



LOCAL GOVERNMENT FINANCE COMMISSION

**PRACTICAL ASPECTS FOR THE IMPLEMENTATION
OF LOCAL SERVICE TAX AND LOCAL
GOVERNMENT HOTEL TAX.**

SEPTEMBER 2021



THE REPUBLIC OF UGANDA

LOCAL GOVERNMENT FINANCE COMMISSION

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FOREWORD

The Government of the Republic of Uganda devolved functions, powers and responsibilities to Local Governments through its decentralization policy, legally provided for in the Constitution and operationalised by the Local Government Act, cap 243. Article 176. (2)(d) of the Uganda Constitution provide that: there shall be established for each local government unit a sound financial base with reliable sources of revenue. Also Article 191. (1) of the same Constitution provides that: Local Governments shall have power to levy, charge and collect appropriate fees and taxes in accordance with any law enacted by Parliament. These sources of revenue for the Local Governments are echoed in the Fifth Schedule of the Local Government Act Cap 243.


The Local Governments Act operationalises and enhances these provisions and section 80 provides that: Local Governments may levy, charge and collect fees and taxes, including rates, rents, royalties, stamp duties and registration and licensing fees and the fees and taxes that are specified in the Fifth Schedule to this Act.

The major sources of local revenues collected and utilized by Local Governments are either of low yields or not fully exploited. They include: property rates, market gate charges, business licenses etc. Therefore Local Governments continue to be constrained and are not able to finance critical services such as;

- a) Meeting Council sitting expenses.
- b) Council Committee sittings.
- c) Office operational expenses at the various levels of local governments & Administrative Units.
- d) Supervision and Monitoring of local government projects/investments and other priority activities.
- e) Repair and maintenance of local government facilities and infrastructure.
- f) Co-funding of donor funded projects in Local governments.
- g) Supplementing salaries and wages
- h) Other local development programmes.

They face difficulties to pay the salaries of their staff in post leading to accumulation of salary arrears. The approved structures of the Local Governments are also not fully filled leaving out critical skills and expertise.

It is therefore my humble wish that local government officials and other practitioners will find these practical aspects of how to manage Local Service Tax and Local Government Hotel Tax, useful in implementation of the taxes for increased local revenue collection.



Mr. Sam Ogenrwoth

CHAIRPERSON LOCAL GOVERNMENT FINANCE COMMISSION

ACKNOWLEDGEMENT

The guideline has been prepared to enhance the capacity of local governments to enhance the performance of Local Service Tax & Local Government Hotel Tax and to encourage the spread and use of best practices for Local Service Tax & Local Government Hotel Tax mobilization by local governments.

The Commission extends its gratitude to all those who contributed to the development of this guideline. In particular, the Commission would like to thank staff from Local governments supported under Development Initiatives for Northern Uganda (DINU), Cities and Municipalities participating in Uganda Support to Municipal Infrastructure Development –Additional Financing (USMID-AF) Program, who provided information on the best practices in property rate administration and management, which input facilitated the development of this guideline.

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In a special way, the Commission acknowledges the role played by the United Nations Capital Development Fund (UNCDF)/European Union for providing financial support towards the development, printing and dissemination of this guideline.

The utilization of this guideline will provide good foundation for enhancing Local Service Tax & Local Government Hotel Tax for the local governments and improving the quality of service delivery provided to community.



Lawrence Banyoya
Commission Secretary

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1.0 Introduction

In an attempt to relieve Local Governments out of the dilemma of low local revenue collections, and reverse the tendency of failure to finance their mandated functions, the Parliament of Uganda passed the Local Governments (Amendment) Bill, 2008 which later became law, introducing new taxes for Local Governments thus; Local Service Tax and Local Government Hotel Tax.

The Bill introducing new taxes (i.e. Local Service Tax and Local Government Hotel Tax) was passed by Parliament in April 2008. It was then assented to into law by H.E the President on 24th June 2008. The implementation of the collection of these taxes commenced from 1st/July/2008. However, Local Governments could not immediately implement these taxes without appropriate guidelines in place.

