

# Tax Amendment Bills 2020

*April 4, 2020*



# Income Tax (Amendment) Bill 2020

Dear Esteemed Client,

The Hon. Minister of Finance, Planning and Economic Development tabled the Tax Amendment Bills 2020. The bills are due for discussion and if passed into law, will take effect from 1st July 2020.

Please find below a brief of what is contained in the Income Tax Amendment Bill 2020, including our understanding of it's implications and comments, if any.

## **Executive summary of key proposed amendments:**

- 1. Amendment of section 4;** Minimum Alternate Tax @ 0.5% of turnover for taxpayers who have not declared tax liability continuously for 5 years.
- 2. Amendment of section 5, 7, 8 and 22;** - rental income, expenses and tax payable thereon – alignment of allowability of expenditures and tax rates for all class of taxpayers. Effective rental tax of 15% on gross rental income for all taxpayers.
- 3. Amendment of section 21.**
  - a. Exemption of income tax for Deposit Protection Fund.
  - b. Retrospective clarification / revisions of amendments made for exemptions to investments in strategic industries in 2019.
- 4. Amendment of section 22;** Allowability of expenses **only** on receipt of e-invoice from designated suppliers.
- 5. Amendment of section 118B;** withholding tax @ 0.5% on purchase of land (non-business asset).
- 6. Insertion of section 118G and 118H;** withholding tax @ 10% on commission paid to insurance and advertising agents.
- 7. Amendment of section 119;** Re-introduction of withholding tax @ 6% on agricultural supplies.
- 8. Amendment of section 123A;** Mandatory requirement of Tax Clearance Certificate for the transport service providers.
- 9. Amendment of section 130;** Mandatory filling of withholding tax returns.
- 10. Amendment of the Second Schedule;** Introduction of new tax regime for small businesses.

**Details of all the amendments with its implications and comments, if any.**

**1. Amendment of section 4; Minimum Alternate Tax**

*The Income Tax Act, in this Act referred to as the principal Act, is amended in section 4 by inserting immediately after subsection (2), the following-*

*“(2a): A taxpayer whose declared tax liability for a consecutive period of five years of income is an arithmetic average of less than 0.5 percent of gross income shall pay a minimum tax at a rate of 0.5 percent of the gross turnover after the sixth year.”*

**Implications:**

Since the tax authorities have been observing non-payment of any income tax by various taxable entities, Government is proposing to introduce a Minimum Alternate Tax, in situations where the taxpayers have declared average tax liability for the previous FIVE YEARS less than 0.5% of their gross income.

**Comments:**

This tax is in addition to existing income tax payable.

The amendment is not clear as to whether this Minimum Alternate Tax is payable in sixth year or after sixth year.

**2. Amendment of section 5, 7, 8 and 22; Rental income, expenses and tax payable thereon**

*Section 5 of the Principal Act is amended*

- a) in subsection (2), by substituting for paragraph (d) the following—  
“(d) where the person is a partnership, the tax shall be imposed on the individual partners.”*
- b) by substituting for subsection 3(b) the following—  
“(b) expenditures and losses incurred by a person in the production of the rent shall be allowed as deduction under this Act for any year of income only as provided for in section 22(1) (c);*
- c) in subsection (3), by repealing paragraph (c) and (d);*
- d) by inserting immediately after subsection (3), the following—  
“(3a). A person who earns rental income from more than one building shall account for the income and expenses of the buildings and shall pay tax for each of the buildings separately”*

*Section 7 of the principal Act is amended in sub section (2) by substituting for the words “Part II” the words “Part VI”*

*Section 8 of the principal Act is amended in sub section (5) by substituting for the words “Part III” the words “Part VI”*

*Section 22 of the principal Act is amended*

- a) *in subsection (1)—*  
    (i) *by substituting for paragraph (c) the following—*  
        “(c) *in case of rental income, fifty percent of the rental income as expenditures and losses incurred by a person in the production of such income.*”  
    (ii) *by repealing paragraph (ca)*

**Implications:**

All the taxpayers to be allowed a blanket deduction of 50% of gross rental income received irrespective of expenses incurred (including interest expenses). The remaining balance will be charged at 30%. In a nutshell, income tax @ 15% on the gross rental income will become payable for all taxpayers.

