THE UGANDA

BUDGET REVIEW

2021-22

mgi hem and thakkar llp

CERTIFIED PUBLIC ACCOUNTANTS

Introduction

The Budget Theme

The budget for the Financial Year 2021-22 was read by the Honourable Amos Lugolobi, Member of Parliament, Ntenjeru North on 10th June 2021. The Budget was premised on the theme **Industrialisation for Inclusive Growth, Employment and Wealth Creation.**

Corona Virus pandemic Impact

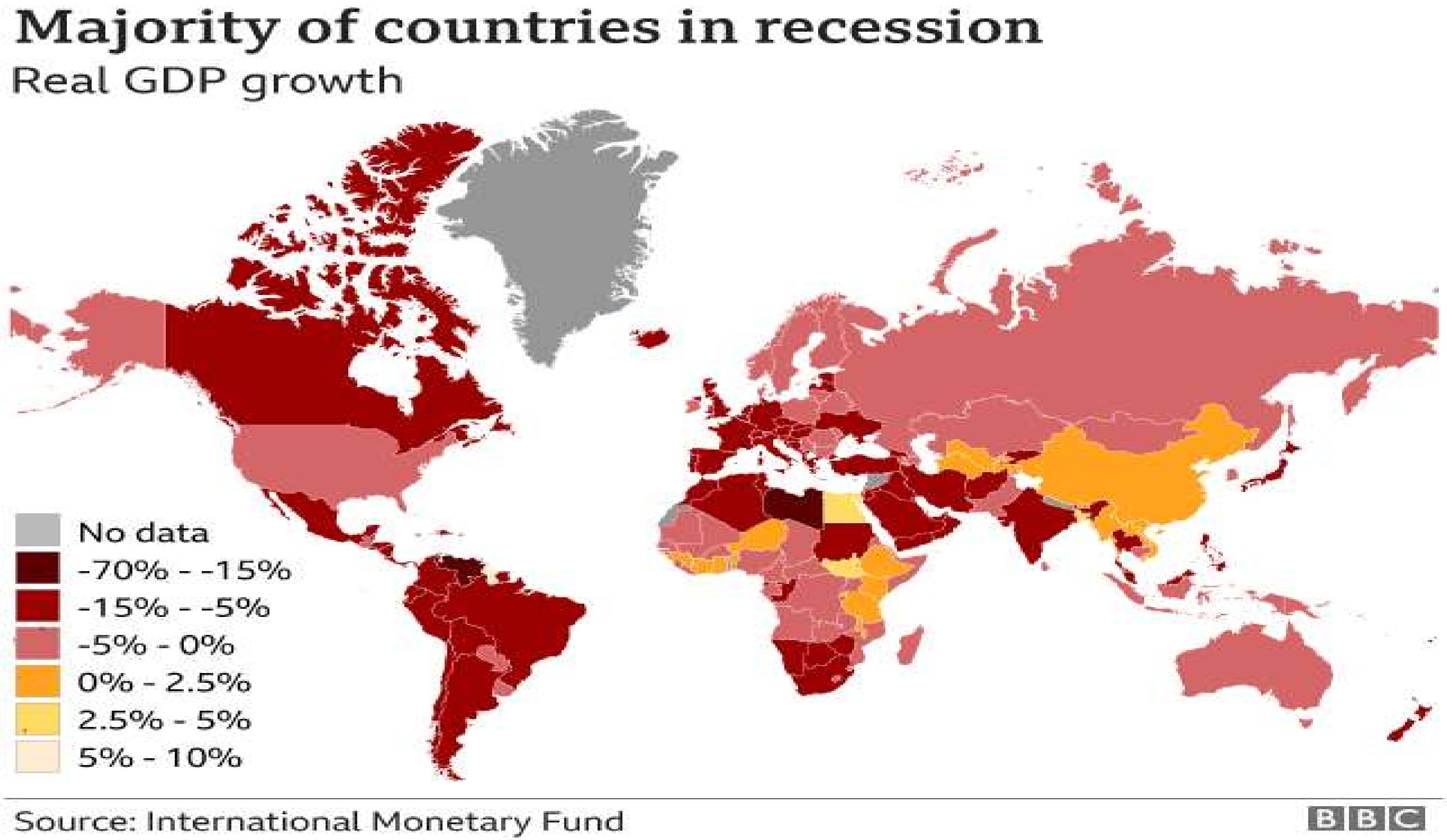
10% of Micro, Small and Medium Enterprises in Uganda remained open during 2020 lockdown, and 93% of all Micro, Small and Medium enterprises were back in operation by October 2020. In addition, 90% of employees of private sector firms were laid off during the lockdown, these employees were subsequently hired back after lockdown, and only 6.5% suffered permanent layoffs. However now the second wave is unfolding, with little certainty as to its severity and impact. This is a most serious threat to our existence today

Emerged Opportunities

Improved efficiency in public spending by using digital solutions. Secondly, in response to the global supply chain disruptions due to the COVID19 pandemic, several firms switched production lines to the manufacture of items that were previously imported. In addition, several locally sourced e-Commerce applications have been developed helping the strategy for import substitution and export promotion

Global Economy

The coronavirus pandemic has reached almost every country in the world. Its spread has left national economies and businesses counting the costs, as governments struggle with new lockdown measures to tackle the spread of the virus. Despite the development of new vaccines, many are still wondering what recovery could look like. Global Economy has been impacted due to ***Global Shares in a flux; Rising un-employment; Majority of countries in recession; Travel industry far from taking off; and Hospitality sector has shut its door***



The only major economy to grow in 2020 was China. It registered a growth of 2.3%.

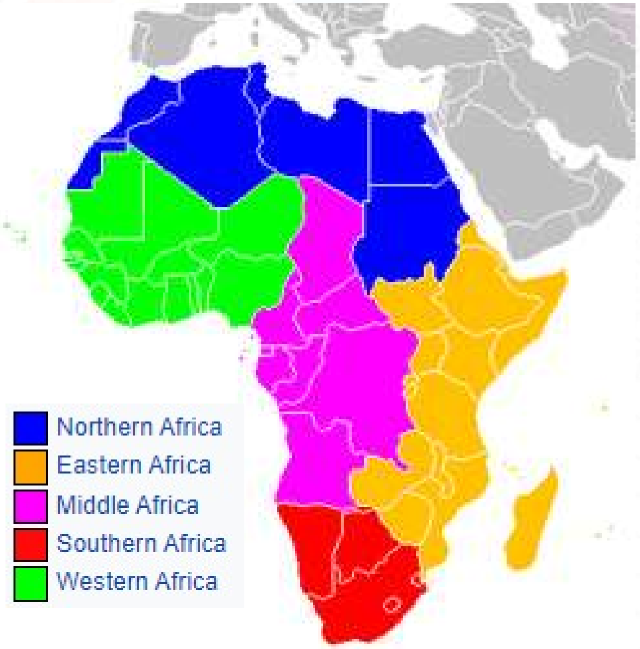
Amid exceptional uncertainty, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022.

Sub-Saharan African Economy

(Eastern; Middle; Southern & Western Africa)

The economic impact of the COVID-19 shock in Sub-Saharan Africa is severe. However, countries in the region are continuing to weather the storm. Economic activity in Sub-Saharan Africa is estimated to have contracted by 2% in 2020, reflecting a slower-than-expected spread of the virus and lower COVID-19-related mortality in the region, strong agricultural growth, and a faster-than-expected recovery in commodity prices. Nevertheless, COVID-19 has plunged the region into its first recession in over 25 years, with activity contracting by nearly 5% on a per capita basis. It has also exacerbated public debt vulnerabilities, which are high and continue to rise in many countries. Vulnerable groups, such as the poor, informal sector workers, women, and youth, suffered disproportionately from reduced opportunities and unequal access to social safety nets. This situation could push up to 40 million people into extreme poverty, erasing at least five years of progress in fighting poverty.

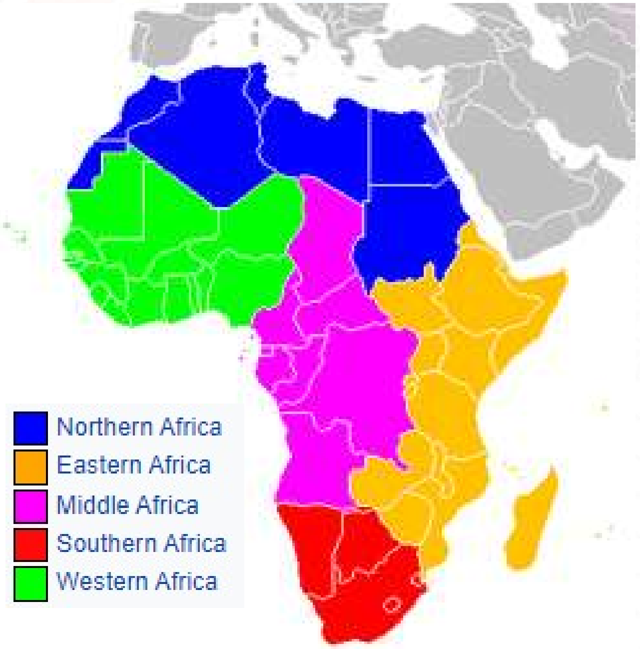
Source:
https://www.worldbank.org/en/region/afr/overview



Sub-Saharan Africa is, geographically and ethnoculturally, the area of the continent of Africa that lies south of the Sahara. According to the United Nations, it consists of all African countries and territories that are fully or partially south of the Sahara. While the United Nations geoscheme for Africa excludes Sudan from its definition of sub-Saharan Africa, the African Union's definition includes Sudan but instead excludes Mauritania.

East Africa Economy

East Africa's economies are slowly transitioning from agriculture to services. The contribution of agriculture to the region's GDP went down from an average of 33.4 percent at the turn of the millennium to 28.3 percent in 2018. This was against an increase in the contribution of services to GDP from 44.6 percent in the early 2000s to 53.8 percent in 2018. This movement is more prominent in Seychelles, Eritrea, Kenya and Rwanda where services contribute 80, 67, 60 and 47 percent of GDP, respectively. However, services are not the higher value-added activities in the region to trigger the desired structural transformation. In line with this shift, the International Labour Organization had estimated that the number of employment opportunities in the region's service sector would have more than doubled to 40.8 million while those in agriculture would have increased at a slower pace from 56.7 million to 97.6 million in 2020. These estimates are no longer tenable given the ongoing supply and demand shocks related to COVID-19-business disruptions have lowered production while the loss of income, fear of contagion and heightened uncertainty has made people to spend less, thus lowering aggregate demand with the service sector being hit the hardest

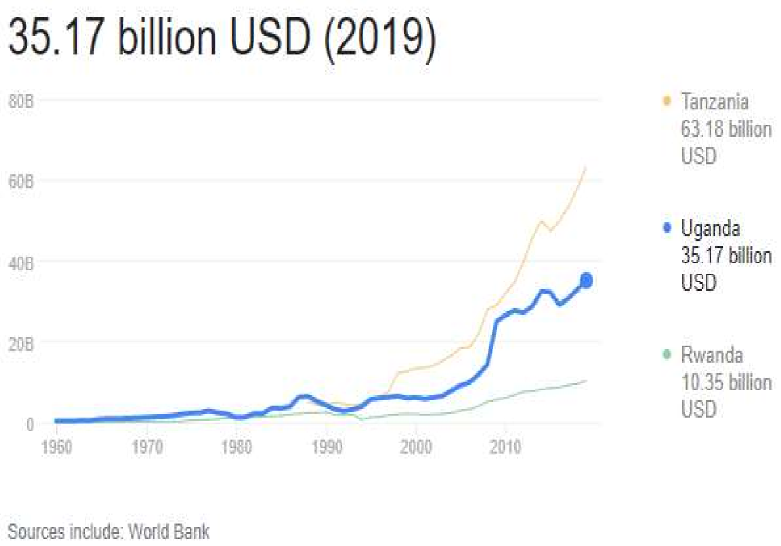


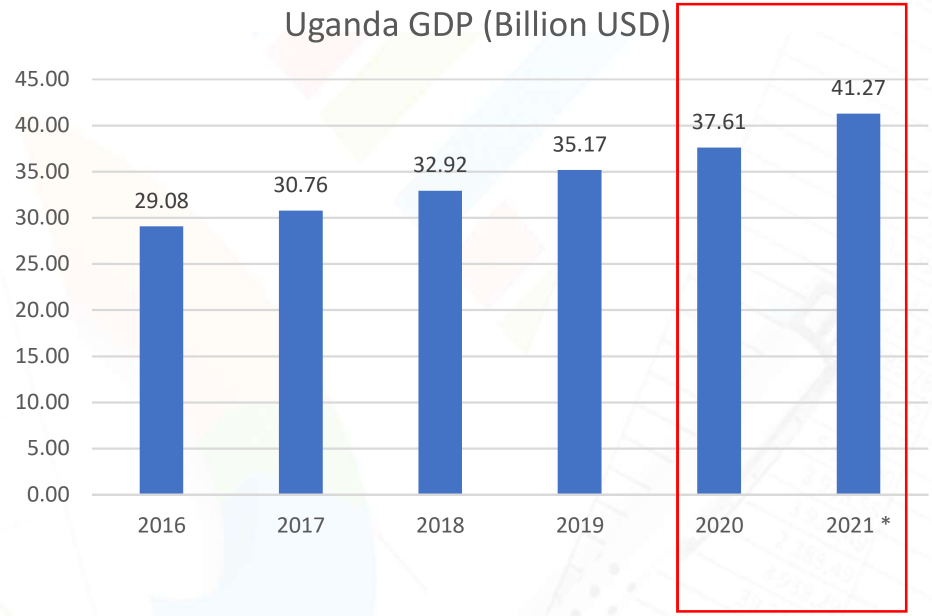
East Africa, Eastern Africa, or East of Africa is the eastern sub-region of the African continent, In the United Nations Statistics Division scheme of geographic regions, 19* territories make up Eastern Africa: Tanzania, Kenya, Uganda, Rwanda, Burundi, and South Sudan are members of the East African Community EAC.