The Local Service Tax implementation guidelines for people in gainful employment, self-employed and practicing professionals, self-employed artisans and Businessmen and women was developed and distributed in November 2008. The practical aspects manual was developed to simplify the work of the tax administrators and collectors. This manual supplements the guidelines, and is not a substitute to both the guidelines and the Act.

2.0 Local Service Tax (LST)

The Local Service Tax is to be levied on the wealth and income of the following categories of people and the assessment is to be fair, equitable and non-regressive: Persons in gainful employment, self-employed and practicing professionals, self-employed artisans, businessmen and businesswomen. However, the salaries/wages of the following categories of people are exempted from LST; Members of the Uganda People's Defense Forces, Members of the Uganda Prisons Service, Members of the Uganda Police Force, Members of the Local Defence Forces, Unemployed persons, petty food vendors, petty artisans, boda-boda cyclist, Jua-kalis, Peasants and people living in poverty and unable to earn a minimum income to access basic necessities of life, Members of the Diplomatic Missions Accredited to Uganda and Judges.

2.1 Management of Local Service Tax and Local Government Hotel Tax

The management processes towards collection of this tax requires all Sub-Counties, Municipal Division, Town Councils and City Divisions to form three Committees i.e. Enumeration and Registration Committee (ERC), Assessment Committee (AC) and Appeal Tribunal Committee (ATC).

2.1.1 Enumeration and Registration Committee (ERC)

The Enumeration and Registration Committee (ERC) composition. This Committee should be at the parish/ ward level and the Parish Chief should be a Chairperson. This Committee has to ensure there is an LCI C/P of the village under enumeration. The LC1 Chairperson and the LC III Secretary for Finance be included in the composition of the Enumeration and Registration Committee

Table for the composition of Enumeration and Registration Committee (ERC)

Parish	Division	Town Council
Parish Chief	Town Agent	Town Agent
Representative of the Parish Development Committee	Representative of the Ward Development Committee	Representative of the Ward Development Committee
A representative of the LC2 Executive	A representative of the LC2 Executive	A representative of the LC2 Executive
A representative of the Sub County Chief	A representative of the Assistant Town Clerk	A representative of the Town Clerk
An LC1 Chairperson of the village under enumeration	An LC1 Chairperson of the village under enumeration	An LC1 Chairperson of the village under enumeration

The role of the Enumeration and Registration Committee (ERC) is to plan and carry out a general registration of possible taxpayers in the LG using the form designed below

2.1.2 The Assessment Committee

The Assessment Committee should comprise the Sub county Chief/ Assistant Town Clerk (Chief Executive) as a chairperson and 4 technical staff

Table for the composition of Assessment Committee (AC)

Sub-County	Division	Town Council
Sub County Chief	Assistant Town Clerk	Town Clerk
Sub -Accountant	Sub -Accountant	Town Treasurer
Agricultural Extension Officer	Agricultural Extension Officer	Agricultural Extension Officer
Community Development Officers	Community Development Officers	Community Development Officers
District representative	Municipal/City Council representative	District representative

The Assessment Committee will then extract from the GERF persons of same category of LST and subject their earnings to given schedules to determine LST accruing to each of them. The LG can then, using the address of the location of the employer plan to meet the employer and to confirm level of monthly earnings and determine amount to be paid as LST and agree on the mode of payment. If the location of the employer is in another district, Municipal etc, the claimant LG writes to the employer of its resident through its mother district, Municipal etc, seeking appointment to discuss these issues.

2.1.3 Appeals Tribunal Committee (ATC)

The Appeals Tribunal Committee (ATC) should comprise the Chief Administrative Officer/ Town Clerk and four members

Table for the composition of Appeal Tribunal Committee (ATC)

District	Municipal	Town Council
Chief Administrative Officer	Town Clerk	Town Clerk
Chief Finance Officer	Chief Finance Officer	Town Treasurer
Revenue Officer / Tax Officer	Revenue Officer / Tax Officer	Sub Accountant
Commercial Officer	Commercial Officer	Community Development
District Community Development Officer	Community Development Officer	Officers District representative

