District by Finance Officer Revenue and CAO's office purposely to enhance collections from building fees.
15. Conducting annual Agricultural Trade show.
16. Continuous training of Revenue collectors on revenue mobilization, enumeration, assessment and collection.
17. Continuous monitoring of LLGs and emphasizing submission of monthly revenue returns to the District.
18. Emphasizing use of a computerized revenue database.

2.3 Expected sources of revenue to be enhanced

Lwengo District in the Financial Year 2020/21 intends to generate its Local Revenue from the sources below; for each source of revenue identified, its challenges have been identified and the strategies laid down.

(i) Local Service Tax and Local Hotel Tax

The two sources of revenue are stipulated in Local Government Act Cap 243 Sec 80(1a) which provides that; (a) local government hotel tax to be charged on all hotel and lodge room occupants and to be collected and paid by hotel owners and (b) local service tax to be levied on all persons in gainful employment or who are practicing any profession or on business persons and commercial farmers producing on a large scale. These two sources of have a high potential of enhancing Locally raised revenue as they cover a wide tax base.

Activities to be carried out include;

- ✓ collection of data on all hotels and lodges operating in Lwengo district.
- ✓ Sensitization of hotel/lodge owners on the importance of paying hotel/lodge tax.
- ✓ Sensitization of the community on their obligation and importance of paying local service tax.
- ✓ Carrying out field visits to assess the potential of individuals and businesses that are eligible to pay local service tax.

(ii) Property rates

This is governed under the Local Government Rating Act 2005 which is an Act that provides for the level of rates on property by Local Governments within their areas of jurisdiction, to provide for the evaluation of property for purposes of rating, to provide for the collection rates, to repeal the Local Government (Rating) act and to provide for other related matters. The above category which covers immovable property related taxes such as ground rent, rent on land and building, sale of boarded off assets, property assessment rates and royalties. These properties related taxes have a high/great potential of enhancing locally raised revenue especially in urban centres. These taxes are levied on an annual basis except for sale.

Activities to be carried out include;

- ✓ Sensitization of property owners of the importance of paying the rates.
- ✓ Identifying property that has changed ownership.
- ✓ Establishment of a data base for all properties valued.
- ✓ Involvement of LCI in identifying property owners.
- ✓ Involvement of property rates committee for the easy sensitization and collection.
- ✓ Lobbying for the funds to carry out new valuation exercise.
- ✓ Setting up through the council a new rentable charge

(iii) Trading Licenses

These are governed by the Trading Licensing Act, 1969. In this case every business is issued with an annual license upon payment of a fee under the above Act. The Act regulates business such as retail, wholesale, hawkers, bars and restaurants. The Local Government should issue a license upon being satisfied, the Public Health conditions and other regulatory framework. This license may be withdrawn upon breach of conditions within the validity period. Section 13 indicates the duration of license as a calendar year.

Activities to be undertaken in order to enhance this source include;

- ✓ Enumeration of all taxable business
- ✓ Assessment of all business enumerations
- ✓ Sensitization of all tax payers while collecting data for easy updating.
- ✓ Use the statutory instrument released by Government regarding the collection of this revenue eg Trading license Act.
- ✓ Establishment of a data base.

Threats expected during trading licenses collection.

- a) Inadequate data on businesses.
- b) Defaulting.

(iv) User fees and charges.

- a) User fees comprise of fees on licenses and permits in respect of any service delivered or regulatory powers exercised by the Local Government. These include;
- b) Market dues.
- c) Hawkers permits.
- d) Water consumption
- e) Taxi Parks.
- f) Registration of Birth and Deaths.
- g) Tender application fees.

h) Street parking, public toilets, play grounds for urban councils.

Threats

- a) Negative political interventions.
- b) Inadequate data on the revenue sources.
- c) Defaulting.
- d) Fencing off of markets.
- e) Land lords are not cooperative.
- f) Poor sanitation.

Strategies in place

Mobilization and sensitization to revenue collectors of all tradable items.

- a) Direct deposit of money to the bank by tenderers
- b) Computerization of information on markets.
- c) Establishing a data bank in all the markets.
- d) Establishing of model markets.
- e) Involvement of Commercial Officers in data collection.

