

Keeping you in the loop **Uganda Tax Amendment Bills, 2021**

This publication highlights the tax and other measures proposed as per the 2021/22 amendment bills.

This publication constitutes only a brief guide and is not intended to be a comprehensive summary of the tax law and practice. The publication summarizes our analysis of the proposed amendments bills and their impact on various articles.

Introduction

This publication highlights the tax and other measures proposed as per the 2021/22 amendment bills. This publication constitutes only a brief guide and is not intended to be a comprehensive summary of the tax law and practice.

This publication summarizes our analysis of the proposed amendments bills and their impact of the following:

- The Income Tax (Amendment) Bill, 2021;
- The Value Added Tax (Amendment) Bill, 2021;
- The Excise Duty (Amendment) Bill, 2021;
- The Tax Procedures Code (Amendment) Bill, 2021;
- The Stamp Duty (Amendment) Bill, 2021;
- The Traffic And Road Safety Act (Amendment) Bill 2021;
- The External Trade (Amendment) Bill, 2021; and
- Mining, Fish, Tobacco (Amendment) Bills 2021

The Bills are currently before Parliament and, subject to any changes that may be passed, will take effect after assent by the President on 1 July 2021.

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Corporation Tax

Beneficial owner redefined

The measure

"Beneficial owner" has been redefined to mean a natural person on whose behalf a transaction is conducted and includes in respect to a legal person, the natural person who:

Either directly or indirectly holds at least ten (10%) percent shares or voting rights in a legal entity;

Exercise's control through personal or financial superiority;

Has power to make or influence a decision of the legal person;

In case of a trust includes;- the settlor, trustee, protector, beneficiaries and any natural person with absolute control of the trust.

In respect to other legal persons, a natural person holding a position similar to the ones indicated above.

Who will be affected

Non-residents with income sourced in Uganda

Our view

This affects the determination of who can benefit from exemptions and reduced rates of tax under the Double Tax Treaties (DTTs). This is an expansion to the change in definition of a beneficial owner introduced in 2019. This creates an absurdity in respect to applicability of the DTT, where the common occurrence is for a legal rather than a natural person to be the recipient of payments or involved in a transaction to which the DTT provisions are applied.



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Consideration defined

The measure

Consideration has been defined to include the total amount in money or payment in kind, paid or payable for the supply of goods, services or sale of land by any person, directly or indirectly, including any duties, levies, fees, and charges other than tax paid or payable on, or by reason of, the supply, reduced by any discounts or rebates allowed and accounted for at the time of the supply or sale

Who will be affected

All taxpayers, where making or receiving payment

Our view

While the term consideration is widely used in the income tax act especially under part VI on gains and losses on disposal of assets, no definition was attached to it, creating varied interpretations by tax practitioners and administrators. Previously, some tax practitioners and administrators have often applied the Value Added Tax ("VAT") Act definition of this term for income tax purposes. This amendment will therefore create a uniform interpretation and application.

Exempt organisation redefined

The measure

The definition of an exempt organisation which is of a religious, charitable or educational institution "of a public character" has been amended to a religious, charitable or educational institution "whose object is not for profit.

Who will be affected

Religious, charitable or educational institutions

Our view

This measure is meant to eliminate the ambiguity created by the phrase "of a public character" thereby limiting exempt organisations within the category of religious, charitable or educational institutions to only those that are not for profit.

This ultimately implies that any institution of a religious, charitable or educational nature is an exempt organisation, only if its objective is not to make a profit. However, this is likely to create more confusion especially with respect to religious and charitable institutions which by their nature are not intended to be profit generating even though they may involve themselves in activities meant to generate income to be used for the objective for which they have been set-up.



Corporation Tax

Income Tax Exemption for specific categories of persons

The measure

Exemption of the following manufacturers operating in or outside an industrial park or free zone who:

- I. Manufacture chemicals for agricultural or industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers; and
- II. Makes an additional investment equivalent to USD 50 million and not currently included under any other exemption category for investors meeting specific thresholds, and who has capacity to use at least 50% of available locally produced raw materials and employ a minimum of 100 citizens.