The Sample of the GERF form for LST

N	Name of Employee/ Business Entity	Nature of job/venture	LST Class	Name, Location and address of Employer	Narrative of earning source details	Gross Monthly income	Net monthly income
01	Martin Odama	Dental Practitioner	SEP	Ms Odama Dental Services Ltd. Plot 1024 Rubaga Division.	Receipt of 4 patients per day and each pays 10,000. Working days are from Monday to Friday.	800,000/	400,000/
	Martin Odama	Dentist	PGES	The Director Mulgo Hospital	Government Scale	678,900/	500,000/
02	Kandimaite Mark	Teacher	PGES	The DEO, Nakawa Division Education Committee P. O Box ----- Tel..... Fax.....	Government scale	120,000/	90,000/
03	James Atibu	Welder	PGES	The Manager Susco Engineering Works Ltd.	SuscoEngineering Works deals in Building the bodies and Welding Heavy Trucks. Artibu being employed and earning a monthly salary is classified under PGES instead of SEA	400,000/	350,000/
04	Joshephine Apolot	'Kitenge' sales dealer	BM & WN	SE	Purchase of 'Kitenge' roles from DRC Congo for sale in Uganda making a net profit of 40,000/ per week.	160,000/	145,000/
05	Puis Nyang	Plumber	SEA	SE	He is not a salary earner. Walks places looking for plumbing works which after finding one (average pay of 850,000) may take an average of two weeks before landing on another.	170,000/	156,000/
06	Bagawa Chris	Dramatist	SEP	SE	Drama Clubs do hire the services of Mr Bagawa on a needs-basis not routine. He is only sure to be hired	20,000/	11,000/

					during festive seasons of Christmas and Easter where he acts drama on the birth and death of Jesus Christ respectively. At each of these two seasons he earns on average 120,000/, which amounts to 240,000/ in a year.		
07	Maloba John	Grinding Mill	BM&WN	SE	Maloba is operating a private grinding mill on his compound. His earnings from this business is seasonal (maize and millet harvesting periods). At high peak he can get 50,000/ profits in a week and during poor periods this figure falls to 10,000/ profit per week.	Average earnings per month is 240,000/	210,000
08	Wasswa Francis	Radio Repairer	SEA	Uganda Broadcasting Corporation, Kampala	Waswa is hired as a radio repairer by a government institution on a needs-basis. He does not appear on the pay roll. Radio Repair is only required when there is default.	456,900/	300,000/
09	Otunu Richard	Customs Agent	PGES	The Manager, URA Busia Branch P.O Box 23 Busia. Tel. Fax.	URA Salary scale	987,456/	840,000/
10	Douglas Kyeyune	Cattle sales	BM&WN	SE		1,200,000/	1,000,500/
11	Sylvia Among	Journalist	SEP	Orumuri News paper P.O Box 23412 Kampala. Tel. +256 414 123432	Gathers information on topical issues, presenting articles and advertisements. For every 20cm X 30 cm space piece, she is paid 60,000/. She can make on average 3 of 20cm X 30cm piece per week	720,000/	610,000/

KEY:

SE = Self- employed

PE = Private Employee

SEP = Self Employed Professional

PGES = People in Gainful Employment and earning a Monthly Salary

BMBW = Businessmen and Businesswomen

GE = Government Employee

SEA = Self Employed Artisans

GERF = General Enumeration and Registration Form

ERC = Enumeration and Registration Committee

ERHL&GH = Enumeration and Registration of Hotels, Lodges and Guest Houses.

NB:

Depending on whether a person is on salaried employment by private or public institutions, the list of persons as categorized under the different groups above is not final e.g. although James Atibu is a welder (SEA), his salaried employment with Susco Engineering Works makes him fall within PGES.

Martin Odama is working in Mulago Hospital as a dentist but he also operates a dental service in a private clinic in Rubaga Division. The law permits him to be paying LST on his salary as a dentist in Mulago Hospital only. Taxing his earnings from the private clinic legalizes operation of the private clinics against the law.

Although Mr Bagawa seems to be earning well, his earning source is scanty (only twice in a year). Averaging his income per month put him in the exempted group.