Source:
https://www.worldbank.org/en/region/afr/overview

Economic and Social Progress

GDP Growth of Uganda

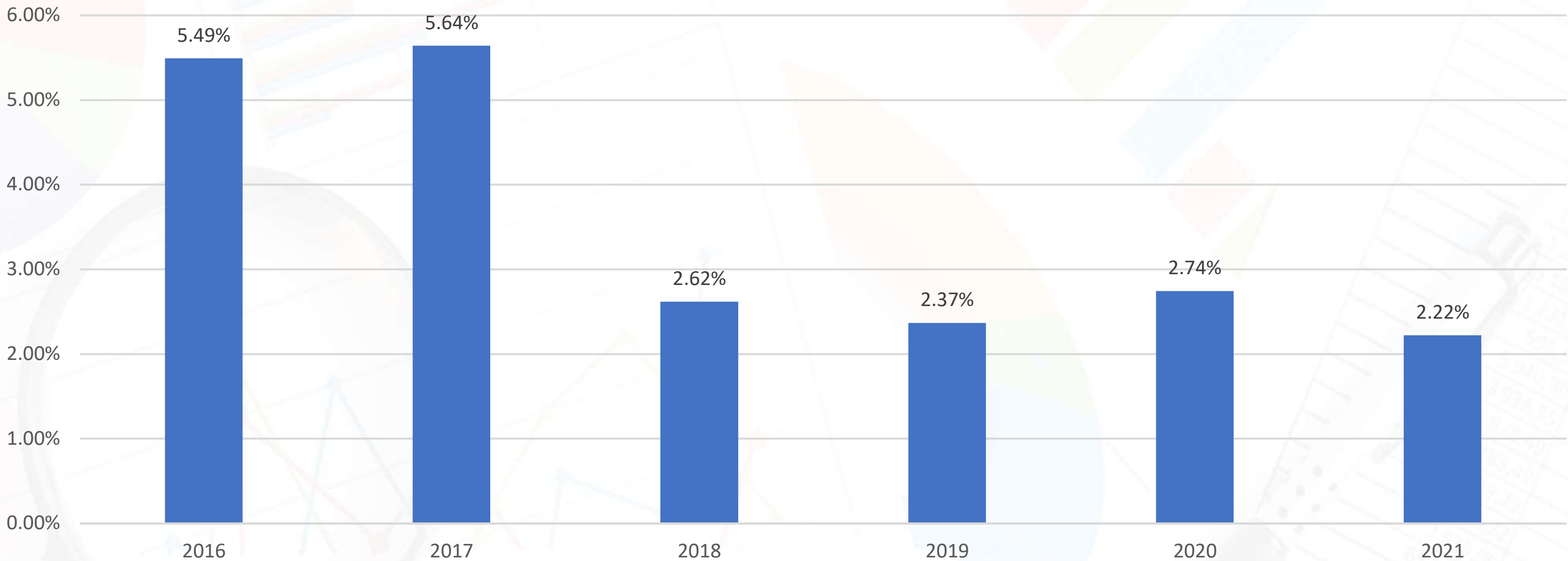




In 2020, GDP for Uganda was 37.61 billion US dollars. GDP of Uganda increased from 7.84 billion US dollars in 2001 to 37.61 billion US dollars in 2020 growing at an average annual rate of 9.06%.

Uganda's real gross domestic product (GDP) grew at 2.9% in FY20, less than half the 6.8% recorded in FY19, due to the effects of the COVID-19 (coronavirus)

Inflation



https://tradingeconomics.com/uganda/inflation-cpi

The annual inflation rate in Uganda eased to 2.1 percent in April of 2021 from 2.7 percent in the previous month.

The recorded slowdown was mainly driven by a steep drop in the prices of food & non-alcoholic beverages (-2.0 percent vs 0.4 percent in March), and from quicker deflationary pressures for housing & utilities (-1.5 percent vs -0.8 percent).

source: Uganda Bureau of Statistics

Exchange Rates

The Bank of Uganda continued to pursue a floating exchange rate regime with interventions in the Interbank Foreign Exchange Market (IFEM) limited to smoothening out volatility.

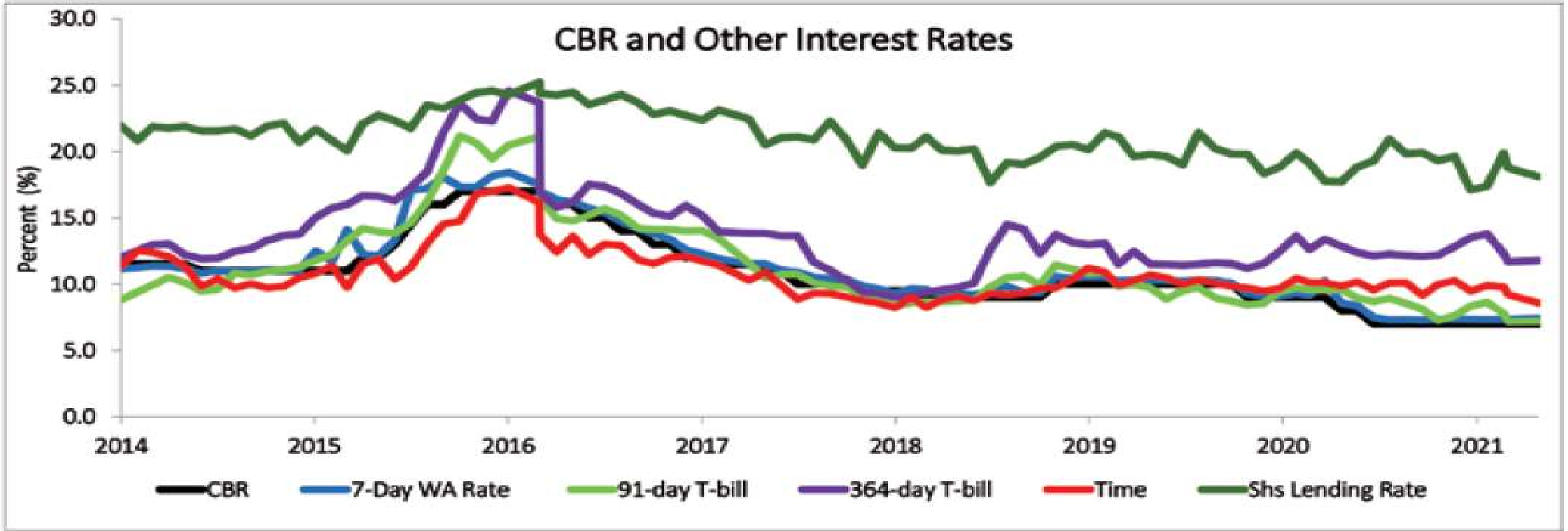
Overall, the shilling remained relatively stable in the FY 2020/21 appreciating by 0.6 percent in the 10 months to April 2021 to on average mid-rate of Ushs. 3,681.8 per US Dollar from an average of Ushs. 3,705.2 per US dollar in the previous FY.

Exchange Rates

With the exception of August 2020 and September, 2020, the Shilling maintained an appreciation trend reflecting increased foreign currency inflows from remittances, Non-governmental Organizations (NGOs), non-financial institutions, export receipts and foreign investors seeking high yielding instruments amidst low dollar demand as well as the global weakening of the US dollar.

In addition, BoU continued to purchase foreign exchange to build reserves and intervened on both sides of the market to stem volatility in the exchange rate.

Interest Rates



Source: Bank of Uganda

The weighted average 7-day interbank money market interest rate, which is the operational target of monetary policy, declined in the FY 2020/21 relative to FY 2019/20 following a reduction in the CBR. The 7-day money market rate averaged 7.37 percent in the 10 months to April 2021, down from 9.30 percent recorded in the previous financial year. With eased liquidity conditions, coupled with measures instituted by BoU to stabilize rates in the domestic money market, the 7-day WAR trended close to the CBR throughout the financial year.

National Output

- The size of the economy has grown from Shs. 108.5 Trillion in 2016/17 to Shs 148.3 Trillion in current prices by June 2021, equivalent to US$ 40 billion.
- Industry sector's contribution to the economy has increased slightly from 26.0% in 2016/17 to 27.4% in 2020/21.
- The silk industry is projected to earn Uganda US$100 million annually, and will create at least 150,000 jobs by 2030.
- The contribution of the Mining and Quarrying industry to GDP increased from 1.1% in 2016/17 to 2.3% in 2020/21.
- Agricultural sector's contribution to the economy has stagnated at around 23% over the last five years, Coffee production increased from 4.6 million 60-kg bags in Financial Year 2015/16 to 8.1 million bags in the Financial Year 2020/21.
- Fish catches increased from 449,000 to 600,000 tonnes.
- Milk production has also increased from 2.1 billion to 2.6 billion litres

External Trade and Tourism

- Merchandize exports grew by 4.7% increasing from US$ 4.1 billion in 2019 to US$ 4.3 billion in 2020.
- Agricultural export values grew by 19% from US$ 1.4 billion in 2018/19 to US$ 1.8 billion in 2019/20.
- Uganda’s merchandise trade deficit has significantly narrowed from US$ 2,866 million in 2018/19 to US$ 2,365 million in 2019/20, a reduction of US$ 500 million in one year.
- Coffee remains the leading agricultural export earning US$ 497.4 million
- Dairy exports fetched US$ 204.5 million
- Tea exports earned US$ 71 million in Financial Year 2019/20.
- Fish exports earnings increased from US$ 121 million to US$ 227 million
- Annual foreign exchange earnings from tourism increased from US$ 1.35 million in 2015 to US$ 1.6 billion in 2018. Annual tourist arrivals also increased from 1.3 million to 1.5 million.

Investment

- Foreign Direct Investment (FDI) flows to Uganda amounted to US$ 1.3 billion in 2019 increasing by 20% from US$ 1.1 billion in 2018, and
- Domestic Investments increased by 13% from US$ 385.3 million to US$ 433.8 million

Incomes, Poverty and Employment

- In Financial Year 2015/16 per capita income was US$ 808 and is projected to increase to US$ 932 inu Financial Year 2020/21
- Household Survey reports that poverty has declined from 21.4% in 2016/17 to 20.3% in 2019/20
- 68% of Ugandans work in Agriculture and 74% of Ugandans of working age are engaged in some form of employment
- Externalization of labour has enabled 16,750 persons get employment in the Middle East over the last year, and remit approximately US$ 9 million per month

Economic Infrastructure

Transport

- Total national paved road network has increased by 41% from 3,800 kilometres in 2016 to 5,400 kilometres
- 11 inland water vessels are operational with the commissioning of the Buwama and the Sigulu Ferry services
- Upgrade of Entebbe International Airport is almost complete with 96% of works at the cargo complex
- Kabaale International Airport in Hoima now stands at 55.6% complete
- Rehabilitation of the Tororo-Gulu Meter Gauge Railway (MGR) has commenced, and 79% of the land for the construction of the standard Gauge Railway (SGR) has been acquired.

