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Tax & Legal Alert
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Keeping you in the loop

Extension of Digital stamps to other excisable goods

In accordance with section 19A and 19B of the Tax Procedure Act (TPCA) 2014, the Uganda Revenue Authority (URA) has issued a public notice expanding the list of locally manufactured or imported goods required to have digital tax stamps affixed.

The use of Digital Tax Stamps was rolled out in Uganda in 2019. This requirement covers excisable goods whether produced locally or imported into Uganda. Section 19A of the TPCA 2014 permits the Minister of Finance to prescribe goods that require Digital Tax Stamps.

From 2019, the goods which required digital tax stamps were: tobacco products, beer, soda, water, spirits and wine.

Effective 1 May 2022, the list of goods has been and fermented) which had previously not been gazetted as well as fruit & vegetable juices and cooking oil.

The ~~c~~ost related to compliance with affixing each digital stamp is as indicated below:

Product category	VAT exclusive unit price per stamp (Ushs)
Beer	36
Spirits	110
Wine	110
Any other alcoholic beverages	35
Soda	17
Fruit juice and vegetable juice	17
Mineral Water and Bottled water	13
Any other non-alcoholic beverages	17
Any other fermented beverages	35
Tobacco products	75
Cement	135
Cement bulker	60,000
Sugar	39
Cooking oil	40

Effective date

The requirement to comply is effective **1 May 2022**.

Transition

Manufacturers ,importers, distributors, agents and traders of the above products have been granted a three-month transition period to enable them dispose any stock that does not bear the digital tax stamps. *Any stock which does not bear digital tax stamps by 30 April 2022 is to be returned to manufacturer or importer for stamping.*

During this transition period, the impacted importers and manufacturers are also expected to register for Excise Duty and install the Digital Tax Solution to all the registered premises.

Effect of Non-Compliance

Manufacturers and importers who fail to comply with this requirement will be exposed to penalties under Section 19B of the TPCA as follows:

i. Failure to affix the digital tax stamps on prescribed goods - The higher of double the tax due on the goods or Ushs 50 million.

ii. Defacing the tax stamps affixed on prescribed goods - The higher of Double the tax due on the goods or Ushs 20 million.

iii. Being in possession of prescribed goods which do not bear the tax stamp - The higher of Double the tax due on the goods or Ushs 50 million.

iv. Possession or sale of the tax stamps without authorization from the Commissioner General - The higher of Double the tax due on the goods or Ushs 10 million.

v. Selling of tax stamps without goods - Upon conviction, a fine not exceeding Ushs 10 million or imprisonment for a term not exceeding five years or both.

vi. Affixing tax stamps to non-prescribed products - Double the tax due on the goods or Ushs 10 million, whichever is higher.

Next steps for impacted taxpayers

To ensure compliance to section 19A of the TPCA 2014 and the Tax Procedure Code (Tax Stamps) Regulations, 2018, manufacturers and importers of the prescribed goods are advised to:

- Ensure that you are registered for Excise Duty;
- Register for the Digital Tax Solution through the URA portal;
- Utilise unstamped products within the three-month transitional period or affix stamps on unstamped products by 30 April 2022.

For distributors, traders and agents, plan to return any unstamped stock or the prescribed goods to the manufacturer or importer by 30 April 2022.

Our view

Digital Tracking Solutions are intended to enhance compliance, increase domestic tax revenues and hopefully curb the trade of counterfeit products. One of the expected benefits is that registered taxpayers would also face reduced unfair competition if counterfeiting is dealt with through the use of digital tax stamps.

That said, typically, the cost of digital tax stamps will be passed on to consumers, thereby impacting the price of the prescribed goods in the market.

Manufacturers and importers need to consider the cost implication of products not sold during the transition period, whether by themselves or their distributors/ agents. Other traders with smaller businesses that may be purchasing goods as retailers for onward sale to a final consumer could potentially find themselves with stock they are unable to return which then translates into the continued sale of non-compliant goods.

Additionally, from a practical perspective the three months transitional period may not be sufficient time for full implementation including disposing of stock already out in trade. It would also be important for the URA to fast track the onboarding process for impacted manufactures and importers onto the Digital Tax Solutions platform and perhaps have continued engagement with the relevant stakeholders to ensure a smooth transition.

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