Who will be affected

Investors committing the above minimum capital

Our view

This measure aligns to the Government's focus of enhancing industrialization and private sector development. Additional tax holidays are likely to attract investments although the threshold for the investment is quite high and may lock out many investors especially Ugandans. The Government is targeting the promotion of the Buy Uganda Build Uganda "BUBU" policy by encouraging local manufacture of these products, use of local inputs and the creation of jobs.

Modification to tax depreciable classes and rates

The measure

Asset depreciation classes have been reduced from four to three with depreciation rates adjusted for some classes as follows;

1. Computers and data handling at 40%;
2. Plant and machinery used in farming, manufacturing and mining at 30%; and
3. Automobiles, buses, specialised trucks, furniture, fixtures and equipment and assets not included in another class at 20%.

At the same time, a deduction for depreciation for an asset or industrial building that qualifies for initial allowance is to be deferred to the subsequent year.

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Who will be affected

All taxpayers with fixed asset additions

Our view

This is likely aimed at accelerating tax collection tax from investments because the reduced capital allowances due to the reduction of rates and the deferral will likely result in taxable profits arising earlier than would be the case where higher allowances are granted. The capital allowances will be spread over a longer period. Investors may therefore take longer to realise the expected return on their investments as some businesses take a long time to breakeven and achieve profitability. The industries likely to be most affected by this change are transport and construction.

Changes to determination of cost base and recognition of capital loss/gains

The measure

- a) The cost base of assets sold after twelve (12) months from the date of purchase is to be adjusted for inflation using published consumer price indices.
- b) With respect to registered venture capitalists:
 - I. No capital gain is to be recognised from the sale of an investment interest if at least fifty percent (50%) of the proceeds of the sale are reinvested within that year of income; and
 - II. Even where the above threshold is not met, the non-recognition of a gain or loss is available to the extent of the percentage of the re-invested proceeds.

Who will be affected

Persons disposing of non-depreciable business assets and venture capitalists

Our view

Inflation generally impacts the prices of assets. While inflationary adjustments on the cost base of assets currently applies to assets acquired before 31 March 1998, this measure proposes to adjust the cost base of all assets disposed of using recent consumer price indices. The current use of unadjusted cost bases to determine a gain or loss on disposal of an asset disadvantages taxpayers and as such this is a very welcome measure.

Corporation Tax

Changes to determination of cost base and recognition of capital loss/gains (Continued)

Our view (continued)

The proposal takes into consideration the passage of time and the impact on the value of an asset from acquisition and therefore considers the time value of money which is a critical aspect for any investment.

With respect to concessions proposed for venture capitalists, this is a way of encouraging alternative means of financing for businesses and especially private equity.

What remains unclear is what the Tax Authority will consider in determining that the funds have been re-invested. As an example, if a foreign equity firm provides funding through the acquisition of a stake in a company in Uganda and after five (5) years disposes of that stake and re-invests the funds in another company, whether in Uganda or outside Uganda, the question becomes one of what criteria will be applied by URA to determine qualifying reinvestments for purposes of non-recognition of a gain.

Withholding Tax

Withhold tax exemption for compliant taxpayers

The measure

Persons who are deemed by the Commissioner of URA to be tax compliant will be exempt from the imposition of withholding tax applicable on the disposal of a business or business asset .

Who will be affected

Resident persons selling a business or business asset

Our view

This measure extends the current exemption from the 6% withholding tax on professional/ management fees and payments received from designated withholding tax agents accorded to a resident person who has been listed as being regularly tax compliant by the URA to withholding tax on the sell of a business or business asset which was introduced effective 1 July 2019. This measure further highlights URA's focus on compliance and therefore encourages taxpayer's to achieve compliance in order to be included in the WHT Exemption list published annually.



Other measures

Exchange of information

The measure

- Where an International Agreement provides for the automatic exchange of information, this is to be facilitated by the Commissioner General
- In furtherance of this, the Minister for Finance, Planning and Economic Development is to issue regulations providing for the automatic exchange of information.

Who will be affected

Multinational corporations and other taxpayers

Our view

This measure is intended to facilitate ease of exchange information among tax authorities globally on either their nationals or foreign nationals with links to their countries as well as operations of multinational companies. This measure is reciprocal especially considering the number of Information Sharing Agreements the URA has entered into and the multijurisdictional co-operation. It is part of the global trend to enhance transparency as a means to combating tax evasion.

