

**PRIVATE SECTOR POSITION PAPER ON HOW TO
ORGANISE THE MOTORCYCLE BUSINESS (BODA BODA
INDUSTRY) IN UGANDA**

**SUBMITTED TO THE COMMISSIONER GENERAL
UGANDA REVENUE AUTHORITY (URA)**



Business growth is our business
PRIVATE SECTOR FOUNDATION UGANDA (PSFU)

ON 30TH, OCTOBER, 2023

Introduction

We extend our appreciation for the communication from the Uganda Revenue Authority (URA) concerning the request for information from one of our members Safe Boda requesting them to share information about their registered riders (Ref: URA/DT/SM/1008054819). Whereas we acknowledge the importance of growing the taxation base to the growth and development of our nation and the potential revenue this initiative represents to the government, we believe there is an opportunity to enhance the fiscal framework, industry standards, and traceability that can yield sustainable benefits to both the government and the Boda Boda Industry.

SafeBoda: A Brief History

Established in 2014, SafeBoda is Uganda's first and only local ride-hailing company. With 9 years of service, we have been at the forefront of the Boda Boda industry, navigating challenges, and contributing to the welfare of riders.

Safe Boda's journey has been marked by resilience and adaptability, including the challenges posed by the global lockdown in 2020. Unlike other sectors, the Boda Boda sector was locked down for a total of 2 years. This saw many of the riders lose their livelihood and like many businesses, they too faced adversity but have since been steadily working toward recovery.

Mode of operation for SafeBoda riders:

SafeBoda's mode of operations is premised on a sanitized style of facilitating the informal Boda Boda transport sector. Riders who are on-boarded on to the SafeBoda Application, remain independent autonomous service providers who choose to provide the transportation services to the prospective customers at will. In turn, a small commission for the provision of these services is paid back to the company. Under the governance of the Transport and Road Safety Act as amended and the Contracts Act 2010, the relationship between SafeBoda and the riders remains an interdependent one where Services through the application are facilitated through the availability of the platform in fostering the connectivity of the customer to the available rider. As a company that prides itself on the value of Safety, Safe Boda strives to ensure that compliance with Traffic laws is promoted in support of law enforcement authorities such as owning a driver's license or permit, paying for a Public Service Vehicle License, and paying third-party insurance.

Key to note is that the business of ride-hailing is done at will by the riders as they may choose to be active on the Application or work offline given the nature of the arrangement on the application.

Situation Analysis of the Current State of the Boda Boda Industry

The Boda Boda industry in Uganda is vast and diverse. Riders who subscribe to the Safe Boda Platform represent approximately 1.8% of the estimated 1,500,000 Boda Boda riders in Uganda. The independent nature of Boda Boda riders and the lack of industry regulation have presented significant challenges in tracking and directly taxing all riders. Through employment opportunities, SafeBoda has on average remitted UGX 1.1 billion in PAYE taxes per annum (6.3 Billion since inception).

Additionally, it is important to recognize that Boda Boda riders, already contribute indirectly to government revenue. On average, the total tax contribution from the excise duty collected on fuel is 2.349 trillion Uganda Shillings from the consumption of fuel per annum by 1.5 million riders in the Kampala CBD. Currently, there is an excise duty tax of UGX 1,450 per litre which was imposed on fuel. Averagely, a motorcycle consumes three (3) litres of fuel per day equivalent to UGshs. 4,350 per Boda Boda in excise duty tax, in a month that will be UGshs. 108,750, and in a year it is equivalent to UGshs. 1,566,000.

Secondly, since we encourage all the riders who subscribe to the Safe Boda platform to comply with the state regulations, they are compelled to pay third-party motor insurance and Public Service Vehicle (PSV) licenses contributing approximately Ug Shs 3bn per annum.

The majority of Boda Boda riders in Uganda, operate independently and informally without formal registration or standardization. This poses significant challenges for tax collection and regulatory oversight by the regulatory authority and security agencies. By formalizing this sector and implementing taxation, the potential revenue to the government could be exponentially greater compared to Safe Boda alone.