**Comments:**

This amendment seeks to simplify the rental tax regime and limit any ambiguities that lead to tax avoidance. There will be a negative impact however, of this amendment for the companies whose sole source of income is rental income as they will be restricted to claim expenses attributable to rental income only up to 50% of gross rental income.

The area which requires clarity is, what happens to unutilized rental taxable losses of previous years.

With the above interpretation, we need to clarify the reason for introduction of Section 5(3a) in the Income Tax Act.

**3. Amendment of section 21; Clarification / revisions of Amendments made in Exemptions regime in 2019**

- 3.1 *Section 21 of the principal Act is amended in subsection (1)—*  
    (a) *by inserting immediately after subsection (1) (w) the following—*  
        “(wa) *income of the Deposit Protection Fund established under section 108 of the Financial Institutions Act, 2016;*”;

**Implications**

The income of above fund is exempt from Income Tax.

- 3.2 *by substituting for paragraph (af) the following—*  
    “(af) *the income of an operator in an industrial park or free zone or the income of any other person carrying on business outside the industrial park or free zone and the investment capital of that operator or that other person, over a period of at least ten years from the date of commencement of business, is at least ten million United States Dollars, in the case of a foreigner or one million United States Dollars, in the case of a citizen, or in the case of an existing operator or other person carrying on business outside the industrial park or free zone, from the date on which the operator makes an additional investment equivalent to ten million United States Dollars in the case of a foreigner or one million United States Dollars in the case of a citizen who,*

*subject to availability, uses at least fifty percent of locally sourced raw materials and employs at least one hundred citizens and*

- i. processes agricultural goods;*
- ii. manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobile, household appliances;*
- iii. manufactures furniture, pulp, paper, printing and publishing of instructional materials;*
- iv. establishes or operates vocational or technical institutes;*
- v. carries on business in logistics and ware housing, information technology or commercial farming; or*
- vi. manufactures tyres, footwear, mattress or toothpaste*

3.3 *by repealing paragraph (ag)*

3.4 *by inserting immediately after subsection (1) the following-*

*(1a) An operator in an industrial park or free zone or any other person carrying on business outside the industrial park or free zone who carries on any of the businesses who seeks to benefit from the income tax exemption provided for under section 21 (1) (ae) and (af) shall declare in their tax return for a year of income the qualifying income and its related expenses.*

*(1b) The qualifying income referred to in subsection (1a), shall be the income attributable to the qualifying investment made in Uganda to be determined as follows—*

***I \* A/B***

*Where:*

*I – the sum of gross income and exempt income of the person for the year of income, before accounting for the qualifying income;*

*A – the total amount of investment made by an investor from the beginning of the year of income in which the investment becomes a qualifying investment;*

*B – the sum of amount of the qualifying investments and the total investment made before the commencement of the current year of income;*

*(1c) The expenses which are related to the qualifying income shall be determined as follows:*

***E \* F/G***

*Where:*

*E – the total allowable deductions for the year of income as provided for under the Act;*

*F – Qualifying income calculated under subsection (1b);*

*G – the sum of gross income and exempt income of the person for the year of income, before accounting for the qualifying income;*

*(1d) For purposes of subsection (1) (af), the date of commencement of business of the investor shall be the later of the 1st day of the year of income or the first day during the year of income of which the qualifying generates income*

*(1e) For purposes of subsection (1b), where a qualifying investment is still under construction or assembling, the amount in the qualifying investment shall be cumulated to the year of income in which the qualifying investment starts to generate income.*

### **Implications:**

The proposal now makes it clear that the industry sector, investment limits, number of citizens employed and use of raw materials are the **only** determining factors for claiming exemption and whether the investment is in industrial park or free zone, is not relevant anymore.

The bill also prescribes formulae for calculating the qualifying amount of exemption.

### **Comments:**

The self-declaration and computation of qualifying amount of exemption, has the propensity to be misinterpreted and will involve various tax disputes in future, which is not in the interest of the country as well as investors. We therefore suggest that there should be clearly defined guidelines and procedures for applying for exemptions prior to the commencement of business and not rely on self-declarations.

The formulae do not relate with the provision and intention of the law and it requires more deliberation.