Notes on the table

Col- umn	Explanation
1	Is the numbering of the residents in their order systematically carried out to avoid missing out some people?
2	Captures information on the true name of the person as indicated in his/her identity card. The selection of who must register, deemed to be earning income and does not fall within exempted category, is the responsibility of the LG concerned
3	Captures the detail information on the type/nature of job/venture, as it appears to be from the view of the Committee. This must be filled at that instant
4	The information in this column informs the Committee on the classification of the job/venture into the categories as highlighted under LST. The purpose is to know which schedule the employee should be subjected to. This can be filled at deskwork not necessarily in the field as it requires ranking of the data in column three to the categories given in the Act.
5	Employers may be Government Ministries, Agencies, Departments, Local Governments, Public institutions/Companies, Private Institutions/Companies and NGOs etc. Payment for salaried taxpayers is made in the first four months in the year (i.e. July. – October). The name of the employer from whom information on the employee earning levels are to be corroborated is indicated. For public employees, LG contact with the employer shall permit accurate payment instructions to relevant authorities with respect to individual name, amount deducted as LST, Name of beneficiary LG where the employee resides. Transfers can then be in form of cheques, EFT Bank Drafts etc but not in cash form. The employer should send the list to MoFPED with deductions of LST and the list is copied to the respective Local Governments.

	For employees in the private sector, the contact of the LG with employers shall lead to an agreement for them to deduct and transfer the fund to the Local Governments concerned.
6	Provides the details of the earning sources and the processes used in arriving at the estimated monthly earnings in column seven. These processes can then be re-examined by the Assessment Committee where they are not satisfied with the estimated figures.
7	<p>This provides for an estimate of the employee's monthly earnings. If the level of the earning as given by the employees satisfies the Committee, then it taken as given for the compilation of the tax. Otherwise further consultation with employer, employee and persons in paid similar jobs, shall be carried out by the Committee to corroborate the figures given. The Assessment Committee may use all or some of the following attributes in order to arrive at a fair estimate of monthly earnings of BMBW, SEA, and SEP:</p> <ul style="list-style-type: none"> • Size of stock dealt with The size of stock gives a fair estimate of how much the dealer earns. This may involve physical counting and valuation of existing stock. • Rate of return (daily return on good days and bad days then average for working days in a week). <p>This may depend on the location of the venture e.g. Similar Restaurants in Pader District and Kampala District may not have same monthly earnings. Pader Restaurant may earn what Kampala Restaurant earns in a month in three months.</p>

2.2 People in gainful employment

2.2.1 Enumeration and Registration

The Registration Committee, using the GERF above will carry out the enumeration and registration exercise and submits filled forms to Assessment Committee.

For an employee with multiple residences, LST is due to Local Governments in whose area the employee resides during his working days. The Act defines place of residence as a continuous residence for at least six months. The obligation is on the employee to inform his/her employer one place of residence where he/she stays that has not broken by reason of any absence of less than five working weeks. In this case two or more Local Governments, having registered the different residences of an individual employee within their jurisdiction, may converge at the employer who then decides according to the interest of the employee which LG should receive his LST.

2.2.2 Assessment

The Assessment Committee will estimate values as given in the general form as final when satisfied so. Otherwise the committee may inquire to confirm the figures from Payroll, Pay sheet used by the employers when dissatisfied with given figures at registration. The outcome of the Assessment committee consultations in establishing the fair income earnings is jointly arrived at with the taxpayer. Where the taxpayer objects the decision of the AS, he/she is advised to appeal to the ATC. When consensus is established the figure is subjected to the schedule below and LST is accordingly determined for each employer.

For those in Public Service, LST should be paid on income net of PAYE. The schedule form the payment of PAYE is as tabulated below.