Power

- Power generation capacity has increased by 38% from 925 megawatts in 2016 to 1,274 megawatts in 2020
- Karuma hydropower plant which is 98% complete, and several minihydropower plants such as Aswa, Nyagak and Muzizi will further increase this capacity.

Digitization

- Internet access now stands at 52% with 21 million people using the internet
- Active mobile money subscriptions are 23 million served by 235,800 mobile money agents.
- High-speed optical fibre cable covers 3,900 kilometers.
- New industries have been established in the assembly of computers, mobile phones and accessories, and the development of knowledge-based ICT solutions

Human Capital Development

- Life expectancy has increased from the lowest level of 44 years in 1998 to 63 years
- Literacy rates have improved to 76% of the population
- 270 teachers were trained in Early Grade reading methods for pre-primary schooling and 14,350 teachers were trained to provide psycho-social support arising from CoVID19
- Construction of 117 seed secondary schools was completed and 64 community secondary schools at sub-counties were grant-aided
- Safe water coverage in rural and urban areas is estimated at 68% and 71% respectively
- Access to healthcare as measured by the proportion of people within a 5-kilometre radius of a health facility now stands at 91%

CoVID 19 Emergency Response

- Despite the adverse impact of the COVID19 pandemic, the economy remains resilient
- Direct fiscal interventions totalling 2.6 trillion were implemented
- In addition, 7.3 trillion private loans in commercial banks were restructured, as part of the stimulus package
- Shs 60 billion was spent to fund food distribution to 683,000 households covering 1.9 million persons
- 964,000 doses of CoVID vaccines were procured, and mass vaccination has began
- Distance learning has been used based on electronic platforms including Television and online classes
- Private sector loans totalling Shs. 7.3 trillion, representing 43% of all loans, had repayments postponed, a quarter of which were loans in Tourism, Trade, and Commerce

- Tax relief totalling Shs. 2 trillion was provided to businesses disrupted by COVID19.
- In addition, Government paid Shs. 677 billion in arrears to private sector firms it owed in order to ease their liquidity
- The Uganda Development Bank was allocated Shs. 555 billion to finance manufacturing, agribusinesses and other private sector firms affected by the CoVId19 pandemic
- Seed capital amounting to Shs. 416 billion was provided to the youth, women entrepreneurs and Emyooga
- A total of 6,394 Emyooga SACCOs in 349 constituencies have received Shs. 200 billion

Governance

- Crime reduced by 8.9% from 215,000 cases in 2019 to 196,000 cases in 2020
- In the Judiciary, the proportion of cases that are over 2 years old have reduced from 24% in 2017 to 17.5% in 2021

Sector Analysis

Sector Analysis

Agriculture

The agriculture, forestry and fishing sector grew by 3.5 percent due to increase in cash crop, food crop and livestock activities which grew by 6.7 percent, 4.1 percent and 7.8 percent, respectively. This was supported by government interventions through provision of extension services and favorable weather conditions. Additionally, taxes on products grew by 6.8 percent from -1.6 percent the previous financial year following a pick-up in economic activity.

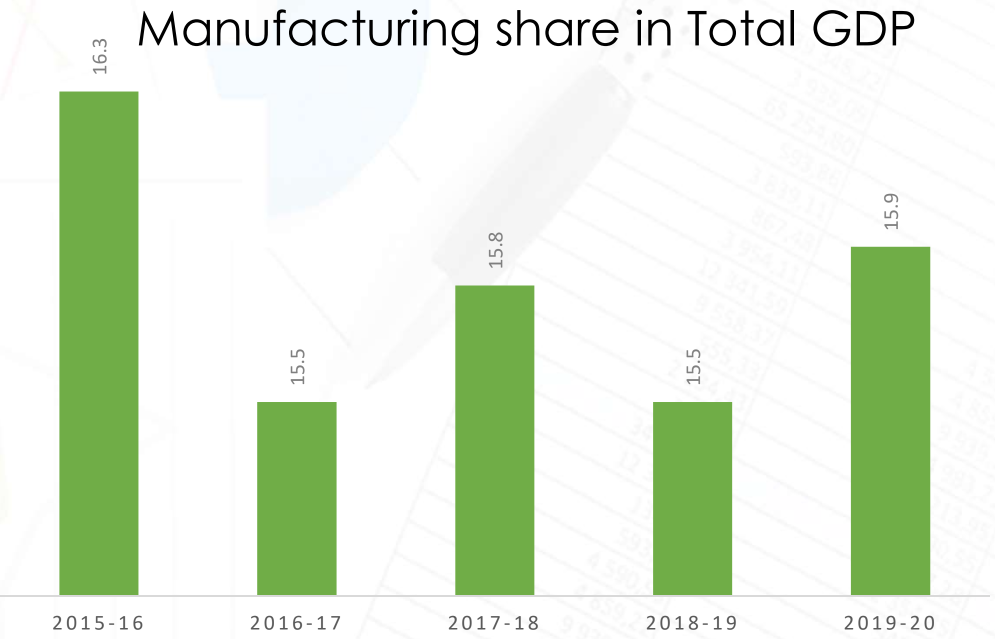
Amidst the COVID-19 crisis and other disasters like desert locusts, agriculture is cushioning the economy and will continue to be after the pandemic. Adequate and prudent financing for the sector will provide the much-needed resources to build resilience of the sector against the covid-19 pandemic, locusts invasion and other natural disasters to perform optimally.

Real GDP Growth	2017/18	2018/19	2019/20	2020/21
Agriculture, Forestry and Fishing	4.4	5.3	4.8	3.5
Cash Crops	5.9	4.7	7.6	6.7
Food Crops	8.6	1.6	4.6	4.1
Livestock	7.1	7.3	7.9	7.8

Manufacturing

Manufacturing Value Added as a share of GDP is 15.9 percent in FY 2019-20. Government's policies and strategies are modelled to accelerate the industrialization process through investment and building capacity of local manufacturers, which will further increase job opportunities and export earnings spurring growth.

Cabinet approved the National Industrial Policy (NIP) in December 2020 to revamp manufacturing and fast track the industrialization process. The value chains prioritized in this policy fall under the agro-based, extractive and knowledge intensive industries and these include: *Fruits, Coffee, Cotton, Textiles and Apparels, Tea, Cassava, Grains, Oil Seeds, Sugarcane, Bananas, Dairy, Leather and Leather Products, Iron and Steel, Oil and Gas (LPG, synthetics, plastics and petrochemicals), Salt, Cement, Fertilizers, Pharmaceuticals, Automobiles, Electronics and Electronic Products Assembling.*



Service

Service sector of the economy registered positive growth rates contributing 41.5 percent to the total GDP.

The services sector grew by 3%. It should be noted that some of the sectors that were most affected by the pandemic like accommodation and food services, transport & storage, and trade & repairs registered modest recovery due to a pickup in economic activity following partial easing of lockdown measures.

Economists have advised government to focus more on services sector to realise a faster economic growth and reduction in poverty levels

(Billion Shs)

GDP	2016/17	2017/18	2018/19	2019/20	2020/21
Total GDP	108,518	120,485	132,096	139,711	148,278
Services	47,182	52,217	56,796	59,837	61,604
% to GDP	43.5%	43.3%	43.0%	42.8%	41.5%
Growth %		10.67%	8.77%	5.35%	2.95%

Services	2016/17	2017/18	2018/19	2019/20	2020/21
Trade and Repairs	9,832	10,925	11,418	11,756	11,470
Transportation and Storage	3,621	4,111	4,518	4,792	4,739
Accomodation and Food Service	3,212	3,669	3,827	3,645	3,541
Information and Communication	2,130	1,965	2,399	2,555	2,704
Financial and Insurance Activities	2,871	3,066	3,457	3,816	4,067
Real Estate Activities	6,515	7,424	8,293	8,907	9,270
Professional, Scientific and Technical	2,330	2,596	2,747	2,902	2,936
Administrative and Support Service	1,901	2,012	2,382	2,577	2,766
Public Administration	2,678	3,049	3,254	3,865	4,455
Education	4,777	5,290	5,806	5,767	5,571
Human Health and Social Work	3,310	3,985	4,325	4,496	5,055
Arts, Entertainment and Recreation	131	214	249	251	230
Other Service Activities	2,984	2,959	3,119	3,455	3,694
Activities of Households as Employers	891	952	1,003	1,053	1,105
TOTAL	47,182	52,217	56,796	59,837	61,604

Transport Infrastructure

For creating accessibility and connectivity between production centres and market opportunities for economic enhancement, under NDP III structured and well-developed transport network in the country will be taken up to propel economic growth, improve household incomes and industrialization. In FY 2021/22, the Programme has been allocated Ushs.4,022.005 billion to undertake the interventions in Road; Rail; Air and Water Transport

Roadways

- Construction of 400km equivalent of **national roads** and rehabilitation of 200km equivalent of national roads;
- Acquisition of 1,897.988 hectares for right of way (RoW) of national roads;
- Rehabilitate 500km of district roads, 800km of community access roads;
- Undertake Feasibility Studies and detailed engineering designs of 24 road projects totalling 1,495.1km;

Railways

- Rehabilitate 28km of Kampala – Malaba Meter Gauge Railway line and compensate 3,200 Pre arranged Paths; 100km of Tororo Gulu line; procure 50 wagons/coaches; and acquire 1,856.18 hectares of Rights of Way of the Standard Gauge Railway;

Airways

- Conclude the construction and rehabilitation of the remaining 20 percent of works at the **Entebbe International Airport** and 23 percent development of the Kabaale International Airport;
- Open up new international routes for the Uganda Airlines, i.e. Entebbe – Dubai, Entebbe – London, Entebbe – Guangzhou;

Waterways

- Complete up to 75 percent of physical works at Bukasa port;
- Test and **certify 50 seafarers and inspect 50 water vessels**; and
- Complete 5 percent of one stop centre building for driver licensing and vehicle registration.

Energy

Public investment in the energy sector is targeted to promote industrialisation, in accordance with the objectives laid out in NDPIII. The Programme aims to increase access and consumption of clean energy, achieved through sustainable use of alternative renewable energy. The Programme has been allocated 1,634.7 billion to undertake the following interventions in FY 2021/22:

- Increase electricity generation capacity and expand the transmission and distribution networks to load centres and rural towns;
- Increase access to modern energy services through rural electrification and renewable energy development, especially to rural areas; and
- Continue to promote sustainable use of biomass resources by encouraging tree-planting and promotion of more efficient stoves for better respiratory health of girls and women.

Implementation Status of Selected Transmission lines

Transmission Lines	Kilo Vats	Distance (km)	Status (percent)
Bujagali – Tororo – Lessos	220	127	77
Tororo – Opuyo – Lira	132	260	91
Karuma – Kawanda	400	248.2	95
Karuma – Lira	132	75.5	70
Karuma – Olwiyo	132	54.25	93
Opuyo – Moroto	132	160	75
Mutundwe – Entebbe	132		46
Karuma Interconnection			90
Mutundwe – Entebbe	132		46
Opuyo – Moroto	132		75

Oil Gas and Petroleum

The East African Community Vision 2050 emphasizes the need for sustainable exploitation of petroleum resources which highlights the importance of access, capacity, efficiency and sustainability of natural resources.

The Vision 2040 also envisages the commercialization of oil and gas in a feasible and sustainable manner. In FY2021/22 and in the medium term, Government aims to:

- Increase amount of revenue from Oil and Gas sector from Ushs.62.98 billion to Ushs.265 billion by 2025;
- Increase investment industry contribution to GDP from 3 percent to 5 percent by end of 2025;
- Increase the proportion of investment in Oil and Gas to GDP from 20 percent to 24 percent;
- Increase number of days of stock levels in the country from 1 to at least 10 days by 2025;
- Increase the number of Ugandans employed in Oil and Gas related industries from 3,400 to 50,000 by 2025; and
- Increase the levels of quality compliance of refined petroleum products from 99.0 percent to 99.7 percent by 2025.