The Potential Impact on Safe Boda and the Broader Industry:

Whereas we appreciate your efforts towards broadening the tax base by ensuring that every citizen complies with their responsibilities imposed under the tax law, requesting the personal data of riders who subscribe to the SafeBoda platform will inadvertently drive riders to operate offline. This is mainly because they would think that the government wants to tax them which would not only hinder the government's revenue collection

efforts but also negatively impact Safe Boda's business thus a reduction in PAYE since they will be forced to scale down their operations and or in the worst-case scenario close business. This is primarily because at this point the rider has a choice to go offline in a bid to avoid taxation which poses a big risk to SafeBoda and the government.

Sector Proposals to the Government

A. Establish Industry Standards:

Our primary proposal is the establishment of comprehensive industry standards, encompassing standardized registration and operating procedures for all Boda Boda riders. By doing so, we introduce transparency and consistency into the industry, motivating riders to participate in the formal sector willingly. This has the dual benefit of increasing trust among riders, resulting in enhanced collaboration and legitimacy, while also streamlining tax collection for URA, making it more efficient and accurate, thus boosting revenue collection.

This has to be done by passing the **Traffic and Road Safety (Motorcycles and Motorised Tricycles) (Amendment) Regulations, 2022.** (*Under section 178 of the Traffic and Road Safety Act, 1998, Cap 361*)

11A. Formation public transport provider's entity states that:

- i. For purposes of organizing public transport under section 71 of the Act, operators of a motorcycle or motorized tricycle shall form a public transport provider's entity to facilitate the proper organisation of public transport among the operators of motorcycle or motorised tricycle.

- (ii) The public transport providers entity referred to in sub-regulation (1) may be formed or registered as a company, registered association, partnership, cooperative, or savings and credit cooperative society by the enabling laws

Currently, motorcycle (boda boda) ownership is not clear therefore making it difficult to identify the final owner of the bike who should bear the tax burden, that it is first registered in the name of the importer at the importation process, then transferred to the names of the dealer or the assembler, however, at this stage, some motorcyclists do not pick their log books therefore not transferring the motorcycles into the names of the real owners of these motorbikes. Therefore, there is a need to amend the law so that it

becomes compulsory for all Boda Boda riders to belong to an association. These will have to register all their details including TINs, phone contacts, and the details of their motorcycles such as number plate, chassis number, etc. The Boda Boda associations will become custodians of this data and be the withholding agents of any revenue collection obligation on behalf of URA.

B. A comprehensive approach by the various stakeholders:

We propose a collaborative effort that involves all key stakeholders in the Boda Boda sector, including URA, the Ministry of Works and Transport, KCCA, various municipal councils, Town councils, all local government authorities, the Uganda Police Force, the Traffic Police Unit under the Uganda Police Force, Ministry of Science, Technology & Innovation like Safe Boda, and independent Boda Boda Associations. This approach aims to sanitize the industry, standardize practices, and eventually implement a taxation system. A comprehensive and industry-wide approach, as proposed, could provide the government with a significant boost in revenue collection, while also enhancing the overall structure, safety, and compliance of the Boda Boda industry.

C. Digitalization of the Boda Industry:

Digitalization is a pivotal tool in achieving transparency, traceability, and operational efficiency within the Boda Boda industry. It allows real-time tracking of riders' activities, which is essential for accurate tax assessments. This can be done through digital number plates which are easy to track, however, the cost of the digital number plate should be subsidized for easy affordability and compliance.

The potential integration of URA into the system post-digitalization and registration is an efficient solution to streamline tax collection processes. This ensures that riders' tax obligations are fulfilled seamlessly. The benefits to URA are numerous, including a simplified tax collection process, reduced administrative burden, and minimized tax evasion. These factors, in turn, increase government revenue. From the perspective of SafeBoda, integration with URA fosters a collaborative environment where compliance is straightforward, encouraging riders to work within the regulated framework.

Conclusion:

We firmly believe in a collaborative approach to taxing the Boda Boda industry, one that is not only forward-looking but is also essential for its sustainability and growth. While we acknowledge that the recommendations outlined may initially seem to introduce some delay in tax collection, it is imperative to recognize that these measures are the foundation for broader, more sustainable benefits.

The initiative is poised to not only enhance revenue collection for the government but also to usher in a safer, more organized, and efficiently managed industry. PSFU and SafeBoda are committed to providing unwavering support to help realize the vision of a well-regulated Boda Boda industry that makes a substantial revenue impact on the economy in Uganda.