	Earnings per Month	PAYE
1	<130,000/=	Exempted
2	130,000/= – 235,000/=	$(x - 130,000/=) * 10\%$
3	235,000/= – 410,000/=	$(x - 235,000/=) * 20\% + 10,500/=$
4	410,000/= and above	$(x - 410,000/=) * 30\% + 45,500/=$

Assume that a worker earns shs.420, 000 per month. The LG Act would require that the earner should be subjected to payment of PAYE first as in the table below

(a)	(b)	(c)	(d)	(e)
Monthly Salary 420,000/=	PAYE 48,500/=	Disposable Income after PAYE	LST 20,000/=	Disposable Income after PAYE and LST
		371,500/=		351,500/=

The Income Tax Amendment Act would treat LST deductible from gross income as indicated in the table below:

(a)	(b)	(c)	(d)	(e)
Monthly Salary 420,000/=	LST 30,000/=	Disposable Income after LST	PAYE 41,500/=	Disposable Income after PAYE and LST
		390,000/=		348,500/=

The result from this scenario is that the available income to a taxpayer after payment of both taxes is less than the first scenario. However in both scenarios, figures in column (d) are calculated based on figures in column (c). Obtaining column (d) from column (a) would amount to double taxation.

Schedule for LST from PGES

	Amount of monthly income earned (shs)	Rate of LST (in shs) per year
1	Exceeding 100,000/= but not exceeding 200,000/=	5000/=
2	Exceeding 200,000/= but not exceeding 300,000/=	10,000/=
3	Exceeding 300,000/= but not exceeding 400,000/=	20,000/=
4	Exceeding 400,000/= but not exceeding 500,000/=	30,000/=
5	Exceeding 500,000/= but not exceeding 600,000/=	40,000/=
6	Exceeding 600,000/= but not exceeding 700,000/=	60,000/=
7	Exceeding 700,000/= but not exceeding 800,000/=	70,000/=
8	Exceeding 800,000/= but not exceeding 900,000/=	80,000/=
9	Exceeding 900,000/= but not exceeding 1,000,000/=	90,000/=
10	Exceeding 1,000,000/= onwards	100,000/=

2.2.3 Collection

LST will be paid to the District, City, Municipality, Division or Town Council where the tax payer resides. The Act defines a residence as a place where one has been living continuously for the last six month, when taxpayer is at normal work. Deduction will be made in four equal monthly installments. A suitable method of collection will be agreed upon between the employer and the LGs concerned. These may be by use of Bank cheques, Bank Drafts and EFT system but not in cash form. Whereas the use of EFT may be applicable to Government/Public employees, employers in the private sector, the other means mentioned can be applied.

2.2.4 Enforcement

Subject to this regulation, any person who without lawful excuse, the proof of which shall lie on him or her, refuses, neglects or fails to pay the tax to which he or she is liable under these Regulations, four months from the date the tax is due, commits an offence and is liable on conviction to imprisonment or a fine for a term not exceeding double the amount of the tax due.

2.3 Self-employed Professionals

Every district or urban local council shall levy an annual LST on every person in gainful employment. The tax here by is payable to the Local Government where the payer resides.

2.3.1 Assessment

The information obtained during the Enumeration and Registration as captured in the General Enumeration and Registration Form (GERF), can be used to determine appropriate estimates of their earnings. Although, the AC may liaise with representatives from each of the professional lines, if any, e.g. legal services, medical for confirmation of appropriate figures, a combination of taxpayer's indicative figure, size of stock, rate of turn over should provide a fair estimate of his/her presumed monthly earnings.

A confirmed figure can then be subjected to the schedule below.

	Monthly income earned in shillings	Rate of LST (SHS) per year
1	0 – 499,999	Exempted
2	500,000 – 999,999	50,000
3	1,000,000 and above	100,000

The above schedules shall be applied by the LGs on the following categories of professionals in the various fields.