Oil Gas and Petroleum

In FY2020/21, Government approved Ushs.57.84 billion for petroleum exploration, development, production, value addition and distribution to drive the following objectives;

a. Strengthen policy, legal, regulatory frameworks and institutional capacity in the oil and gas industry

b. Enhance local capacity to participate in oil and gas operations

c. Promote private investment in oil and gas industry

d. To enhance Quality, Health, Safety, Security and Environment (QHSSE)

e. To ensure sustainable production and utilization of oil and gas resources

Financial

The financial services sector comprises Banking, Insurance, Pensions, Microfinance, Capital markets and Money Laundering and Combating of Financial Terrorism, as well as Financial Inclusion, among others.

Between the inception of the credit relief measures and December 2020, the cumulative total credit relief applied for by borrowers amounted to Ushs. 7.9 trillion, of which Ushs. 7.7 trillion was approved and granted by supervised financial institutions (SFIs).

After accounting for credit relief that has matured and been repaid, as at December 31, 2020, the stock of loans that was still under restructuring was Ushs. 4.83 trillion. Loans under second restructuring have increased. Between August 2020 and December 2020, the loans restructured for a second time increased from Ushs. 264.1 billion (5.2 percent of restructured loans) to Ushs. 606.2 billion (12.5 percent of restructured loans).

This trend suggests that the financial condition of some borrowers under credit relief remains distressed.

The amount of past due loans in a number of sectors remains high, especially for those that remain under partial lockdown such as tourism, education and real estate

The Financial Sector Comprises

- Commercial Banking Sector
- Credit Institutions
- Microfinance Deposit-Taking Institutions (MDIs)
- Tier IV Institutions
- Microfinance Regulatory Authority (UMRA)
- Credit Reference Bureau (CRB)
- Security Interest in Movable Property Registry System (SIMPRS)
- Agricultural Insurance, Financing and Risk Management
- Financial Inclusion & Mobile Money
- Insurance Services
- Retirement Benefits

- Uganda's **Commercial banking** sector expanded in the 12 months to March 2021. The sector marked a 14.1 percent growth in total assets (net)
- Total assets held by the **Credit Institutions** increased by 24.72 percent to Ushs. 1,152.9 billion as at end of March 2021 from Ushs. 924.4 billion the previous year. Similarly, total liabilities increased by 31.2 percent (Ushs. 231.9 billion) to Ushs. 976.2 billion as at March 31, 2021 from Ushs. 744.3 as at March 31, 2020
- Total assets held by **Microfinance Deposit-Taking Institutions (MDIs)** increased by 9.4 percent (Ushs. 63.0 billion) to Ushs. 732.6 billion at end of March 2021 from Ushs. 669.6 billion at end of March 2020. Similarly, total liabilities increased by 12.7 percent (Ushs. 59.6 billion) to Ushs. 529.0 billion as at March 31, 2021 from Ushs. 469.4 billion as at March 31, 2020
- **Tier IV Institutions** aim at bridging the last financial mile for households, and include Micro Finance Institutions (MFIs), Accumulating Savings and Credit Associations (ASCA), Rotating Savings and Credit Associations (RSCA), Village Savings & Loan Associations (VSLA), Savings and Credit Cooperatives (SACCOs), non-deposit-taking micro finance institutions, self-help groups and money lenders.

- Since 2018, **Uganda Microfinance Regulatory Authority (UMRA)** has been licensing money lenders and non-deposit-taking microfinance institutions. Over the years, UMRA has witnessed an increasing trend in the number of institutions that are brought into its regulatory ambit. By April 2021, institutions licensed by UMRA stood at 836, up from 239 in 2018. Licenses issued by UMRA are valid for 12 months of the calendar year.
- At March 31, 2021, 34 Supervised Financial Institutions accessed the **Credit Reference Bureau (CRB)** services, through 591 branches connected to the CRB infrastructure. The number of registered borrowers with financial cards stood at 1.97 million at end of March 2021 compared to 1.86 million as at end of March 2020, representing a 5.91 percent increase.
- **Security Interest in Movable Property Registry System (SIMPRS)** applies to security rights in movable property. By April 30, 2021 the registry had recorded a total of 7,625 total security interest notices.

- **Agricultural Insurance, Financing and Risk Management** - By end of year December 2020, total claims payout stood at Ushs. 9.4 billion, and written premiums amounted to Ushs. 37.6 billion. Cumulatively by end of December 2020, the scheme had provided cover for 230, 000 farmers. Small scale farmers were covered under weather index insurance and large scale farmers under the traditional multi-crop insurance.
- The **Agricultural Credit Facility (ACF)** has continued to register significant performance over the last eleven years of its existence with a portfolio growth standing at Ushs. 589.48 billion extended to 1,179 eligible projects across the country up from Ushs. 21.02 billion in 2010 when the scheme was operationalized
- **Financial Inclusion -** The enactment of the National Payment Systems Act in September 2020 and gazetting of the implementing regulations in March 2021. BoU put in a place a framework for operationalization implementation of NPS sandbox regulations, 2021.
- **Mobile Money -** In the year to April 2021, active57 users of mobile money services had not yet reached their potential (match the subscriber registrations). The ratio of active users of the service to registered users grew to 64 percent by April 2021, from 61 percent in the previous year. Indeed, the number of total users grew to an all-time high of 30.89 million by April 2021

- **Insurance Services -** Overall, in the year 2020, the industry total Gross Written Premium (GWP) income increased by 9.26 percent to Ushs. 1,064.9 billion from Ushs. 974.4 billion in 2019. Non-life business continued to dominate the insurance industry in terms of composition, although its relative share has continued to decline. The share of non-life business in relation to total premium declined by almost 2 percentage points to 62.33 percent from 64 percent share in 2019. However, both Life and Non-Life GWP income grew by 17.38 percent and 6.93 percent, respectively to Ushs. 324.3 billion and Ushs. 663.8 billion in 2020
- **Retirement Benefits -** Over the last five years, the sector has maintained an annual asset growth rate of about 18 percent. Currently, with an asset base of over Ushs. 15 trillion (2019: Ushs. 13.2 trillion), the sector accounts for about 11 percent (10.3 percent in 2019) of Gross Domestic Product (GDP).

Sector Analysis
Capital Market

At the Uganda Securities Exchange (USE), no activity was recorded in the primary market, while the secondary market trading of equities declined compared to the previous period.

Equity turnover fell by 90 percent to Ushs. 11.3 billion in FY2020/21 from Ushs. 113.5 billion recorded in FY 2019/20. Average turnover per trading day also decreased to Ushs. 60.1 million FY 2020/21 from Ushs. 609.1 million registered in the previous financial year. Share volume fell to 318 million from 1,538 million in the previous financial year.

Domestic market capitalization (representing the value of all locally listed companies) fell by 0.5 percent to Ushs. 4.29 trillion from Ushs. 4.31 trillion reported in the previous financial year

Performance Indicator	2020/21	2019/20	Y-O-Y (Percent)
Share Volume (Million)	318	1538	-79
Equity Turnover (Ushs. Billion)	11.3	113.5	-90
Average Turnover per trading day (Ushs. Million)	60.1	609.1	-90
Domestic Market Capitalization (Ushs. Trillion)	4.29	4.31	-0.5
USE Local Counter Index	342.46	342.21	0.1

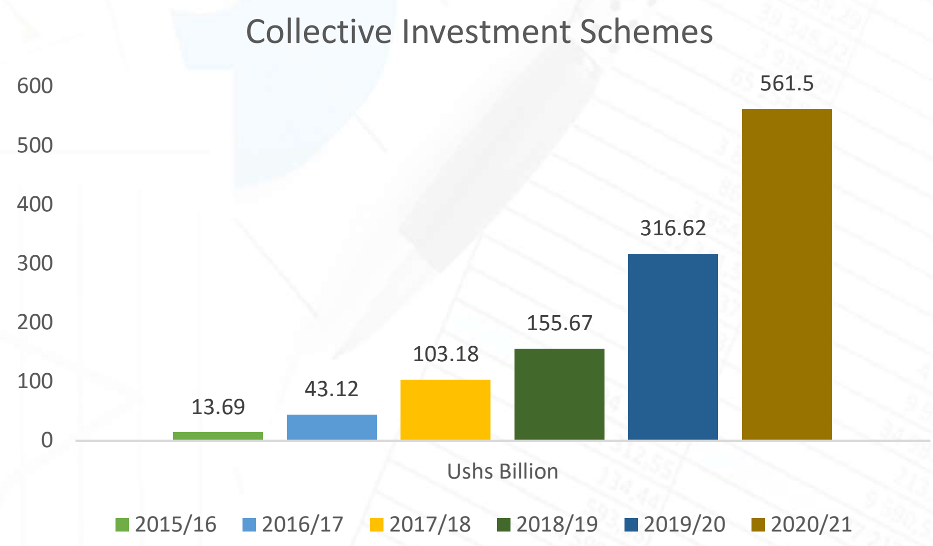
Sector Analysis

Collective Investment Schemes

Collective Investment Schemes (CIS) are investment products that give investors opportunity to pool savings with those of other investors, thereby creating a large pool of funds to be invested on their behalf by professional managers.

During FY 2020/21, CIS Managers had registered estimated total of Ushs. 561.5 billion in assets under management.

This represented an increase of 77.4 percent from Ushs. 316.6 billion registered in the previous financial year. The total number of investor accounts held by CIS managers in the review period stood at 11,797 compared to a total of 8,904 investor accounts in the previous financial year, a 32 percent increase in opening of CIS investor accounts.



Economic Growth Strategy and Priorities

Economic Growth Strategy

Economic Growth Strategy for the medium term aims to achieve faster and inclusive growth and enhanced socio-economic development. The target is to raise growth rates from 4.3% estimated for Financial Year 2021/22 to at least 7% in the medium-term. The strategy that will achieve these medium-term objectives is three-fold:

Restoring Economy Growth	Improving wellbeing of Ugandans	Peace Security and Good Governance
• Boosting Business Activity • Promoting Agro-Industrialization • Infrastructure for Economic Growth and Development	• Health • Education • Water and Sanitation Facilities	• Peace and Security • Access to Justice • Improving Budget Efficiency

Restoring Economy Growth Requires

1. Boosting business of the Private Sector, especially Micro, Small and Medium (MSME) Enterprises by extending CoVID relief measures, increasing regional and continental market access, **access to long term affordable capital** and supporting entrepreneurial development; **(Budget of Shs. 358.5 billion allocated)**
2. Aggressively **promoting agro-Industrialization** to unlock the potential of primary production, together with standards development and enforcement including enhanced Market Access; **(Budget of Shs. 1.6 trillion allocated)**
3. **Commercializing Minerals, Oil and Gas endowments** to obtain the greatest benefits from adding value to Uganda's natural endowments; **(Budget of Shs. 49 billion allocated)** and
4. **Develop and Maintain Infrastructure** for Economic Growth and Development and promote regionally balanced growth. **(Budget of Shs. 2.1 trillion for Transport; Shs. 1.1 trillion for Power; and Shs. 134.9 billion for Digitization has been allocated)**

Improving wellbeing of Ugandans

To enhance human capital development, Shs. 7.7 trillion has been allocated

Health

- Shs. 560 billion has been provided for the procurement of vaccines
- Upgrade Forty-three (43) health facilities and construct new Health Centre in sixty (60) sub-counties
- Construction and equipping of the Uganda Heart Institute at Mulago
- Regional Oncology and Diagnostic Centre in Gulu by the Uganda Cancer Institute will be established
- Ensure adequate supply and delivery of essential medicines and health supplies
- The National Medical Stores budget has been increased from Shs. 420.3 billion this fiscal year to Shs.600.3 billion next financial year

Education

- Adopting e-learning methods and digitizing inspection and supervision to address absenteeism of learners and teachers
- 4,200 primary school teachers will be recruited to raise the national staffing level to 70%
- 1,055 secondary teachers will be recruited in local governments with staffing level below 50% of the establishment
- To improve supervision, 440 inspectors will be recruited across all local governments
- To address leaner, teacher and school management absenteeism, the Integrated Inspection System (electronic inspection) will be rolled out throughout the country
- The rehabilitation of 74 primary and 13 traditional secondary schools, will also be undertaken
- Construction of 36 partially completed schools, will be completed
- Construction of 7 skills development institutions like the Arua School of Nursing will also be completed