Tax administration measures

Measure

- Due date for payment of tax under self-assessment is the due date for filing the return and in any other case, within 45 days from the date of service of the notice of assessment
- A tax refund application to the Commissioner is deemed to have been submitted on the date on which the application is received by the Commissioner, but where the Commissioner requests for additional information, the application is deemed to have been submitted on the date on which the additional information is received by the Commissioner
- African Export – Import Bank and International Union for Conservation of Nature added to listed institutions in the first schedule to enjoy specific tax benefits

Our view

With regard specifically to refunds, by shifting the date when an application is made to when information is received based on subsequent information requests from the URA, the Tax Authority reduces any simple interest payable on the refund which is meant to be computed from the date when the application was made to the date when the refund is paid.



Rental Income

Rental income tax

The measure

- Rental income from separate buildings to be accounted for based on each individual building
- Changes made in respect to rental income earned by individuals as follows:
 - I. Deductible expenses and losses allowed to an individual earning rental income increased from 20% to 60%; and
 - II. Rate of rental tax applicable to an individual earning rental income increased from 20% to 30%

Who will be affected

Landlords

Our view

The URA view has been that income is lost as a result of the aggregation of rental income and by extension expenses for several buildings. By ring fencing each building, the URA hopes to collect tax from landlords who have buildings that earn rental income but have little in form of expenses, while not being affected by buildings that are not generating profit either because they do not have full occupancy, are expensive to maintain or are not turning a profit for whatever reason.

The challenge with this approach is that for persons in the rental business, a number of expenses for instance for legal entities are incurred as shared expenses. In addition, financing for a particular construction project may be financed through income or collateral form other buildings.

In respect to rental taxation of individuals, under the current law, expenses incurred by an individual to earn rental income are capped at 20% of the rental income earned. While on the one hand the move to increase that threshold to 60% is a welcome one, the proposal to change the rate and how the tax is computed creates a burden for landlords who are not earning significant rental revenues.

An illustration is provided below:

Individual		
Current		
Rental Income	6,000,000	100,000,000
Expenses (20% X 6,000,000/100,000,000)	1,200,000	20,000,000
	4,800,000	80,000,000
Less: Threshold	2,820,000	2,820,000
	1,980,000	77,180,000
Rental Tax (20% X 1,980,000/77,189,000)	396,000	15,436,000
Proposed		
Rental Income	6,000,000	100,000,000
Expenses (60% X 6,000,000/100,000,000)	3,600,000	60,000,000
	2,400,000	40,000,000
Tax (30% X 2,400,000/40,000,000)	720,000	12,000,000
Additional tax	324,000	(3,436,000)

Tax Procedure Code

Definition of a "Tax decision"

The measure

Change in the definition of a "tax decision" to exclude certain actions from being regarded as tax decisions. These include:

- Issuance, refusal or revocation of a private ruling or practice notice;
- Omission affecting tax officers, employees or agents of URA.

Who will be affected

Taxpayers

Our view

"Tax decision" currently covers a tax assessment or a decision left to the discretion of the Commissioner other than a decision made in relation to a tax assessment. It introduces specific exclusion for the use of this discretion and actions of persons acting on behalf of the Commissioner and the URA as a whole.

This change takes away a taxpayer's ability to object or even appeal against the outcome of any actions taken by the URA that are indicated as exclusions especially with respect to representations made in written communications, including but not limited to letters and e-mail correspondence, contained in private rulings issued to a taxpayer and to Practice Notices as a whole.

Taxpayers rely on Practice Notes and private rulings issued by the URA to determine tax positions taken which are then relied upon during tax audits. This change has most likely been prompted by a recent case of *Kansai Plascon v URA* in which the High Court ruled that the Commissioner does not reserve the right to revoke a private ruling at their discretion

Mandatory TIN requirement

The measure

All local regulatory bodies will not issue a license to operate a business in Uganda to anyone who does not have a Taxpayer Identification Number (TIN).

Who will be affected

Business operators

Our view

This has already been the practice for some authorities such as Kampala Capital City Authority (KCCA) as well as the Uganda Investment Authority where one cannot obtain a trade license nor an investment license without a TIN.

