



**INDIRECT TAX REVENUE AND ITS IMPACT ON ECONOMIC  
GROWTH IN UGANDA: (1991-2015)**

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## **ABSTRACT**

This study examined the impact of indirect tax revenue on economic growth in Uganda from 1991-2015. The indirect taxes considered in this study were Value Added Tax, Excise duty and Taxes on International trade while other variables included unemployment, inflation and foreign direct investment. The specific objective was to ascertain whether VAT, Excise and Custom duties have a significant impact on economic growth in Uganda. The quarterly time series data sourced from Uganda Revenue Authority and World Bank databases were analyzed using unit root tests, co-integration tests and vector error correction mechanism (VECM). The unit root test revealed that all the variables were stationary at first difference except Unemployment and Inflation which were stationary at level. The Johansen co-integration test showed that a long run relationship existed between the individual component of indirect taxes and economic growth. The VECM revealed that the error correction term had a correct negative and significant sign at all convention levels, VAT had a significant and negative effect on economic growth, while Excise duty had a significant and positive impact on economic growth. The study recommends among other things that URA should endeavor to maintain a low VAT rate in order to increase overall GDP and increase/or maintain excise duty rate to stimulate growth. Measures to control inflation and unemployment should be enhanced by the relevant policy makers to increase GDP in Uganda.

### **Keywords**

Indirect tax revenue: VAT; Excise duty; Taxes on international trade; Economic growth