Water & Sanitation Facilities

- Increase the coverage of safe water supply in rural areas to 81% and to 100% in urban areas by 2025
- Shs.124.9billion has been provided for rural water, and
- Shs.523.4billion for urban water

Peace Security and Good Governance

Peace and Security

- Shs. 6.9 Trillion has been provided in the budget
- Acquire, refurbish and maintain military equipment;
- Complete the construction of the Military Referral Hospital in Mbuya and train military medical personnel and procure medical equipment;
- Commence construction of 30,000 housing units for the military, the construction of the military museum, as well as military barracks; and
- Improve urban security with implementation of phase III of the Safe City CCTV project

Access to Justice

- Shs. 9.4 billion has been provided to kick-start the construction of the Courts of Appeal in Gulu and Mbarara, High Court Circuits in Luwero and Soroti, Magistrate Courts in Budaka, Alebtong and Lyantonde, Grade 1 Magistrate Courts in Abim, Patongo, Karenga, and Kyazanga
- Shs. 146.6 billion has been provided for the recruitment and facilitation of Judicial staff
- Shs. 18.2 billion has been provided to implement the Electronic Court Case Management Information System and the Prosecution Case Management Information System

Improving Budget Efficiency

- Expenditure is projected to decline by 3.4% of GDP to 21.1% from 24.4% this financial year
- Savings of Shs. 800 billion have been identified

Financial Year 2021/22
Financing Framework

Domestic Revenue

- Domestic revenue for next financial year is projected at Shs 22,425 billion, equivalent to 13.8% of GDP, compared to a projected outturn of Shs 19,432 billion, equivalent to 13.1% of GDP in FY 2020/21
- This target revenue is an increase of 0.7% age point of GDP
- The increase in tax collections will be realized from an improvement in the level of economic activity, increased efficiency in tax collection by URA through strengthening compliance and enforcement, as well as new tax measures and administration reforms

Tax Policy Interventions

- Reform taxation of rental income to remove the incentive for nonindividual rental taxpayers to claim unrestricted deductions which significantly reduce their tax contribution
- Reduce rates of depreciation for some classes of assets
- Discontinue the concurrent deduction of initial allowances and depreciation in the first year of use of qualifying assets
- Review the capital gains tax regime by allowing for the effect of inflation and providing tax relief for venture capital investments
- Broaden the scope of taxation of plastics to cover all plastics
- Rationalize the Excise Duty regime on telecommunication services by scrapping the excise duty on Over the Top (OTT) and introduce a harmonized excise duty rate of 12.0% on airtime, value-added services and internet data excluding data for provision of medical services and the provision of education services
- Introduce an export levy of 7% on the value of fish maw exports
- Impose an export levy of 5% and 10% on processed and unprocessed gold and other minerals respectively

Tax Administration Measures

Uganda Revenue Authority will implement administrative interventions to boost revenue collection including the following:

- Strengthen tax arrears management and recovery;
- Enhance data analysis through interfaces with other Government information systems to enhance taxpayer compliance;
- Enforce tax compliance using the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) and Digital Tax Stamps;
- Enforce enhanced licensing requirements for clearing and tax agents, and bond operators;
- Improve detection of smugglers using non-intrusive inspection equipment, and
- Close all bonded houses for imported sugar for re-export to avoid undeclaration and misclassification

These administrative measures will generate about Shs. 800 billion in revenue collections and the capacity of local governments to collect revenue will be enhanced through training and ICT infrastructure

Public Debt Sustainability

- Uganda's debt amounted to US$ 17.96 billion as at 31st December 2020, equivalent to 49.8% of GDP
- Government will undertake following key strategies among other, to keep debt within sustainable levels:
    1. Ensure that projects are well appraised to allow only those that are viable and aligned to the national development plan;
    2. Prioritise borrowing for only projects that enhance socio-economic transformation, and enhance project implementation;
    3. Prioritize borrowing from concessional sources; and
    4. Increase the maturity profile of our domestic debt

Resource Envelope for Financial Year 2021 / 22

Source of Funds	UGX Billion	USD Billion
Domestic Revenue - Tax Revenue	20,837.0	5.9
Domestic Revenue - Non Tax Revenue	1,588.0	0.4
Domestic Borrowings	2,943.0	0.8
Petroluem Fund resource	200.0	0.1
Budget Support Account	3,583.0	1.0
External Financing for projects (Loans)	5,519.0	1.6
External Financing for projects (Grants)	1,349.4	0.4
Appropriation in Aid, collected by Local Govt.	212.4	0.1
Domestic debt refinancing	8,547.0	2.4
TOTAL	**44,778.8**	**12.7**
Application of Funds	**UGX Billion**	**USD Billion**
Wages and Salaries	5528.6	1.6
Non Wage Recurrent Expenditure	15625.4	4.4
Development Expenditure	14865.3	4.2
Appropriation in Aid, collected by Local Govt.	212.4	0.1
Domestic debt refinancing	8,547.0	2.4
TOTAL	**44,778.7**	**12.7**

Tax Implications (Amendments)

The Ministry of Finance, Planning and Economic Development (MoFPED) on behalf of Government has introduced a raft of tax measures in what has been widely seen by pundits as slap in the face in light of the adverse effects, assumed or real of the Covid-19 on a number of businesses. The business community was largely expectant of the much-touted economic stimulus packages instead especially for SMEs.

The tax measures are also coming on the heels of a general election with the associated government expenditure largely to boost domestic revenue mobilisation (DRM) ostensibly to reduce over reliance on foreign aid and to improve tax administration.

Uncustomary and breaking with recent tradition, the Minister had also introduced revenue measures outside the traditional taxing statutes such as the Fish Act, The Mining Act, The Tobacco Control Act, The Traffic and Road Safety Act, and The External Trade Act. Such proposals in the past were brought under the Finance Act until this was dropped following a 'rift' with the respective agencies under which the mandate of implementing these Acts falls.

Following Acts were amended

- Income Tax Act
- Value Added Tax (Amendment) Act, 2021
- Excise Duty (Amendment) Act, 2021
- Tax Procedures Code (Amendment) Act, 2021
- The Stamp Duty (Amendment) Act, 2021
- The Tax Appeals Tribunal (Amendment) Act, 2021
- The Mining (Amendment) Act, 2021
- The Fish (Amendment) Act, 2021
- The Tobacco Control (Amendment) Act, 2021

Income Tax Act

Income Tax Act

Highlights of the Amendments

- Act shall become effective 1st July 2021
- The object of this Act is to amend the Income Tax Act, Cap. 340 to provide for revision of the definition of beneficial owner;
- to revise the tax rate applicable to individuals and companies for purposes of rental income;
- to provide for a ceiling on deductible expenses on rental income;
- to provide for incentives to manufacturers; to define the date of submitting the application for tax refund;
- to provide for the due date of the payment of income tax;
- to discontinue the concurrent deduction of initial allowance and deductions on depreciation of an asset; and
- for other related matters

1. **Definitions**:
1 **(ea)** substituting for the definition of "**beneficial owner**" the following —
"**beneficial owner**" means -
(a) natural person who has final ownership or control of another person or a natural person on whose behalf a transaction is conducted, and includes a natural person who exercises absolute control over a legal person.

This definition is more or less similar to the current definition of beneficial owner. This definition is aligned to the Anti Money Laundering Act and the OECD definition of beneficial owner.

(b)in **relation to trusts** includes-the settlor; the trustee; the protector; the beneficiaries; and any other natural person exercising absolute control of the trust;
(c)in relation to other legal arrangements similar to trusts, the natural person holding equivalent positions referred to in subparagraph (b);"

- ***The above definition of "beneficial owner" is largely relevant for purposes of benefits derived from the Double Taxation Agreements (DTAs) and the attendant Limitation of Benefits (LOB) clauses in domestic legislation (Section 88(5) ITA);***
- ***It will become difficult day by day to access benefits under DTA if the individuals (natural persons) owning offshores companies are not residents of the respective countries.***
- ***Note that the DTAs do not define "Beneficial owner" and reliance has in the past been placed on case law;***
- ***It is also always a clause in the DTAs that any changes in domestic legislation affecting the agreed terms of the DTAs be communicated to the counterparts for agreement or comment before enactment;***
- ***It remains to be seen how LOB clauses in domestic legislation paly out since they are clearly treaty overrides. Some jurisprudence is need in this area.***

(b)inserting immediately after the definition of "company" the following-
"(na) "**consideration**" includes, the total amount in money or 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 paid or payable on, or by reason of, the supply other than tax, reduced by any discounts or rebates allowed and accounted for at the time of the supply or sale;"

- ***Although this definition is similar to the definition under the VAT Act, we do not see the relevance because under the VAT Act, the definition is used to determine the tax base on which VAT is to be levied;***
- ***The same principle cannot apply for Income tax because income is income howsoever determined.***

(c)by substituting for paragraph (bb) (i) (B) the following –
(B) a religious, charitable or educational institution whose object is not for profit;

There has been confusion as to what constitutes public character other than the non -profit motive;
With this amendment, it will be easier for NOT-FOR-PROFIT institutions including education establishments to seek an EXEMPT Ruling from the Commissioner without the requirement to prove public character.

3. Amendment of section 5 of the principal Act

Section 5 of the principal Act is amended by inserting immediately after subsection (2) the following-

"(2a) For purposes of subsection (2), a person who earns rental income from more than one rental building shall account for the income and expenses of the buildings and shall pay tax for each of the buildings separately."

This Proposal was rejected by Parliament. We are only highlighting it to show the importance and specific focus Government is attaching to Rental Tax;

This would have meant that owners of various rental properties would have been required to account for tax for each building separately.

4.Amendment of section 21 of the principal Act (This Section deals with Income Exempt from Tax)

Section 21 of the principal Act is amended in subsection (1)-

(a) by repealing paragraph (z);

- ***Paragraph z, (now repealed) provided for exempt of income derived from Agro-processing;***
- ***The paragraph has been repealed because similar exemptions have been provided for in paragraph (af).***

(b)by inserting immediately after paragraph (af) (vi) the following-

"(vii) "manufacture chemicals for agricultural and industrial use, textiles, glassware, leather products, industrial machinery and electrical equipment, sanitary pads and diapers."

- ***The 10-year tax holiday is extended to the mentioned sectors on top of those sectors already existing for qualifying investors;***
- ***To qualify, a foreigner has to invest 10 million USD, or 300,000 USD for citizens, or 150,000 USD for citizens who invest upcountry; uses at least 75% of locally sourced raw materials, and employs 75% of employees citizens - earning an aggregate wage of at least 75% of the wage bill.***

5. Amendment of section 22 of the principal Act (This section provides for deductions)

Section 22 of the principal Act is amended in subsection (1) by substituting for paragraph (c) the following-

"(c) in case of rental income, seventy five percent of the rental income as expenditure and losses incurred by a person in the production of such income.";

- ***Previously, the deductions allowed for rental income for individuals was 20% of the income;***
- ***Further, individuals were allowed a threshold (tax free amount) of 2,820,000, a deduction for interest incurred on mortgages and the tax rate applicable was 20% of the reminder. This gave an effective tax rate of between 16-18%;***
- ***Previously for Limited companies, there was no limitation of deductions and the tax rate applicable was 30%. This gave companies a very low effective tax as low as 2.5% in some cases.***
- ***With this amendment, the same rules apply to both individuals and companies (75% deduction) and the tax rate 30%. This gives rise to an effective tax of 7.5%!***
- ***However, note that the wording of the provision is contrary to the record of the Hansard of Parliament where it was agreed that the 75% deductions should merely be an upper limit and should be subject to verification by URA. If this is rectified, the effective rate shall inevitably rise to above 20% in some cases since it is very difficult to incur or justify 75% expenses for rental income.***

6. Amendment of section 27 of the principal Act (Depreciable Assets)
Section 27 of the principal Act is amended in subsection (2), by-
(a)substituting for the word "four" the word "three";

Classes of depreciable assets for purposes of allowable depreciation have been reduced from four (4) to three (3) and qualifying plant. Machinery and fixtures reclassified;
Computers and data handling equipment have remained in Class I at 40% depreciation;
All plant and machinery used in farming, manufacturing and mining have been put in Class II at 30%;
All other plant and machinery, furniture together with automobiles (buses and goods vehicles etc previously at 35%) have been classified in Class III at 20%;
Therefore, effective 1st July, new wear and tear Schedules have to be drawn to reflect these changes.