Since the confusion surrounding investments in industrial park, free zone or outside is continuing with the proposed amendment it would have been easier for everyone to understand the incentive, if it was drafted as stated herein below:

Section 21(af) – income of any person, who fulfill all the following conditions:

- a. Investment in excess of USD 10 million (In case of a foreigner) or USD 1 million (In case of a citizen) on or after July 1, 2019; and
- b. Engaged in any of the following business activities and;
  - i. Processing of agricultural goods;
  - ii. Manufacturing or assembling of medical appliances, medical sundries or pharmaceuticals, building materials, automobile, household appliances;
  - iii. Manufacturing of furniture, pulp, paper, printing and publishing of instructional materials;
  - iv. Establishes or operates vocational or technical institutes; or
  - v. Carries on the business in logistics and warehousing, information technology or commercial farming; or
  - vi. Manufacturing of tyres, footwear, mattresses or toothpaste
- c. Uses at least fifty percent of locally sourced raw materials, subject to availability; and
- d. Employs at least one hundred citizens

We also feel that to avoid any misinterpretation, the above stated industries should be defined in the Act, moreover, the term, “qualifying investment” has not been defined in the Bill.

**4. Insertion of section 22(2)(n); Claim of expenditure on purchase from persons designated to use E-Invoicing system**

*Section 22 of the principal Act is amended—*

*in subsection (2) by inserting immediately after paragraph (m) the following—*

*“(n) expenses of a person who purchases goods or services from a supplier who is designated to use the e-invoicing system unless the expenses are supported by e-invoices or e-receipts.”*

**Implications / Comments:**

If the proposed bill is passed into law, every taxable person will have to confirm whether their supplier of goods and services are designated to issue e-invoice or e-receipt and if so, ensure to collect ONLY e-invoice or e-receipt from the designated supplier to be eligible to claim the same as tax deductible expense.

**5. Amendment of section 118B: Withholding tax on purchase of land (non-business asset)**

*Section 118B of the principal Act is amended by inserting immediately after subsection (2), the following*

*“(3) A resident person who purchases land, other than land, which is a business asset, from a resident person shall withhold tax at a rate of 0.5% of the purchase price.”*

**Implications:**

Any resident person buying land which is not to be used in business is liable to deduct withholding tax at 0.5% of the purchase price.

**Comments:**

In our opinion, it would be difficult to monitor the adherences to the provision of this amendment as a non-businessperson might not have registered with the tax authorities.

**6. Insertion of section 118G & 118H; Withholding on commission paid to insurance and advertising agent**

*The Principal Act is amended by inserting immediately after section 118F the following*

*“118G. Withholding of tax on commission paid to an insurance agent.*

*An insurance service provider who makes a payment of a commission to an insurance agent shall withhold tax on the gross amount of the payment at the rate prescribed in Part XIII of the Third Schedule.*

*118H. Withholding of tax on commission paid to an advertising agent.*

*A person who makes payment for a commission to an advertising agent shall withhold tax on the gross amount of the payment at the rate prescribed in Part XIII of the Third Schedule.”*

**Implications:**

The above two proposals is an expansion of the withholding tax regime to include insurance and advertising agents. The rate of WHT is 10%.

**Comments:**

The above is applicable even if payee is WHT exempt and payer is not a withholding agent.

**7. Amendment of section 119; Withholding tax on agricultural supplies reinstated by removing subsection 119(5)(h) from exclusion subsection 119(5)**

*Section 119 of the principal Act is amended in subsection (5), by repealing paragraph (h).*

**Implications:**

The above proposed amendment re-instates withholding tax on agricultural supplies. With this proposed amendment WHT at 6% is applicable on agricultural supplies.

However, this is not applicable if payer is not a designated WHT agent or if payee is exempt from WHT.

**Comments:**

The pertinent question here is what agricultural supplies are defined as, which will have to be clarified by URA.

As far as the intention is to widen the tax base, it causes injustice to WHT agents as they are mandated to deduct WHT as opposed to a taxpayer who is not a WHT agent and are not legally required to withhold tax under Section 119. Moreover, considering the past experience of outcry by farmers for their deduction of even 1% WHT earlier, the rate of WHT should have been adjusted to the lower end.

