



e -budget news

10th June 2010

“Transforming Our Economy After the Crisis: 2010 and Beyond”

Highlights of budget proposals for the year 2010 - 2011 presented by Honorable Minister of Finance ,Planning and Economic Development , Honourable Syda N.M. Bbumba (MP).

“Strategic Priorities to Accelerate Growth, Employment and Socio-Economic Transformation for Prosperity.” – *extract from budget speech*



Spot light – points to note

Priority Areas of Government in the financial year 2010/2011

- Infrastructure development in roads and energy;
- Promotion of science, technology and innovation to facilitate value addition and employment;
- Enhancing agricultural production and productivity;
- Private sector development and;
- Improving public service delivery.

Fiscal Legislation

General Taxes:

- No changes in Income Tax, Personal Tax Bands, VAT rates , Excise Tax Rates , Stamp duty and Withholding tax.

VAT (Value Added Tax)

- VAT on software licence will be exempt as is the case with computers and their software.

Registration Fees for Motorcycles:

- Reduction of registration Fees for Motorcycles by U Shs. 80,000 from U Shs.222,800 to Shs,141,400.

Manufacturing Industries:

- The duty remission for the list of Uganda industrial inputs has been extended for one year to enable manufacturers to remain competitive.
- The Minister also agreed to maintain the current structure of the Common External Tariff of 0%, 10%, and 25%.

Transport Industries:

- No application of the CET rate of 25 percent for buses and trucks for one year to ease the transport of persons and goods.

Petroleum Tax legislation:

- There has been an integration of procedure for the assessment and collection of petroleum revenue in the Income Tax Act. Details of this are contained in the Income Tax Act (Amendment) Bill.

Pre-shipment Inspection:

- In response to private sector concerns, Government has decided to review the policy regarding the re-introduction of pre-shipment inspection on imports to the country.



Other spot lights

Economic Performance:

- ✓ The economy grew by 5.8% in real terms in 2009/10, compared to 7.2% growth recorded in 2008/09. Anticipated growth for 2010/11 is around 6.5%.

Inflation:

- ✓ Inflation is down from 13.9% last financial year, to 4.4% by the end of May 2010, the aim is to keep it at 5%.

Exchange Rates:

- ✓ The dollar fell from Shs.2,100 in July 2009 to Shs.1,874 in November 2009. However, it appreciated to Shs.2200 in May 2010.

Interest Rates:

- ✓ Lending rates have decreased from 21.8% in August 2009 to 19.6% in January 2010 though the rates are high as compared to EAC average rate of 15%.

International Trade:

- ✓ Exports recorded unprecedented growth in the tea, tobacco, and fish sectors that grew by 25%. Tobacco sector recorded phenomenal growth of 369% in the fiscal year.
- ✓ Imports have however, reduced by 6.1% in the fiscal year.

Capital Market:

- ✓ During the fiscal year there was IPO of National Insurance Corporation that was over – subscribed.



- ✓ The Security central depository is now functional as the country moves towards Automated Trading Systems that will further enhance the growth of the capital markets.

Infrastructural Developments:

- ✓ The Government has allocated an additional USD 50 Million for road rehabilitation in Kampala. An additional USD 60 Billion has been allocated towards road maintenance.

Pension and Gratuity:

- ✓ Ush. 124 Billion have been allocated to clear outstanding pension and gratuity arrears.

Health Sector:

- ✓ USD 130 Million has been earmarked to be spend for 5 years for improving maternal and reproductive health outcomes.

National Development Plan:

- ✓ The Government has embarked on the strategic five year plan up to 2014/15 with transition from the Poverty Eradication Action Plan to National Development Plan.



Sector analysis:

Industry:

- ✓ The Government is motivated in growing the Special Economic Zone (SEZ) and has identified as additional locations for set up.
- ✓ Various Act like Mortgage Act , Trade Secrets Act, Partnership Act, and Hire Purchase Act, were passed during the fiscal year to strengthen the legal framework of carrying on business in the country

Agriculture, forestry and fishing:

- ✓ Agricultural sector grew by 2.4% in the fiscal year in spite of an unusual decline of 7.3% in the fishing sub-sector.
- ✓ The government has established an Agricultural Credit Facility of Ushs. 60 Billion Contributed equally by the government and commercial bank.

Banking Sector:

- ✓ 21 new bank branches have been opened in the fiscal year. The government is also working towards amending the Financial Institutional Act, 2004 for growth of Islamic Banking.

Contact us

Kampala

Anil Patel, Partner

Plot 5, 2nd Floor, Katego Road, Opp British High Commission, ,
Off Kira Road, Kamwokya, Kampala
Uganda

Postal Address

P. O. Box 7158, Kampala
T (256) 41-4380380
F (256) 41-4378200
E kampala@gtuganda.co.ug

Jinja

Bipin Shah (Partner)

Parag Shah (Partner)

Grant Thornton House, Plot 13
Iganga Road, Jinja,
Uganda

Postal Address

P. O. Box 1123 , Jinja
T (256) 43-4120358
F (267) 43-4120360
E gtuganda@gtuganda.co.ug

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