	Professionals who are self-employed and consultants in various fields	Amount of monthly income earned (SHS)	Rate of LST (SHS) per year
1	Medical Doctors		
2	Dental Practitioners		
3	Pharmacists		
4	Veterinary Doctors		
5	Engineers		
6	Accountants		
7	Auditors		
8	Financial Consultants		
9	Economic Consultants		
10	Technicians		
11	Lawyers		
12	Architects		
13	Fine Artists		
14	Journalists		
15	Writers		
16	Agricultural scientists		
17	Land Surveyors		

18	Quantity Surveyors		
19	Valuation Surveyors		
20	Physical Planners		
21	Land Management Consultants		
22	Scientists		
23	Photographers		
24	Counselors		
25	Clergymen and Women		
26	Dramatists/ actors		
27	Singers		
28	Sportsmen and Women		
29	ICT Specialists		
30	Any other self-employed professionals not mentioned		

2.3.2 Collection

After appropriate mechanisms to establish a fair level of earning have been pursued, the AC shall then write a 'demand note' to the concerned individuals or Companies (where applicable), detailing the amount of LST, means of payment (bank deposit) and dead-line for payment.

2.3.3 Enforcement

Tax tickets issued to individuals should bear their photographs taken at the time of enumeration and registration. This avoids impersonation, fraud and avoidance of tax payment. Defaulting or delayed payments should be penalized as prescribed in the law.

2.4 Self-employed Artisans

These include craftsmen, plumbers, builders, electricians, painters, mechanics, carpenters etc.

	Monthly income earned in shillings	Rate of LST (SHS) per year
1	0 – 199,999	Exempted
2	200,000 – 299,999	10,000
3	300,000 and above	20,000

Professionals who are self-employed artisans in various fields

	Type	Amount of monthly income earned (Shs.)	Rate of LST (Shs.) per year
1	Craftsmen		
2	Plumbers		
3	Builders		
4	Electricians		
5	Masons		
6	Carpenters		
7	Mechanics		
8	Blacksmiths		
9	Painters		
10	Welders		
11	Bakers		

12	Furniture makers		
13	Florists		
14	Tailors		
15	Radio and TV repairers		
16	Hairdressers		
17	Cobblers		
18	Watch Repairers		
19	Car washers		
20	Semiskilled Artisans and any others not mentioned.		

2.4.1 Assessment

For those operators who are organized in workshops, garages or groups, their leaders will be required to submit detailed information on all their employees and wage earnings so as to compute monthly income accruing to each individual. However, for those operating on individual accounts, assessment shall be taken on a case-by-case basis.

NB: for categories of producers who make and sell their products, they should be categorized under craftsmen. But when one buys and sells s/he should be grouped under businessmen and women. No practitioner in this category shall be allowed to undertake any work within the LG without proof of LST payment.

2.4.2 Collection

The AC shall issue a 'demand note' following assessment detailing who pays what, where, dead-line for payment plus LST tickets to the leadership of a group, who then is responsible to issue the tickets to their members on payment of the tax.

2.4.3 Enforcement

The enforcement measures as provided in the law shall apply but may include withdrawal of operational permits and/or confiscation of items of equivalent value to the tax.

2.5 Businessmen and Businesswomen

Included under this category are owners of shops, fuel stations, restaurants, bars, furniture workshops, printery workshops, food vendors, communication agents, insurance brokers, directors and shareholders of business companies (e.g. private school, hospitals, etc), real estate service providers, owners of road construction firms, outside catering service providers, coffee millers, maize millers, fish mongers, timber merchants, garage owners, shoe makers, and others not mentioned.

2.5.1 Assessment

Since all the above businesses are registered under Local Government, in addition to data on GERF, the AC should acquire details from trading license registers, so as to minimize on the cost of attaining this information and ease the assessment exercise. Already this category is paying Business License and Presumptive Tax to LG and Central Government respectively.

While Business license may be regulatory (encouraging/discouraging production, consumption and location of certain products), presumptive tax is paid according to the schedule below. In order to avoid 'double taxation', LST should be paid on income net of Presumptive Tax the same approach when dealing with LST and PAYE.