However, this requirement will now legally apply to all local authorities, regulatory bodies or Government institutions which provide any form of authorization necessary to conduct a business in Uganda. The purposes of this is to widen the tax base by bringing businesses into the tax database.

Liabilities and obligations of a tax agent and representative

The measure

The amendment replaces the word "agents" with the word "representatives" under sub-Sections 14(2) and (5).

Who will be affected

Tax agents and representatives

Our view

While the Tax Procedure Code Act has clearly distinguished between who a tax agent and a tax representative is, in subsequent provisions in the TPCA, the two terms are used interchangeably. The effect of this is to place a much higher responsibility on tax agents who are simply intended to assist in the tax process, where the intention was to place this on representatives who are the personification of the taxpayer. This proposed amendment therefore most likely seeks to correct this.

Offences on tax stamps

The measure

Penal tax relating to tax stamps as follows:

- I. Five-year prison term and/or Shs. 10m fine for acquiring or selling a tax stamp without goods; and
- II. The higher of Shs. 10m or double the tax due for affixing tax stamps on goods that have not been approved by the Commissioner.

Who will be affected

Importers and manufacturers

Our view

With the roll out of digital tax stamps in 2019, these offences have been introduced to encourage compliance with the obligations relating to tax stamps while hopefully addressing the widespread issue of counterfeit "fake" goods, the sale of which does not generate revenue for the URA from the importers or producers.

Tax Procedure Code

Return amendments

The measure

A taxpayer can amend a tax return within three (3) years from when the return was submitted.

Who will be affected

All taxpayers

Our view

Currently, the return amendment window is twelve (12) months from the submission date. Where a taxpayer needs to make an amendment to a return outside of the 12-month window, they ordinarily need to request URA to make the amendment from their end.

This is a positive move given that the 12-month window is too short; in practice errors are usually discovered after a longer period which could then result in non-compliance. This is also viewed as an alignment to the three (3) year statute of limitation from the date of the assessment, although this provision has not yet been implemented in practice.

Alternative dispute resolution

The measure

A taxpayer who is dissatisfied with a decision may apply to the Commissioner to resolve the dispute using alternative dispute resolution procedure, as may be prescribed.

The Minister will issue regulations in respect to this process

Who will be affected

Taxpayers

Our view

Currently, from a legal standpoint, an aggrieved taxpayer wanting to dispute an objection decision, is mandated to apply to the Tax Appeals Tribunal (TAT) within 30 days after the decision and pay at least 30% of the tax in dispute, subject to some exceptions, as part of the application process and before one's case is heard. This dispute resolution path is costly for most taxpayers and is not always taken even where a taxpayer is not in agreement with a tax assessment or decision.

This proposal for ADR provides a useful alternative to tax dispute resolution that has worked well in other jurisdictions to speed up resolution of cases. This works well especially for disputes which are not purely technical in nature where both parties can review their positions and possibly reach an amicable settlement. We hope that the ADR process will be clearly spelt out and an independent unit established to facilitate ADR discussions. We further believe that the law should be amended to remove the 30% deposit when a taxpayer opts to pursue ADR and for the TAT hearings to be put on hold for a specific period as the ADR process is underway.

Order of tax payment

The measure

During tax investigations, the Commissioner will have the power to;

- effect an arrest with an arrest warrant;
- issue an order for interim closure of premises;
- record charge and caution statement; or
- execute a bond with or without security.

Who will be affected

Taxpayers under investigation

Our view

Currently the powers of the Commissioner during tax investigations are limited to free and full access to premises, records, seizure of data storage devices in the presence of a police officer.

This amendment gives the URA the right to close premises and effect arrest of persons under investigation which gives the collection body more power. The concern for taxpayers is that this gives the URA extensive powers without the benefit of a court or other independent person determining when to apply these extensive powers.