(b)inserting immediately after subsection (15) the following-
"(16) Subject to subsection (4), a deduction for the depreciation of an asset that qualifies for initial allowance under section 27A (1) shall be deferred to the next year of income."

- ***This means that where a piece of equipment qualifies for Initial Allowance, that piece shall NOT in the same year be subject to depreciation allowance. The depreciation shall be applied from the following year;***
- ***Previously, both Initial allowance and depreciation would be applicable in the same year. Note that Initial allowance is applied once and depreciation is applied on declining balance.***

7. Amendment of section 29 of the principal Act (Industrial Building Deduction)
Section 29 of the principal Act is amended by inserting immediately after subsection (1) the following-
"(1a) Subject to subsection (1), a deduction for the depreciation of an industrial building that qualifies for initial allowance under section 27A (4) shall be deferred to the next year of income."

- ***This means that where a new industrial building qualifies for Initial Allowance, that building shall NOT in the same year be subject to depreciation allowance. The depreciation shall be applied from the following year;***
- ***Previously, both Initial allowance and depreciation would be applicable in the same year. Note that Initial allowance is applied once and depreciation is applied on straight line basis for 20 years for industrial buildings on the cost of construction.***

8. Amendment of section 50 of the principal Act (Capital Gains cost base)
Section 50 of the principal Act is amended by inserting immediately after subsection (2), the following-
"(3) Where as a result of the application of this Act, a gain or loss on disposal of an asset is subject to tax being a gain or loss, the cost base of the asset is calculated on the basis that each item of cost or expense included in the cost base shall be determined according to the following formula = CB x CPID / CPIA
Where:
CB is the amount of an item of cost or expense incurred determined in accordance with section 52 (2);
CPID is the Consumer Price Index number published for the calendar month of sale; and
CPI A is the Consumer Price Index number published for the month immediately prior to the date on which the relevant item of cost or expense was incurred.
(4) Subsection (3) shall not apply to an asset that is sold within twelve months from the date of purchase."

- ***The most progressive provision so far because it avoids taxation of inflation as has been the case;***
- ***This means that for purposes of determining the capital gains on sale of assets, the cost base shall be indexed (Indexation) to the reasonable value based on or by reference the Consumer Price Index (CPI) published for the month in which the sale takes place and the CPI published for the month immediately prior to the date of purchase;***
- ***For example, if a person purchased a business asset, say a building in March 2010 at 100,000,000 UGX, and sold it in August 2021 at 150,000,000 UGX, (Assume the CPI published for August 2021 – month of sale is 7 and the CPI published for February 2010 – month immediately prior to date of purchase is 5), The cost base for this commercial building for purposes of determining capital gains as at August 2021 shall be 100,000,000 *7/5 = 140,000,000;***
- ***From the above example, the capital gain would be 10,000,000 UGX and NOT 50,000,000 as it would have been before the amendment;***
- ***Note that indexation does not apply to an asset sold within 12 months from date of purchase.***

9. Amendment of section 54 of the principal Act (Exemptions from Capital Gains tax)
Section 54 of the principal Act is amended by inserting immediately after subsection 1 (d) the following-
"(e) capital gains arising from the sale of investment interest of a registered venture capital fund if at least fifty percent of the proceeds on sale is reinvested within the year of income;
(1a) Notwithstanding the provisions of subsection (1) (e), a registered venture capital fund shall be entitled a non-recognition of a gain or loss that is equivalent to the percentage of proceeds reinvested."

- ***Provides for non-recognition of gain or loss on disposal or sale of investment interest (shares) by a Venture capital fund if at least 50% of the proceeds are reinvested within the year of Income.***
- ***This is also a progressive development especially for investment and financing of projects in light of the high cost of credit in Uganda;***
- ***The only draw back is that the exemption /non recognition of gain or loss is tied to reinvestment by the Venture capital fund within a year and only to the extent of the reinvestment;***
- ***Secondly, the law does not state where the reinvestment should take place; Is it in Uganda or anywhere in the world or in what asset to invest in (must it still be shares in another company?). The most likely interpretation is reinvestment in Uganda;***
- ***For example, where a venture capital fund (VCF) invested 100,000,000 UGX in Company X in 2010, and sold its shares in Company X in August 2021, at UGX 400,000,000 then Reinvested UGX 250,000,000 in Company Y, the following shall apply to the gain:***
    - ***The rules of indexation shall apply to determine the gain;***
    - ***Since 62.5% of the proceeds (UGX 250,000,000) is reinvested, 62.5% of the gain shall not be recognised for capital gains;***
    - ***37.5% of the gain shall be subject to tax; and The VCF may repatriate the balance after tax.***

10. Amendment of section 88 of principal Act
Section 88 of the principal Act is amended by inserting immediately after subsection (3) the following-
(3a) Where an international agreement provides for automatic exchange of information for tax purposes, the Commissioner shall in accordance with the regulations made by the Minister facilitate the automatic exchange of information."

- ***This is basically for the Commissioner to comply with the requirements of Automatic Exchange of Information as provided for in the Regulations;***
- ***This applies to those non- resident persons doing business in Uganda where information related to their businesses and financial transactions (for tax purposes) have to be reported to the countries of origin automatically – This means that information shall be relayed without a request for it.***

11. Insertion of section 93A

The principal Act is amended by inserting immediately after section 93 the following-
"93A. Due date for the payment of tax
The tax due under this Act shall be payable—
(a) in the case of a taxpayer subject to section 20 of the Tax Procedure Code Act, 2014, on the due date for furnishing of the return of income to which the assessment relates; or
(b) in any other case, within forty-five days from the date of service of the notice of assessment."

- ***This is re-enactment of the provisions of tax due date which had been inadvertently repealed by the Tax Procedures code. Intended to create clarity as to due dates of payment of tax;***
- ***Section 20 of the TPC deals with self- assessments and the due date for payment is the due date of filing the return of income. For example, if the due date of filing a return for a person whose accounting date is 31st December is June 30th, then the due date of payment shall be 30th June.;***
- ***For other assessments other than self-assessments, the due date shall be 45 days from date of service of an assessment.***

12. Amendment of section 113 of the principal Act (Refund of tax)

Section 113 of the principal Act is amended by inserting immediately after subsection (4) the following-
"(4a) A taxpayer shall be deemed to have submitted an application for refund referred to in subsection (4), on the date the application is received by the Commissioner.
(4b) Notwithstanding the provisions of subsection (4a), where the Commissioner requests for additional information, the application for refund shall be deemed to have been submitted on the date when the additional information is received by the Commissioner."

- ***This is basically a provision that creates clarity as to the date from which interest on refunds should be computed.***

13. Amendment of First Schedule to principal Act

The first Schedule to the principal Act is amended by inserting the following in the alphabetical order-
"African Export – Import Bank; and
International Union for Conservation of Nature."

- ***This is a Schedule for Listed Institutions. These institutions are exempt from tax by virtue of Section 21(1)(a) of the ITA.***

14. Third and Sixth Schedules:

- ***We have already explained the changes in the Third Schedule regarding rate of rental tax to 30% across the board for companies and individuals;***
- ***We have also explained changes in the Sixth Schedule in respect of depreciable assets classifications.***

Value Added Tax (Amendment) Act, 2021

Value Added Tax (Amendment) Act, 2021

An Act to amend the Value Added Tax Act, Cap. 349;

- to provide for the timelines within which to apply for input tax credit;
- to provide for the refund of tax for use of electronic receipts or invoice;
- to impose a strict liability for violation under penal tax; and
- to provide tax incentives to investors by exempting certain supplies from Value Added Tax

1. Amendment of Value Added Tax Act
The Value Added Tax Act Cap. 349, in this Act referred to as the principal Act is amended in section 1 by repealing section 1(aa), the definition of biodegradable packaging material;

- ***Repealed because the provision relating to exemption of these materials was repealed. A house cleaning provision.***

2. Amendment of the principal Act
The principal Act is amended by-
(a) renumbering section 20 as subsection (1);
(b) inserting immediately after subsection (1) the following-
"(2) An import of a service is an exempt import if the service would be exempt had it been supplied in Uganda."

3. Repeal of section 20A
The principal Act is amended by repealing section 20A.

- ***These provisions are already existing. No change apart from the re-numbering of the provisions.***

4. Amendment of section 28 of the principal Act
Section 28 of the principal Act by inserting immediately after subsection (14) the following –
"(14a) A taxable person under this section shall apply for input tax credit within six months from the date of the invoice."

- ***Section 28 of the VAT Act is generally about credit for input tax.***
- ***Previously, there has been no time limited within which to claim input tax credit in respect of an invoice. This probably created matching and reconciliation challenges;***
- ***Strict rule to ensure all invoices are claimed within a 6-month period from date of invoice. Take note seriously.***

5. Amendment of section 31A of principal Act

Section 31A of the principal Act is amended by inserting immediately after subsection (1) the following-

"(1a) Notwithstanding subsection (1), a taxable person who supplies services in Uganda under section 16(2), shall lodge a tax return with the Commissioner General within fifteen days after the end of three consecutive months."

- ***Section 16(2) of the VAT Act is about supply of services by largely non-resident persons such as those providing radio or television broadcasting services received at an address in Uganda, for example Multichoice;***
- ***This new provision requires such persons to lodge and account for VAT on the said supplies after every three (3) months instead of after every month like other taxable persons.***

6. Insertion of section 45A

The principal Act is amended by inserting immediately after section 45 the following-

"45A Refund of tax for use of electronic receipt or invoice

A person other than a taxable person who purchases goods or services from a taxable person and is issued with an electronic receipt or invoice worth ten million shillings within a consecutive period of thirty days, shall be entitled to a refund of five percent of the tax paid."

- ***This is a new provision intending to provide incentives to consumers (final consumers non-taxable or non-registered persons) to demand electronic receipts/invoices;***
- ***The provision does not apply to registered persons because registered persons claim VAT input tax absolutely;***
- ***The person will receive a rebate of 5% of the VAT paid on the UGX 5,000,000 purchases within a period of 30 consecutive days;***
- ***For example, assume VAT 5,000,000 worth of purchases =762,000. 5% *762,000=UGX 38,100 Which the person receives as a rebate.***

7. Amendment of section 65 of the principal Act

Section 65 of the Act is amended in subsection (6) by repealing the words "knowingly or recklessly".

- ***This is one of the most serious and punitive amendments this year;***
- ***By repealing the words 'knowingly or recklessly, the Commissioner shall no longer be required to make a determination as to whether you knew that you made an error or whether you knew but did not care about the mistake a person made in their declarations;***
- ***Offences under Section 65 (6) of the Act such as making a false or misleading statement in a material particular, material omissions from a statement made, shall be strict liability offences;***
- ***The penalty for the above offences is double the amount of tax discovered as a result of the omissions;***
- ***This is to discourage material errors in return declarations. No more room for error. Although materiality is not defined. In the Act.***

8. Amendment of the First Schedule to the principal Act

The First Schedule to the principal Act is amended by inserting the following in the alphabetical order-

"African Export – Import Bank; and

International Union for Conservation of Nature."

- ***Like under the Tax Act, this Schedule contains Listed Institutions entitled to some VAT relief. They usually claim refunds of all VAT paid in the course of their official duties in Uganda.***

11. Amendment of the Second Schedule to the principal Act
The Second Schedule to the principal Act is amended in paragraph 1-
(a) by repealing subparagraphs (vv), (ww) and (xx);

- ***Paragraph (vv) on incentives for tourism and hotel repealed because it was similar to Paragraph (qq);***
- ***Paragraph (ww) repealed – supply of production inputs into iron ore smelting into billets and the supply of billets for further value addition in Uganda no longer exempt from VAT. This is probably because the provision tended to favour imported billets other than local billets which were targeted by the law;***
- ***Paragraph (xx) repealed, the supply of production inputs into limestone mining and processing into clinker in Uganda and the supply of clinker for further value addition in Uganda no longer exempt from VAT. Probably also tended to favour imports of clinker.***

(b) by inserting immediately after subparagraph (hhha), the following-
"(hhab) the supply of liquefied gas and denatured fuel ethanol from cassava;"

- ***LPG and Fuel ethanol from cassava now exempt from VAT.***

(c) by inserting immediately after subparagraph (lll) the following-
"(mmm) the supply of services to a manufacturer, other than a manufacturer referred to in subparagraph (pp), whose investment capital is, at least thirty million United States Dollars for a foreign investor or United States Dollars five million for a local investor, to conduct a feasibility study, or to undertake design and construction, or in the case of any other manufacturer, from the date on which the manufacturer makes an additional investment equivalent to thirty million United States Dollars for a foreign investor or five million United States Dollars for a local investor-
(i) who has the capacity to use at least seventy percent of the raw materials that are locally sourced, subject to their availability; and
(ii) who has the 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."