NB: The difference here is that while LST exempts earners of 500,000/ and below, Presumptive Tax (PT) exempts earners of 5,000,000/ and below. Earners within second, third and fourth bands for PT pay flat LST rate of 100,000/

Schedule for the payment of Presumptive Tax (PT)

Band	Sales (Turnover)	Presumptive Tax Rate
1	5,000,000/ - 20,000,000/	100,000/
2	20,000,000/ – 30,000,000/	(x*0.01) or 250,000/ whichever is lower
3	30,000,000/ – 40,000,000/	(x*0.01) or 350,000/ whichever is lower
4	40,000,000/ - 50,000,000/	(x*0.01) or 450,000/ whichever is lower

A process of granting a grace period ranging from two to twelve months (depending on the nature of businesses) of operation is recommended. This will give assessors opportunity to gauge individual tax payer-income earnings from businesses to use in assignment of LST levels as prescribed in the Act as below and notified to the entrepreneurs in time.

Attempts by the AC should be made to determine appropriate level of income using the physical approaches hinted above.

Schedule for the payment of LST

	Monthly turnover (in shs)	Rate of local service tax (in shs) per year
1	500,000/= but not exceeding 1,000,000/=	5,000/=
2	Exceeding 1,000,000/= but not exceeding	2,000,000/= 10,000/=
3	Exceeding 2,000,000/= but not exceeding	3,000,000/= 20,000/=
4	Exceeding 3,000,000/= but not exceeding	4,000,000/= 30,000/=
5	Exceeding 4,000,000/= but not exceeding	5,000,000/= 40,000/=
6	Exceeding 5,000,000/= but not exceeding	6,000,000/= 50,000/=
7	Exceeding 6,000,000/= but not exceeding	7,000,000/= 60,000/=
8	Exceeding 7,000,000/= but not exceeding	8,000,000/= 70,000/=
9	Exceeding 8,000,000/= but not exceeding	9,000,000/= 80,000/=
10	Exceeding 9,000,000/= but not exceeding	10,000,000/= 90,000/=
11	Exceeding 10,000,000/= onwards	100,000/=

2.5.2 Collection

The Assessment Committee should issue a 'demand note' to the BMBW following assessment detailing what to pay, where, deadline for payment plus LST tickets to the entrepreneur.

2.5.3 Enforcement

It is the onus of the local government to privatize or not the collection of unpaid revenues whichever method shall appear cheaper. The penalties are as prescribed by the law. No license for any business shall be renewed without:

- Presentation of a list of its employees and their incomes respectively.
- Proof of payment of LST

Few illustrative examples:

- An examination of the rule that LST should be paid where one resides:
Where a person operates in more than one Local Government.
Ms. Rossette resides in Nakawa Division. She operates a saloon in Kawempe Division, a washing bay in Rubaga Division, and a bakery in Makindye Division. How does she

contribute to LST and where?

Business venture	Division	Net monthly earning	LST
Super unisex saloon	Kawempe	650,000/	5,000/
C&C car wash	Rubaga	1,850,000/	10,000/
Hot Pastries Bakery	Makindye	1,020,000/	10,000/
Total earnings		3,520,000/	25,000/

Conclusion

It is only fair that Ms. Rosette pays her LST to the different divisions as shown above.

What will the resident Local Government earn?

- b) An examination of the rule that the total amount to be paid as tax (excluding user charges) should not exceed 100,000/
Where a person may operate many activities in same or different Local Governments but with sum total of LST exceeding 100,000/.

	Business venture	Division	Net monthly earning	LST	Division apportionment of LST
1	Super unisex saloon	Kawempe	650,000/	5,000/	4,808/
2	C&C Health club	Rubaga	7,850,000/	70,000/	58,062/
3	One cart events planners	Makindye	5,020,000/	50,000/	37,130/
	Total earnings		13,520,000/	125,000/	100,000/

Conclusion

It is only fair that the businessperson pays 100,000/ in total but apportioned to the divisions according to the proportion of the total earning accruing from the venture in the division.

3.0 Local Government Hotel Tax (HT)

3.1 Enumeration and Registration

At the exercise for general enumeration and registration, the ERC should include and carry out a survey to register all the hotels, guesthouses and lodges (if any) in a given local government. In addition to the GERF, the ERC should fill ERHL&GH form to capture relevant data for this purpose.