Tax Procedure Code

Increase in penalties for offences under the tax laws

The measure

Increased punishment for offences. As indicated below:

Offence	Current Punishment	Proposed Change
Failure to comply with TPC obligations	Ushs.. 500,000	Ushs... 2m
Failure to maintain proper records	1-year prison term and/or Ushs. 960,000	6-year prison term and/or Ushs. 3m
Using a false TIN	1-year prison term and/or Ushs. 480,000	6-year prison term and/or Ushs. 3m
Making false or misleading statements	2-year prison term and/or Ushs. 960,000	10-year prison term and/or Ushs. 5m
Tax agent who aids, abets, counsels or induces another person to commit an offence	Same punishment as the principal offender	5-year prison term and/or the higher of double the tax evaded or Ushs. 5m
Relating to the recovery of tax	2-year prison term and/or Ushs. 960,000	10-year prison term and/or Ushs. 5m
Relating to registration a) Failure or act is done knowingly or recklessly b) In any other case	a) 2-year prison term and/or Ushs. 1m b) 1-year prison term and/or Ushs. 500,000	a) 6-year prison term and/or Ushs. 3m b) 2-year prison term and/or Ushs. 1m
Where a tax officer takes a "bribe" or commits any acts that result in defrauding of tax revenue	2-year prison term and/or Ushs. 960,000	6-year prison term and/or Ushs. 3m
Where a person offers a tax officer a "bribe" or proposes an agreement to the tax officer to commit any acts that result in defrauding of tax revenue	2-year prison term and/or Ushs. 960,000	6-year prison term and/or Ushs. 3m
Impersonating a tax officer	2-year prison term and/or Ushs. 1m	6-year prison term and/or Ushs. 2m

Value Added Tax

Limitation of time within which input VAT credit is claimable

The measure

Limitation of the period in which to claim credit for input tax to six (6) months from the invoice date.

Who will be affected

All VAT registered taxpayers

Our view

Previously, the VAT law did not have a specific limitation of the period within which one could claim an input tax credit.

The new restriction on claiming input tax within 6 months, when looked at against the provision that tax returns can be amended going back three years seems too restrictive.

However, this may become a moot point in light of the requirements related to compliance with EFRIS which requires that VAT registered taxpayers' issue EFRIS invoices to their customers, which in turn means that no input VAT credit can be utilised if not supported with an EFRIS invoice. Effective January 2021 return period, the VAT returns were amended such that one can only claim input VAT in the month when a compliant e-invoice is issued.

The overall effectiveness of the above measure will depend on the level of compliance of VAT registered taxpayers in terms of issuing e-invoices in a timely manner coupled with the timing of claim of input with an e-invoice.