- ***This extends the incentives to other manufacturers other than those already listed in other provisions but with more stringent thresholds;***
- ***Unlike the other specifically listed sectors in Paragraph (pp)where the threshold is 10 million USD for a foreign investor and 300, 000 USD for a local investor, here the threshold is 30 million USD for foreign investor and 5 million USD for local investor. This is because the sectors listed in Paragraph (pp) are considered more strategic for the economy, for example, agro-processing, medical appliances, medical sundries, pharmaceuticals etc.***

12. Amendment of Third Schedule to the principal Act
The Third Schedule to the principal Act is amended in paragraph 1 by substituting for subparagraph (k) the following-
"(k) the supply of leased aircraft, aircraft engines, spare parts for aircraft, aircraft maintenance equipment and repair services;"

- ***Basically, to make services to Uganda airlines cheaper. Zero rating of supplies has the same effect as a subsidy.***

EXCISE DUTY (AMENDMENT) ACT, 2021

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Excise Duty (Amendment) Act, 2021

An Act to amend the Excise Duty Act, 2014;

- to repeal subsections (10), (11) and (12) of section 5 relating to the renewal of certificate of registration of manufacturers, importers and providers of excisable goods and services;
- to provide for rebate on the excise duty paid on a plastic packaging; and
- to amend Schedule 2 to vary the excise duty in respect of opaque beer, locally manufactured non- alcoholic beverages, plastics, airtime, value added services and internet;
- to provide for an incentive to a manufacturer other than a manufacturer referred to in item 21 whose investment capital is, at least fifty million United States Dollars

1. Amendment of the Excise Duty Act, 2014
The Excise Duty Act, in this Act referred to as the principal Act, is amended in section 5 by repealing subsections (10), (11) and (12);

- ***The repeal of these subsections of Section 5 of the Act means that after registration for excise duty, there shall be not requirement for renewal or application thereto for excise duty licence;***
- ***Previously, the excise duty licence was valid 12 months from the date of issue.***

2. Amendment of section 10 of the principal Act
Section 10 of the principal Act is amended by inserting immediately after subsection (3a) the following-
"(3b) The Commissioner may, if satisfied that excise duty was paid on plastic packaging-
(a) for exported goods;
(b) for medicaments; or
(c) manufactured from recycled plastics, remit the excise duty paid under this Act.
(3c) For purposes of subsection (3b) (c), the Commissioner shall not remit the excise duty paid on plastic packaging manufactured from recycled plastics, unless the recycled plastics used in the manufacture of the plastic packaging is at least fifty percent of the raw material used."

- ***This provision means that remission or refund of excise duty has been extended to plastic packaging for exported goods, medicaments, or manufactured from recycled plastics;***
- ***Remission means that the excise duty incurred in the process in respect of the packaging including at importation will be refunded;***
- ***Previously, excise duty was remitted only on exported excisable goods;***
- ***For plastic packaging manufactured from recycled plastics, the recycled material must be at least 50% of the raw material to qualify for remission.***

3. Amendment of Schedule 2 to the principal Act
Part 1 of the Second Schedule

Item No.	Product or service	Old rate	New rate	Comments
2(d)	Opaque Beer	30% or Shs. 650 per litre, whichever is higher.	20% or Shs. 230 per litre whichever is higher.	• Encourage manufacture of more hygienic beer; • Recall that production of opaque beer had been stopped by the manufacturers because of the high tax.
2(e)	Any other alcoholic beverage locally produced	New	20% or Shs. 230 per litre whichever is higher.	• New imposition • Targeting new craze of these beverages. Examples-Ntungasaze, Kumbuchas, etc

Item No.	Product or service	Old rate	New rate	Comments
5(d)	Any other non-alcoholic beverage locally produced other than the beverage in 5(a) {sodas} made out of fermented sugary tea solution with a combination of yeast and bacteria	New	12% or Shs. 250 per litre whichever is higher	• New imposition; • Kituzi, Kirungi, Kazeire, etc
8(a)	Motor spirit(gasoline)	Shs. 1350 per litre	Shs. 1450 per litre	• Increase of Shs. 100 per litre
8(b)	Gas oil (automotive, light, amber for high-speed engine	Shs. 1030 per litre	Shs. 1130 per litre	• Increase of Shs. 100 per litre
11	Plastic product and plastic granules	120% or Shs. 10,000 per kg of the plastic bags	2.5% or USD 70 per ton, whichever is higher	• Changes in description of the product(s)
13(b)	Over the Top (OTT) services	Shs. 200 per user per day of access	Repealed	• OTT Abolished
13(c)	Internet data, except data for provision of medical services and education services	NIL	12% of the fee charged	• Replacement of OTT
13(e)	Value added services	20%	12%	• Reduction by 8%
25(a)	Any other fermented beverages made from imported cider, perry, mead, spears or near beer	NEW	60% or Shs. 950 per litre whichever is higher	• Previously almost classified controversially as beers or spirits.
25(b)	Any other fermented beverages made from locally grown cider, perry, mead, spears or near beer	NEW	30% or Shs. 550 per litre whichever is higher	• Previously almost classified controversially as beers or spirits • Distinction made from imported ciders etc.
26	Construction materials of a manufacturer, other than a manufacturer referred to in Item 21, whose investment capital is at least 50 million USD, or in case of a manufacturer, who makes an additional investment equivalent to 50 million USD	NEW	NIL	• Additional incentives for other manufacturers not previously listed in other exemptions under item 21.

TAX PROCEDURES CODE (AMENDMENT) ACT, 2021

Tax Procedures Code (Amendment) Act, 2021

An Act to amend the Tax Procedures Code Act, 2014, Act 14 of 2014

- to define "tax decision";
- to impose an obligation on a local authority, Government institution or regulatory body to issue a licence to only a person who has a tax identification number;
- to provide for penal tax relating to tax stamps;
- to provide for alternative dispute resolution mechanism for tax objections;
- to prescribe the powers of the commissioner during investigations;
- to revise offences and penalties in the Act

2. Amendment of Tax Procedures Code Act, 2014

The Tax Procedures Code Act, 2014 in this Act referred to as the principal Act is amended in section 3 by substituting for the definition of "tax decision" the following—

""tax decision" means—

(a)a tax assessment; or

(b)a decision on any matter left to the discretion, judgment, direction, opinion, approval, satisfaction or determination of the Commissioner other than—

(i)a decision made in relation to a tax assessment;

(ii)a decision to refuse, issue or revoke a practice note or an omission to issue or revoke a practice note;

(iii)a decision or omission that affects a tax officer or employee or agent of the Authority;

(iv)the compoundment of an offence under any tax law; or

(v)a decision to refuse, issue or revoke a private ruling or an omission to issue or revoke a private ruling;".

- ***The amendment has made exceptions to what amounts to a tax decision;***
- ***It is curious to note that some decisions such as to refuse, issue or revoke a private ruling is not a tax decision;***
- ***This means that where a taxpayer requests for a private ruling, complies with the requirements, but the Commissioner declines to issue the ruling, the decision of the Commissioner is not a tax decision challengeable in TAT;***
- ***However, this seems to be in contradiction of Section 1(k) of the TAT Act, which defines a 'tax decision 'as any assessment, determination, decision or notice. This needs to be reconciled.***

3. Amendment of section 5 of principal Act

Section 5 of the principal Act is amended by inserting immediately after subsection (8) the following—

"(9) A local authority, Government institution or regulatory body shall not issue a licence or any form of authorisation necessary for purposes of conducting any business in Uganda to any person who does not have a tax identification number including a tax identification number issued by foreign tax authorities with whom Uganda has a tax treaty or agreement for the exchange of information."

- ***This is a duplication of what is already provided for under section 135(3) of the Income Tax Act. The only addition is the recognition of foreign TINs. No penalty is provided for breach;***
- ***Local Authorities and MDAs to note.***

4. Amendment of section 9 of the principal Act

Section 9 of the principal Act is amended by—

(a)inserting immediately after subsection (5) the following—

"(5a) A person who is not registered as a tax agent under this section shall not act as a tax agent."; and

(b)substituting subsection (6) the following—

"(6) This section does not apply to an advocate acting as an advocate to a tax payer under section 8 (3) (b) and (c)."

- ***To affirm that a person not registered as a tax agent shall not act as one. This was previously not explicitly stated;***
- ***Also clarifies matters to which an advocate may represent a taxpayer without need for registration;***
- ***Where an advocate intends to prepare, certify, file returns or other statements on behalf of a taxpayer, then for these matters, the advocate must register as a tax agent.***

5. Amendment of section 14 of principal Act

Section 14 of the principal Act is amended—

(a) in subsection (2), by substituting for the word "agents", the word "tax representatives";

(b) in subsection (5), by substituting for the word "agent", the word "tax representative".

- ***To clear the confusion created by using the words 'agent' and 'representative 'interchangeably;***

6. Amendment of section 19B of principal Act

Section 19B is amended by inserting immediately after subsection 4 the following—

"(5) Where the offender under subsection (4) attempts to acquire or acquires or sells a tax stamp without goods, the offender shall be liable, on conviction, to a fine not exceeding five hundred currency points or to imprisonment for a term not exceeding five years or both.

(6) A person, who acquires tax stamps with the authority of the Commissioner and affixes the tax stamps on goods other than the goods approved by the Commissioner, commits an offence is liable, on conviction, to double the tax due on the goods or five hundred currency points, whichever is higher.

(7)For purposes of this section "tax" means tax imposed under the Excise Duty Act, 2014."

- ***The provisions provide for more offences related to misuse or abuse of Tax Stamps under the Excise Duty Act.***

7. Amendment of section 23 of principal Act
Section 23 of the principal Act is amended—
(a) in subsection (3) by substituting for the words "twelve months" the words "three years"; and
(b) in subsection (6) (d), by repealing the word "due".

- ***This provision now allows a person who has furnished a self -assessment return and discovers an error in the return, may apply for leave to make an additional assessment within three (3);***
- ***Previously, the time frame for making an additional assessment has been 12 months;***
- ***The provision does not apply when a taxpayer's return is being investigated or audited;***
- ***The repealing of the word 'due' in subsection (6)(d) is to remove the confusion created by the word in respect of the usual due date of paying taxes under other provisions.***

8. Amendment of section 24 of principal Act
Section 24 of the principal Act is amended—
(1)by inserting immediately after subsection (10) the following—
"(11) A tax payer who is dissatisfied with a decision of the Commissioner may apply to the Commissioner to resolve the dispute using alternative dispute resolution procedure, as may be prescribed.
(12) For the purposes of subsection (11), the Minister may make regulations to provide for alternative dispute resolution for tax purposes."

- ***This is a new and novel provision which creates another tier of appeal after an objection decision has been made before a taxpayer proceeds to TAT and seems to call for negotiation;***
- ***Although in practice there has been some form of appeal against objection decisions, this practice was not enshrined in the law;***
- ***We shall await the Minister's Regulations to exactly understand how this plays out. For example, who shall constitute the appeal membership committee, who shall chair it, how binding shall the agreement be on the Commissioner, etc.***

9. Amendment of section 38 of principal Act
Section 38 of the principal Act is amended by repealing subsection (2);

- ***This subsection dealt with the order of payment of tax in terms of age, where any payment made has been allocated to the earliest liability first;***
- ***With the repeal, the confusion created by the everchanging ledger balances should be over;***
- ***It is not clear whether URA had actually interpreted the meaning of 'earliest' liability correctly. Rather than take the date of assessment, URA interprets earliest liability by reference to the would have been retrospective due date of payment.***

10. Amendment of section 54 of principal Act
Section 54 of the principal Act is amended—
(a) in subsection (1), by substituting for the words "twenty five" the word "fifty"; and
(b) in subsection (2), by substituting for the word "fifty" the words "one hundred".

