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Enhancing Taxpayer Registration with Inter-Institutional Data Sharing – Evidence from Uganda

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Summary of ICTD African Tax Administration Paper 35

Governments in low-income countries struggle to collect and use population information adequately. For tax administrations, all of which require comprehensive data about the tax base, the lack of accurate information is a crucial challenge. This challenge often appears intractable for African tax administrations, which operate in a context of high informality. Cross-agency data-sharing agreements and inter-institutional system integration, primarily related to national identification (ID) schemes, seem to offer a solution. These can potentially improve registration functions, facilitate identification of evaders, increase efficiency, and reduce taxpayers' compliance costs.

The Uganda Revenue Authority's (URA) recent data-sharing strategies with the National Identification and Registration Authority (NIRA) and Uganda Registration Services Bureau (URSB) offer a valuable case study into the utility of third-party data for taxpayer registration. The new Instant Tax Identification Number (Instant TIN) interface pulls data from NIRA and URSB, and pre-populates the taxpayer registration form. Instant TIN is thought to have facilitated compliance and identification of taxpayers, by reducing the cost of registration and improving data quality in the register. Against this background, this study addresses three interrelated questions:

1. How the system integration between URA and other public institutions' databases is taking place, and what are the challenges in the process?
2. Does registration and data sharing on the Instant TIN platform improve data quality within URA databases?
3. Is the new data from third-party sources helpful in strengthening the capacity of URA to identify taxpayers, enforce and facilitate compliance, and improve overall administrative efficiency?

The paper follows a mixed methods approach to address these questions, combining in-depth interviews with government officials and analysis of URA administrative data. First, in collaboration with URA and other government institutions, like NIRA, URSB, Kampala Capital City Authority (KCCA), and National Information Technology Authority (NITA), we carried out 17 in-person, in-depth interviews with officials to gain a comprehensive understanding of the integrations in place, and to gauge the different perspectives of the institutions involved. Second, we ran a quantitative analysis of the URA's taxpayer register to explore registration patterns and key correlates with Instant TIN registration. We then used this data to capture the implications of Instant TIN for data quality.

Key findings

Anatomy of Instant TIN registrations. The impact of Instant TIN technology on registrations is noteworthy. It accounted for 35 per cent of all registrations in 2022 alone. The technology's registration outcomes are closely linked to the Taxpayer Register Expansion Program (TREP), a URA mass registration campaign. We find that 39 per cent of Instant TIN registrations are attributable to in-the-field TREP. Notably, the technology is predominantly used by previously informal businesses, particularly those that are young, and, to a lesser extent, owned by women.

Impact on data quality. Duplication of identities is, by design, largely removed. While using Instant TIN reduces inaccurate email addresses and phone numbers, it proves ineffective in enhancing company data quality, particularly sector information.

Impact on tax administration's core functions. In-depth interviews suggest that these persisting data flaws pose challenges for URA, whose register maintenance team make a significant effort to rectify inaccuracies caused by using Instant TIN in TREP. Additionally, the poor quality of contact and location details undermines URA's capacity to bring new taxpayers on board and enforce tax laws, muting the benefits of a strengthened identification function.

Policy recommendations

1. **Data verification.** Instant TIN's capacity to validate third-party information could be significantly improved. Verifying contact details (e.g. by sending a one-time passcode) could enhance data quality in the tax register. To prevent fraudulent registrations intended to decrease tax liability, the revenue authority should

also work towards authenticating the identity of those registering through Instant TIN (e.g. by incentivising taxpayers to update their information, and using facial or biometric recognition technology upon registration).

2. **Inter-agency data integration.** URA would benefit from shifting from the current point-to-point data sharing practice with NIRA and URSB to a data integration system, if only with these two agencies, as it would allow URA to operate with up-to-date information.
3. **Considering alternatives to mass registration.** More thought should be given to the policy targets and intent around registration and formalisation, and the success metrics for technological innovation. Evidence from other contexts shows that mass registration drives do not always bring the expected benefits in terms of revenue to tax administrations, and that there can be significant complications in managing registers bloated with inactive taxpayers. It may be valuable to consider whether to prioritise entities already in the tax net, with higher potential value, to maximise their revenue potential and improve compliance behaviour.

"In Uganda, leveraging ID data helped boost registration numbers, especially for previously informal entities. Administrative data quality improves, at least partially, although ID data can be outdated. Data cleaning takes most of the tax agency's resources, while more can be done to use ID data for functions beyond registration."

Further reading

Scarpini, C.; Santoro, F.; Waiswa, R.; Arewa, M., and Nabuyondo, J. (2024), *Enhancing Taxpayer Registration with Inter-Institutional Data Sharing – Evidence from Uganda*, ICTD African Tax Administration Paper 35, Brighton: Institute of Development Studies, DOI: 10.19088/ICTD.2024.047

Santoro, F.; Prichard, W. and Mascagni, G. (2024) *Digital IDs and Digital Payments – Opportunities and Challenges for Tax Administration*, ICTD Policy Brief 7, Brighton: Institute of Development Studies, DOI: 10.19088/ICTD.2024.021

Credits

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