Quarterly return filing for persons providing services to non-taxable persons

The measure

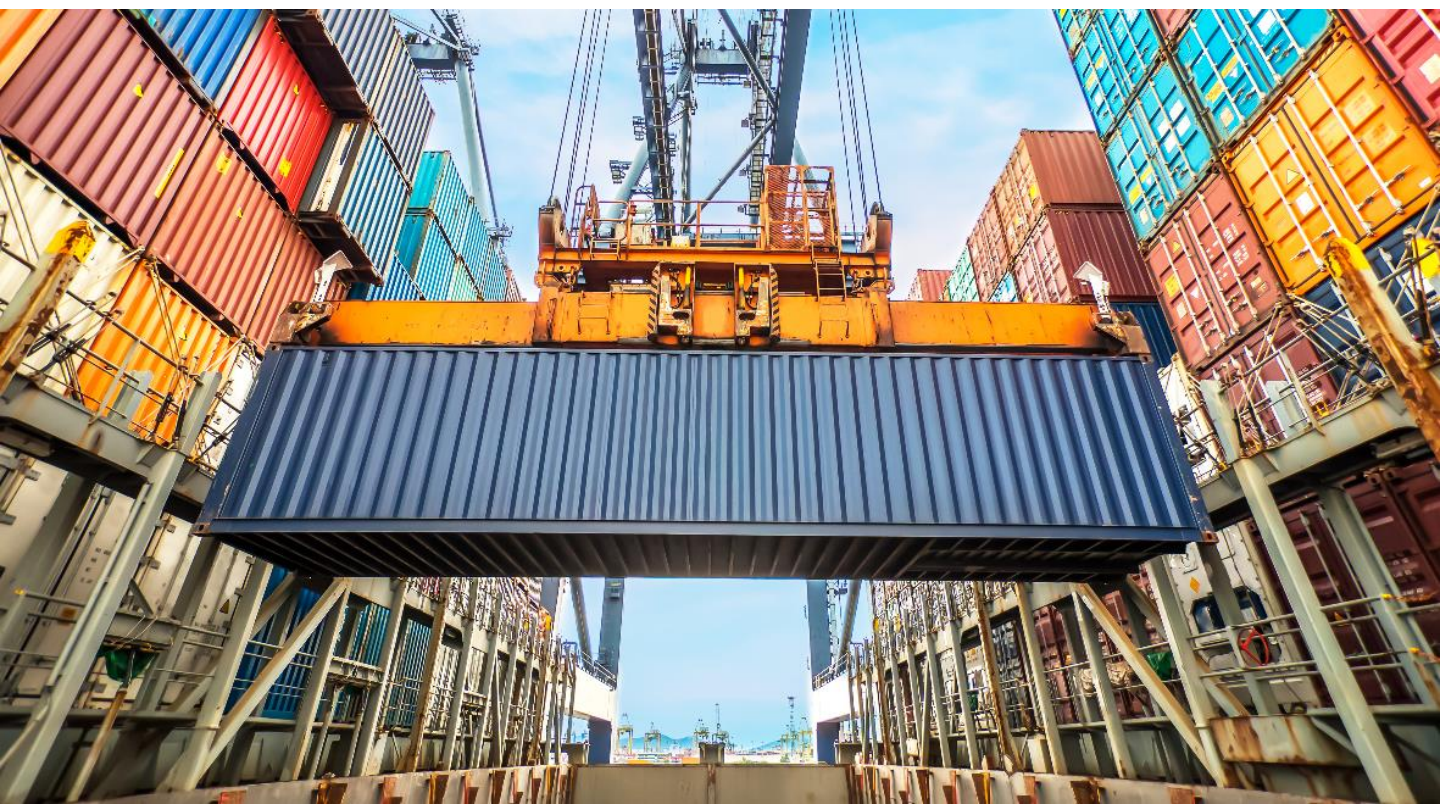
Introduction of the requirement for quarterly returns by VAT registered taxpayers who provide services to non-taxable persons i.e. people who are not VAT registered. The returns will be due within fifteen days after the end of three consecutive calendar months.

Who will be affected

- Registered VAT taxpayers providing services to persons who are not VAT registered
- Non-residents providing qualifying taxable services in Uganda including electronic services

Our view

Our view is that this is aimed mainly at services provided remotely by foreign service providers such as providers of electronic services which could include gaming, advertisement, digital purchases of e-books, music, movies etc. The URA has continued to grapple with not only getting such persons to register, but also how to get them to account for the VAT on the services they provide.



Value Added Tax

Tax refund on e-receipt/invoice supported purchases

The measure

The Bill proposes a tax refund of 5% to a non-taxable person, who purchases goods or services from a taxable person and is issued with either a single or several electronic receipt(s) or invoice(s) worth ten million shillings within a period of thirty (30) consecutive days.

Who will be affected

Non-taxable persons i.e., taxpayers who are not required to register for VAT

Our view

The proposal is meant to encourage non-taxable persons to transact with VAT registered persons who are compliant with the EFRIS system. This is very much a carrot (by rewarding non-VAT persons to transact with only compliant persons) and stick (by penalising non-compliance for VAT registered persons through the limitation on deductibility of input VAT which is not supported by e-invoices or receipts) approach that URA has taken to drive EFRIS compliance. What remains to be seen if this proposal is passed is how the refund applications would work and the timing of such refunds. Otherwise, it is a very positive move to reward compliance.

Removal of requirement for intent with respect to declarations and statements made to the URA

The measure

The removal of the words “knowingly or recklessly” in respect to applicability of penal tax where a taxpayer makes a statement, declaration or makes an omission in a statement to the URA resulting in an understatement of tax payable or paid or overestimation of a refund or claim.

Who will be affected

VAT registered persons

Our view

Although the terms “knowingly or recklessly” are not defined in the VAT Act, from a reasonability perspective they connote knowledge and intention on the part of the taxpayer without regard to the requirements under the law. The elimination of these words under that section of the law place the burden firmly at the taxpayer's door to ensure that there are no errors or that they could be ignorant of the law or its applicability.