- ***This change enhances penalty for failure to furnish a tax return upon conviction by court from 25 currency points (UGX. 500,000) to 50 currency points (UGX. 1,000,000);***
- ***In subsection (2), where court has convicted a person, and the person still fails to file a return within the time specified by court, the penalty has been enhanced from 50 currency points (UGX.1,000,000) to 100 Currency points (UGX.2,000,000) upon further conviction.***

11. Amendment of section 55 of principal Act
Section 55 of the principal Act is amended in subsection (1), by substituting for the words "twenty-five" the words "one hundred".

- ***Enhances penalty for failure to comply with certain obligations under the Act, such as Agency Notice issued, notice to tax representative to file a return, access to records and premises, notice to obtain information etc, upon conviction from 25 currency points (UGX.500,000) to 100 currency points (UGX.2,000,000)***

12. Amendment of section 56 of principal Act
Section 56 of the principal Act is amended by substituting for the words "forty- eight currency points or imprisonment not exceeding two years or both" the words "one hundred currency points or imprisonment for a term not exceeding six years or both".

- ***Enhanced penalty upon conviction for the offence of failure to maintain proper records from 48 currency points to 100 currency points. Custodial sentence also enhanced from 2 years in prison to 6 years upon conviction;***
- ***Very serious penalty for record keeping.***

13. Amendment of section 57 of principal Act
Section 57 of the principal Act is amended in subsection (1), by substituting for the words "twenty-four currency points or imprisonment not exceeding one year or both" the words "one hundred and fifty currency points or imprisonment for a term not exceeding six years or both".

- ***Enhanced penalties for use of false TIN on tax return knowingly or recklessly.***

14. Amendment of section 58 of principal Act
Section 58 of the principal Act is amended by substituting for the words "forty- eight currency points or imprisonment not exceeding two years or both" the words "two hundred currency points or imprisonment for a term not exceeding ten years or both".

- ***Enhanced penalty for knowingly or recklessly making false or misleading statements upon conviction.***

15. Amendment of section 59 of principal Act
Section 59 of the principal Act is amended by substituting for the words "forty-eight currency points or imprisonment not exceeding two years or both" the words "two hundred and fifty currency points or imprisonment for a term not exceeding ten years or both".

- ***Enhanced penalty for obstructing a tax officer in the performance of duties under a tax law upon conviction.***

16. Amendment of section 60 of principal Act

Section 60 of the principal Act is amended by—

(a)numbering the provision as subsection (1); inserting immediately after subsection (1) the following—

"(2) Where the offender under subsection (1) is a tax agent, the tax agent shall be liable to a fine equal to double the tax evaded or not exceeding two hundred and fifty currency points whichever is higher, or to imprisonment for a term not exceeding five years, or both."

- ***Enhanced penalty for aiding or abetting a tax offence;***
- ***Where the offender is a tax agent, the tax agent shall be liable to a fine equal to double the tax evaded or up to 5 years in prison or both. Very stringent penalty for agents.***

17. Amendment of section 61 of principal Act

Section 61 of the principal Act is amended by substituting for the words "forty-eight currency points or imprisonment not exceeding two years or both" the words "two hundred and fifty currency points or imprisonment not exceeding ten years or both".

- ***Enhanced penalty for offences related to recovery of tax such as rescuing goods that are a subject of an order of attachment etc.***

18. Amendment of section 62 of principal Act

Section 62 of the principal Act is amended—

(a)in subparagraph (i), by substituting for the words "fifty currency points or imprisonment not exceeding two years or both" the words "one hundred and fifty currency points or imprisonment not exceeding six years or both"; and

(b)in subparagraph (ii), by substituting for the words "twenty five currency points or imprisonment not exceeding one years or both" the words "fifty currency points or imprisonment for a term not exceeding two years or both";.

- ***Enhanced penalty for offences relating to registration such as failure to apply for registration, failure to notify the Commissioner of a change in registration particulars, failure to apply for cancellation of registration.***

19. Insertion of section 62A to the principal Act

The principal Act is amended by inserting immediately after section 62 the following—

62A. Offence relating to acting as a tax agent without registration

A person who is not registered as a tax agent who acts as a tax agent commits an offence and is liable on conviction to fine not exceeding twenty-four currency points or to imprisonment not exceeding one year or both."

- ***New provision providing for an offence relating to a person who acts as a tax agent without registering as such and the attendant penalty.***

20. Amendment of section 63 of principal Act

Section 63 of the principal Act is amended—

(a) in subsection (1), by substituting for the words “forty-eight currency points or imprisonment not exceeding two years or both” the words “one hundred and fifty currency points or imprisonment for a term not exceeding six years or both”;

(b) in subsection (2), by substituting for the words “forty-eight currency points or imprisonment not exceeding two years or both” the words “one hundred and fifty currency points or imprisonment for a term not exceeding six years or both”; and

(c) in subsection (6), by substituting for the words “fifty currency points or imprisonment not exceeding two years or both” the words “one hundred currency points or imprisonment for a term not exceeding six years or both”.

- ***Enhancement of penalties in relation to offences by tax officers seeking gratification.***

Note: The TPC is pregnant with amendments of higher and stiffer penalties. This means that the URA is braced to take prosecution as a key activity in a bid to enforce voluntary compliance. We are likely to see more and more taxpayers dragged to court for infractions which have been hitherto ignored. The belief is that a good tax system is one which can impose penalties and recover them. Whether this is sustainable in light of our judicial system clogs is a debate for another day.

Please be on the look so that none of us falls victim of these likely trend.

THE STAMP DUTY (AMENDMENT) ACT, 2021

The Stamp Duty (Amendment) Act, 2021

An Act to amend the Stamp Duty Act, 2014,

- to provide for an incentive to a manufacturer, other than a manufacturer referred to in item 60A (b), whose investment capital is at least fifty million United States Dollars;
- to clarify the requirements for incentives on strategic investments projects

2. Amendment of Stamp Duty Act, 2014
The Stamp Duty Act, 2014 is amended in Schedule 2—
(a) by substituting for item 60A (iii) the following—
"(iii)capacity to use at least fifty percent of the locally produced raw materials, subject to availability";
(b) by substituting for item 60A (iv) the following—
"(iv) capacity to employ a minimum of one hundred citizens;" and
(c)by inserting immediately item 60A (e), the following—
"(f) a manufacturer, other than a manufacturer referred to in item 60A (b)—
(i)in case of a new manufacturer who, subject to availability, has capacity to use at least seventy percent of the locally produced raw materials, and employs at least seventy percent citizens with an aggregate wage of at least seventy percent of the total wage bill of the new manufacturer and whose investment capital is, at least fifty million United States Dollars; or
(ii) in the case of an existing manufacturer who, subject to availability, has capacity to use at least seventy percent of the locally produced raw materials, and employs at least seventy percent citizens with an aggregate wage of at least seventy percent of the total wage bill of the existing manufacturer from the date on which the manufacturer makes an additional investment equivalent to fifty million United States Dollars—
(aa) debenture; whether a mortgage debenture or not, being of a marketable security – of total value;
(bb) further charge; any instrument imposing a further charge on a mortgaged property – of total value;
(cc) lease of land – of total value;
(dd) increase of share capital;
(ee) transfer of land;
(ff) an agreement to provide services on conducting a feasibility study or developing a design for construction.";

- ***The requirement for existing investors to be able to use 75% of locally produced raw materials to access stamp duty exemptions under the existing regime has been reduced to 50%;***
- ***The requirement to employ 75% of employees being citizens has been changed to a specific number of 100 citizens;***
- ***Further incentives have also been introduced for other manufactures to access stamp duty exemptions on the listed instrument other than the strategic investors earlier provided for. However, these extended incentives have a higher investment threshold of 50 million USD.***

(d)in item 56 by inserting the word "entry" immediately after the word "of" appearing at the end of item 56; and

- ***Small addition, not significant change of this item.***

(e)by substituting for item 57 the following—
"57 instrument of settlement or an instrument revoking the settlement including a deed of dower 15,000/="

- ***Nominal stamp duty on instrument of settlement or revocation of such settlement.***

The Tax Appeals Tribunal (Amendment) Act, 2021

- An Act to amend the Tax Appeals Tribunal Act, Cap. 345 to provide for the right of appeal from the decisions of the High Court to the Court of Appeal and the Supreme Court

2. Amendment of Cap 345

The Tax Appeals Tribunal Act, Cap. 345, in this Act referred to as the principal Act is amended by inserting immediately after section 27 the following—

"27A. Appeals to Court of Appeal from decisions of High Court

(1) A party to proceedings before the High Court may, within thirty days after being notified of the decision or within such further time as the Court of Appeal may allow, lodge a notice of appeal with the registrar of the Court of Appeal, and the party so appealing shall serve a copy of the notice of appeal on the party to the proceedings before the High Court.

(2) An appeal to the Court of Appeal may be on questions of law only, and the notice of appeal shall state the question or questions of law that will be raised on the appeal.

(3) The Court of Appeal shall inquire and determine the appeal expeditiously and shall declare its findings not later than sixty days from the date of filing the appeal.

- ***This a is very significant amendment;***
- ***Previously, no appeal as a matter of law existed under the TAT Act. Now, a taxpayer may appeal the decision of High Court to the Court of Appeal without seeking leave of the Court of Appeal;***
- ***The Appeal to court of Appeal only lies on questions of law;***
- ***Also significant is that the law has provided a time frame of not more than 60 days has been set by law within which the Court should determine the matter. Although this is novel and good practice to expedite tax cases, bearing in mind the clog in the judicial system, we wonder whether this is achievable unless special court of appeal is set up.***

27B. Appeals to Supreme Court from decisions of Court of Appeal

(1) A party to proceedings before the Court of Appeal may, with leave of court, lodge a notice of appeal with the registrar of the Supreme Court, and the party so appealing shall serve a copy of the notice of appeal on the party to the proceedings before the Court of Appeal.

(2) An appeal to the Supreme Court may be lodged with a certificate of the Court of Appeal that the matter raises questions of law of great public importance or if the Supreme Court in its overall duty to see that justice is done, considers that the appeal should be heard.

(3) The Supreme Court shall inquire and determine the appeal expeditiously and shall declare its findings not later than thirty days from the date of filing the appeal."

- ***Of further significance, a party to proceeding before the Court of Appeal may with leave of court, (unlike the appeal from high court), appeal to the Supreme court;***
- ***A certificate of Court of Appeal that the matters are of great public importance that need the ultimate court to ensure that justice is done;***
- ***The time frame provided to the Supreme court is tighter, only 30 days from the date of filing the appeal.***

3. Amendment of principal Act

The principal Act is amended by substituting for section 28 the following—

"28. Operation and implementation of decision subject to review or appeal

(1) Where an application for review or appeal of a taxation decision has been lodged with a reviewing body, the reviewing body may make an order staying or otherwise affecting the operation or implementation of the decision under review or appeal, or a part of the decision, as the reviewing body considers appropriate for the purposes of securing the effectiveness of the proceeding and determination of the application for review or appeal.

(2)Where the decision maker is required to refund an amount of tax to a person as a result of a decision of a reviewing body, the tax shall be repaid with interest at the rate specified in the relevant law on the amount of the refund for the period commencing from the date the person paid the tax refunded and ending on the last day of the month in which the refund is made.

(3)In this section, "reviewing body" means a tribunal, the High Court, Court of Appeal or Supreme Court, as the case may be."

- ***This is basically aligning the changes to Section 27A above.***

The Mining (Amendment) Act, 2021

- Introduces a levy on processed gold of 5% of the value of a kilogram exported out of Uganda
- Introduces a levy on unprocessed minerals of 10% of the value of unprocessed minerals exported out of Uganda

The Fish (Amendment) Act, 2021

- Introduces a levy on fish maw at 8% of the total value of fish maw which is exported out of Uganda

The Tobacco Control (Amendment) Act, 2021

- A levy of USD 0.8 per kilogram of leaf tobacco exported out of Uganda;
- Leaf tobacco shall not include cutrag, threshed stem, threshed strips, threshed loose leaves or threshed lamina.

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About Us

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