Sample ERHL&GH form

No	Name of Hotel/ Lodge/ Guest House	Location (LLG Name)	Total Number of Beds	Average No. of beds occupied in peak days	Average No. of beds occupied in low days	Other Paid Facilities Swimming, Pool Game,	Charge per Bed/Night 30,000/	Estimated Amount as LST
1	Afronika Bar & Lodgings	Kiira TC	120	90	10	Meal		

Notes on table above

No.	Explanation
1	All the hotels, lodges and guesthouses operating within a LG should be registered and assigned serial numbers for the purpose of ensuring all are captured.
2	Registered name of Hotel/Lodge/Guest House is important especially in handing banking transactions with the LGs.
3	LG Act, Cap 243 provides for the sharing of locally generated revenues between the LLGs and the HLG. Therefore the indication of the LLG in whose jurisdiction it is found the Hotel, Lodge, and Guest House is important for this purpose.
4	The total number of beds in a hotel can provide a guess of the maximum possible earnings in a month.
5&6	Although not all beds can be occupied at any one moment in time, the highest possible number used during peak days can be obtained. Combined with least possible occupancy days used, the AC can average the two to obtain daily data on occupancy.
7	Certain Hotels and Lodges provide other facilities that provide additional earnings to management. Institutions do occasionally hire the facilities e.g. Swimming Gala, Pool table Tournament for a week or so. This makes adjustments to the average level necessary to accommodate the changes.
8	The classification of the hotels and lodges should be done by amount charged per room occupant in order to use the schedule given in the Act.
9	The estimation of the expected LST from a Hotel can be given by the Hotel Management. If the AC approves the figure, then it is taken as such, otherwise this figure can be corroborated with the estimate by the AC as derived using data in the 5 th , 6 th , 7 th , and 8 th columns.

3.1.1 Schedule for Local Government Hotel Tax

No.	Hotel Category	Rate of local government hotel tax per room occupied (Shs)
1	Five and four star hotel	US \$ 2 per room or its equivalent in shillings.
2	Three and two star hotel and other hotels charging above shs. 50,000/= per room.	Shs. 2,000/= per room
3	Hotels, lodges and guest houses charging shs. 10,000/= up to shs.50,000/= per room.	Shs. 1,000/= per room
4	Hotel, lodges and guest houses charging less than shs. 10,000/= per room.	Shs. 500/= per room

3.2 Assessment

This can be attained from reception registers, which clearly stipulates time of arrival and departure, the room type (ordinary/presidential suite) and the amount paid by the clients. The AC has a role to devise an appropriate method for the documentation of lodge users.

3.3 Collection

When satisfied with the average earning level of a Hotel, the AC shall issue a 'Demand Note' to its management detailing where (Bank Account No.) the tax is to be paid, and dead-line for payment. The management of the hotel should collect this tax by using the same receipts for payments to the hotel and the carbon copies delivered with payments to the local governments on monthly basis.

3.4 Enforcement

The enforcement mechanisms as prescribed in the law will apply but may include non-renewal of business license for those not compliance with this requirement.

4.0 Best Practices in the Management of Local Services Tax & Local Government Hotel Tax

- i. The establishment of local revenue databases/ computerized Local Services Tax & Local Government Hotel Tax registers
- ii. Automation/Digitalization of Local Services Tax & Local Government Hotel Tax Administration
- iii. Tax education/Sensitization of tax payers, /Tax Collectors/Administrators/Politicians
- iv. Privatization and tendering of Revenue collection(Optional)
- v. Motivation of tax collectors/Administrators/Taxpayer
- vi. Formation revenue Taskforces
- vii. Exchange visits to other local governments to benchmark best practices in local revenue mobilization and generation
- viii. Publication of LST and LGHT performance on quarterly basis
- ix. Periodic review of LST and LGHT performance
- x. Direct banking of the collected LST and LGHT
- xi. Spot audit of LST and LGHT collection
- xii. Procurement of legal books for local revenue units
- xiii. Linking services to tax payment to increase compliance
- xiv. Involvement of community and elected leaders in LST and LGHT mobilization
- xv. Local Revenue Help Centre
- xvi. Creation of call Toll- free telephone line
- xvii. Provision of brochures for LST and LGHT management

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