There is a zero margin of error expected and any non-compliance does not have to be as a result of mischief to attract severe penalties i.e., double the amount of excess tax, refund or claim. It just has to have occurred.

We believe this measure is too harsh given the complexities of tax legislation and varying interpretations thereon that could lead to misdeclarations or omissions.

Changes to the list of exempt supplies

The measure

The second schedule (exempt supplies) is to be amended to:

- I. Include the following as exempt:
 - the supply of liquefied gas;
 - the supply of services to a manufacturer whose investment capital is at least USD 50 millions or makes an additional investment equivalent to USD 50 Million:
 - who has capacity to use at least seventy percent of the raw materials that are locally sourced, subject to their availability; and
 - who has capacity to employ at least seventy percent of the employees that are citizens earning an aggregate wage of at least seventy percent of the total wage bill.”
- II. On the other hand, it seeks to repeal paragraphs relating to the supplies below which would make them taxable supplies:
 - Supply of services to a hotel or tourism facility developer whose investment capital is USD 10 million
 - Supply of production inputs into iron ore smelting
 - Supply of production inputs into limestone mining and processing into clinker and supply of clinker for further value addition.

Who will be affected

Persons providing the specified supplies and the recipients.

Our view

The provisions on investment incentives are meant to align to provisions under the Income Tax, Stamp Duty, and Excise duty Bills with respect to qualifying for investment incentives.

Whereas the exemption may be intended to reduce the costs to the investors and consumers, it may in some cases increase the cost if the supplier has significant input VAT that they are unable to claim due to the exemption and therefore have to pass on the same to the consumer by increasing the price of the supply.

Value Added Tax

Zero-rating of aircraft repair services

The measure

The Bill proposes to include aircraft repair services on to the list of Zero-Rated Supplies in the Third Schedule of the VAT Act as follows.

Who will be affected

Aircraft operators and companies that provide maintenance equipment and repair services.

Our view

This is most likely intended to support and boost the operations of Uganda Airlines by reducing operational costs that would impact the national carrier.

Extension of persons listed as Public International Organisations

The measure

The Bill proposes additions to the list of Public International Organisations in the First Schedule of the VAT Act to include:

- African Export – Import Bank
- International Union for Conservation of Nature

This matches the exempt status granted to the above organisations for income tax purposes.

Excise Duty

Certificate of registration

Measure

Repealed subsections relating to the renewal of certificate of registration (10), (11) and (12) of section 5.

Who will be affected

Manufacturers, importers and providers of excisable goods and services

Our view

Taxpayers dealing in excisable products had to apply for a license which was valid for one year within a given time or further time as determined by the commissioner and payment of prescribed fees for renewal. By repealing the above subsections, it leaves it open to have a certificate of registration without the previous requirements including not having to pay renewal fees.

Duty paid on plastic packaging

The measure

Rebate on duty paid on plastic packaging.

Who will be affected

Exporters of goods and manufacturers of medicaments who use plastic packaging. Manufactures of plastics from recycled plastics (this must be at least 50% of raw materials used).

Our view

This will reduce on the cost of goods, medicaments and recycled plastics in an effort to support exports, potential to lower the cost of medicaments and encourage recycling of plastics.



Excise Duty

Introduction of new and adjustment of rate structure

The measure

Amendment of Schedule 2 to the principal Act.

Introduction of duty on

- Any other alcoholic and non- alcoholic beverage locally produced
- Any other fermented beverages including cider, perry, mead, spears or near beer
- Wheat grain

To repeal over the top tax of Ushs 200 per day and introduction of tax on internet data at a rate of 12%

Who will be affected

All taxpayers

Our view

Some of the prices will increase for the affected items where there has been an increase and introduction of duties

Whereas the tax on access to social media platforms has been repealed, the cost of access to the internet shall significantly increase due to the new tax on purchase of data. This is against the drive of making access to the internet affordable. This will impact most businesses and persons especially in the current environment where most services now have to be provided online. See table below for details of the new tax rates.