(v) Revenue from LG Departments.

Livestock movement permits, slaughter fees, cattle traders license (cattle traders Act) and hides and skins.

Threats

- a) Most trading centres do not have slaughter slabs.
- b) Inadequate information about the revenue sources mainly by traders.
- c) Tax evasion, they use other people's trading licenses.
- d) Fees collected by Veterinary Officers from livestock movements permits and slaughter fees are used to facilitate the Veterinary Officers. It is difficult to capture this.

Strategies

- a) Networking with the Veterinary Department.
- b) Mobilization and Sensitization of tax payers.
- c) Construction of slaughter slabs.

Lands

Land fees obtained from the lands Department, this revenue is not very lucrative for rural governments.

Forest Products

Threats

- a) Pit sawyers licenses are controlled by the Ministry responsible for Natural resources.
- b) NFA has taken over control of forests and the District has few forest reserves remaining.
- c) The hammer (stamp) was taken over by NFA so the District has limited control on timber products.
- d) Ascertain forest ownership and boundaries.
- e) Obtaining revenue from the private forest developers.
- f) Burning of forests.

Strategies

- a) Networking with NFA to ensure that the District obtains some revenue.
- b) Establishing a data base on forests where the District can obtain revenue.
- c) Issuing of casual permits to pit sawyers.
- d) The district to pass an ordinance prohibiting bush/forest burning.

(v) Other Revenue

There are also potential sources of revenue which need to be tapped and these include:

- a) Entertainers (Kadongokamu, Bands, Discos).
- b) Timber.
- c) Quarries.
- d) Produce buying stores.
- e) Court fees.
- f) Building fees.
- g) Traditional healers , etc.
- h) Telephone masts.
- i) Pool tables (in TCs & TBs).
- j) Coffee/produce operational permits.
- k) Food handling Health Permits.
- l) Loyalties.
- m) Private schools and clinics.
- n) Bodaboda Registration.
- o) Outdoor advertizing
- p) Sign Posts Display

Although the Act empowers Local Governments to subscribe any other source of revenue as indicated above, approval of the Minister responsible for Local Government should be sought before enforcing the collection of the same.

3.0 General challenges encountered during the collection of locally raised revenue.

- a) Inadequate sensitization of tax payers.
- b) Lack of statistical data for computation of values.
- c) There is mobility of business owners.
- d) Excessive poverty in the communities.
- e) High valuation expenses.
- f) Inflating of bid offers and subsequent failure to pay.
- g) Inadequate data on revenue sources.
- h) High cost of administration especially technical supervision.
- i) Poor mobilization due to lack of logistics.
- j) False information given by tax payers during enumeration exercise.
- k) Lack of awareness and willingness to pay.
- l) Failure of businessman to distinguish between calendar year and financial year.
- m) Over costing of marks and tenderer overcharge traders.
- n) HIV scourge has left so many orphans and a sick population that has low household incomes.

- o) Unpredictable and severe climatic conditions affect production and hence low income to support service delivery.
- p) Other natural hazards like animal diseases leading to quarantine thus affecting market performance.
- q) Negative political intervention.

3.1 Best Practices in local revenue collection

- a) Mobilization and sensitization of communities/tax payers on their obligation to pay taxes.
- b) Improvement of infrastructures like accessible roads for easy transportation of goods and services to the market.
- c) Introduction of programs that focus on poverty reduction e.g village SACCOs, support to CBOs, Self help projects since communities which are rich buy goods and services thus contributing to the income of the District and the Government at large.
- d) Enhancing stakeholders' participation like involvement of political leaders and technical staff in revenue mobilization.
- e) Motivate revenue collectors as well as tax payers.
- f) Take legal action against defaulters
- g) Establish a data bank.
- h) Contract debts/collectors.
- i) Sensitization of tax payers about the importance of paying taxes.
- j) Training/refresher courses for staff involved in revenue mobilization.
- k) Lay strategies to encounter politicking in local revenue mobilization.
- l) Procure a vehicle for local revenue mobilization.
- m) Identification, assessment, enumeration and registration of all businesses in the District.
- n) Exploration of all new potential revenue sources in the District.

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