Item	Current rate	Proposed rate
Opaque beer	30% or Ushs..650 per litre, whichever is higher	30% or Ushs. 230 per litre; whichever is higher
Any other alcoholic beverage locally produced	Nil	30% or Ushs. 230 per litre; whichever is higher
Any other non-alcoholic beverage locally produced other than the beverage referred to in subparagraph (a) made out of fermented sugary tea solution with a combination of yeast and bacteria	Nil	30% or Ushs. 230 per litre whichever is higher
Plastic packaging	Nil	5% or USD 150 per ton, whichever is higher
Plastic granules	Nil	5% or USD 100 per ton, whichever is higher
Over The Top (OTT) services	Ushs..200 per user per day of access;	Nil
Internet data, except data for provision of medical services and education services	Nil	12% of the fee charged
Value added services	20%	12% of the fee charged
Any other fermented beverages including cider, perry, mead, spears or near beer	Nil	60% or Ushs. 950 per litre; whichever is higher
Construction materials of a manufacturer, whose investment capital is, at least fifty million United States Dollars or, in the case of any other manufacturer, who makes an additional investment equivalent to fifty million United States Dollars	Nil	Nil
Wheat grain	Nil	Ushs. 100 per kilogram

Other measures

Alignment of incentives to qualifying investors

The measure

Alignment of criteria for nil duty to apply to qualifying investments in line with other Tax Bills in respect to:

- Use of atleast fifty percent (50%) of the locally produced raw materials, subject to availability;
- Capacity to employ a minimum of one hundred (100) citizens; and
- Specific to other manufacturers, not being those specifically catered for, ability to meet investment threshold amounts.

Who will be affected

Investors meeting the set criteria.

Our view

This is aimed at encouraging and enhancing private sector development in form of industrialization which will result into job creation. This amendment is to also meant to align the exemption proposals under the other tax heads - Income tax, VAT and excise duty which makes it easier to administer the exemptions to the same class of investors.

International Trade

The measure

- Introduction of an export levy on wheat bran, cotton cake, maize bran or other by products of milling industry at a rate of USD 0.4 per Kg.
- Introduction of export levy of USD 200 per kilogram on processed gold and a charge rate of 1% of the value of unprocessed minerals being exported out of Uganda.
- Imposition of an export levy of Shs 70,000 per kilogram of fish maw exported out of Uganda

Who will be affected

Taxpayers dealing in the above products

Our view

The introduction of the export levies is aimed at increasing Government's domestic revenue collections and encouraging local processing as much as possible in line with the Government strategy of industrialization. This is then intended to provide employment and better returns from sale of finished products as they support "BUBU" (Buy Uganda Build Uganda) programme.

Stamp Duty Act

Measure

To provide for an incentive (exemption) for a manufacturer whose investment capital is at least Ushs.. 50 million, with a capacity to use at least 50% locally produced raw materials subject to availability and a capacity to employ a minimum of 100 citizens.

Who will be affected

Existing and new manufacturers who meet the criteria

Our view

This is aimed at encouraging and enhancing private sector development in form of industrialization which will result into job creation. This amendment is also harmonises the exemption criteria to the exemption proposals under the other tax heads -Income tax, VAT and excise duty.



Other measures

Traffic and Road safety

Measure 1

License for possession of motor vehicle

A person shall not own or possess a motor vehicle, trailer or engineering plant or use it on a road, unless the motor vehicle, trailer or engineering plant is licensed under this Act.

Who will be affected

Owners of motor vehicles, trailer or engineering plant including a person other than an individual

Our view

Getting a license should come at a fee. This is aimed at expanding the tax base to boost revenue collections, but this comes at a cost for vehicle owners.

Measure 2

Annual fees

Requirement of a person who owns/possesses a motor vehicle, trailer or engineering plant to pay an annual fee on or before 31st January of every year.

Who will be affected

Owners of motor vehicles, trailer or engineering plant including a person other than an individual

Our view

Annual license fees were scrapped over 5 years back, and tax included as an extra charge on fuel. This will therefore be an additional cost to the owners, and it is in addition to the presumptive taxes collected annually on commercial vehicles. The question at hand is that will the tax on fuel be adjusted?

Although the intent of increasing government's domestic revenue collections is the ultimate objective, it comes as an additional compliance cost for vehicle owners who have viewed this as being over taxation.



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