**8. Amendment of section 123A; Mandatory requirement of Tax Clearance Certificate for the transport service providers**

*Section 123A is amended by—*

*(a) by renumbering section 123A as subsection (1).*

*(b) by inserting immediately after subsection (1), the following.*

*“(2) A taxpayer who provides a passenger transport service or a freight transport service under subsection (1), shall be required to obtain a tax clearance certificate from the Commissioner in accordance with section 43 of the Tax Procedure Act, 2014 before renewal of operational licences.”*



**Implications:**

The operators engaged in providing passenger or freight cargo services will be required to apply and obtain tax clearance certificate from URA and submit the same at the time of renewal or application of its operational license.

**Comments:**

These are further efforts by government to ensure synergies between URA and other government agencies and enhance timely tax compliances.

**9. Amendment of section 130; Filing of Withholding tax returns by the withholding agents making payments of withholding taxes**

*Section 130 of the principal Act is amended by inserting immediately after subsection (4) the following.*

*“(5) A withholding agent who makes a payment subject to withholding tax under sections 83 to 86 and 117 to 119 shall furnish a return of withholding tax for every month in the Form specified by the Commissioner not later than fifteen days after the end of every month to which withholding tax relates.”*

**Implications:**

With the above proposed amendment, any taxable person deducting WHT (whether the taxpayer is WHT designated agent or not) must file monthly WHT Return on or before 15<sup>th</sup> of the following month. This will increase the compliances by every taxpayer, as they will be required to file WHT return, even if they did not deduct any WHT during a particular month.

Non filing of monthly WHT returns will lead to penalties as per Section 48 of TPC Act, as well as risk of getting default assessments.

**10. Amendment of the Second Schedule; Introduction of new tax regime for small businesses**

*The Second Schedule to the principal Act is amended by substituting for Part 1 and Part II the following-*

*“1. The amount of tax payable for purposes of section 4(5) is—*

<b>Gross turnover</b>	<b>Tax rates per year without records</b>	<b>Tax rates per year with records</b>
Where the gross turnover of the taxpayer does not exceed Ugx. 10,000,000 per annum	Nil	Nil
Where the gross turnover of the taxpayer exceeds Ugx. 10,000,000 but does not exceed Ugx. 30,000,000 per annum	Ugx 80,000	0.4% of the annual turnover in excess of Ugx. 10,000,000
Where the gross turnover of the taxpayer exceeds Ugx. 30,000,000 but does not exceed Ugx. 50,000,000 per annum	Ugx 200,000	Ugx 80,000 plus 0.5% of the annual turnover in excess of Ugx. 30,000,000
Where the gross turnover of the taxpayer exceeds Ugx. 50,000,000 but does not exceed Ugx. 80,000,000 per annum	Ugx 400,000	Ugx 180,000 plus 0.6% of the annual turnover in excess of Ugx. 50,000,000
Where the gross turnover of the taxpayer exceeds Ugx. 80,000,000 but does not exceed Ugx. 150,000,000 per annum	Ugx 900,000	Ugx 360,000 plus 0.7% of the annual a turnover in excess of Ugx. 80,000,000

**Implications / Comments:**

Section 4(5) of the Income Tax Act legislates for resident taxpayers with a gross turnover of less than Ugx. 150,000,000 to account for their taxes on this income using the thresholds denoted on Second Schedule of the Income Tax Act. The proposed legislation change seeks to simplify the method of computation and provide for taxpayers who do not maintain records.

**11. Amendment of the First Schedule; Addition of Islamic Development Bank as listed institutions for the purpose of the Income Tax Act.**

*The First Schedule is amended by inserting immediately after “International Telecommunications Union” the following—  
“Islamic Development Bank”*

**Implications / Comments:**

The income of Islamic Development bank is exempt from Income Tax.

**12. Amendment of the Sixth Schedule; Repealing clarification of Prescribed Areas**

*The Sixth Schedule is amended by repealing Part IV.*

**Implications / Comments:**

The schedule not in use has now been repealed.

**13. Amendment of section 122; Correction in section reference from 118E to 118F**

*Section 122(ab) of the principal Act is amended by substituting for the word “section 118E” the words “section 118F”.*

**Comments:**

The act always intended to consider the Withholding tax on payment of commission for airtime distribution and provision of mobile money services as final tax, but the wrong section reference was given which has now been proposed to be rectified.

**14. Amendment of Part X of Third Schedule; Withholding Tax on betting or gaming**

by substituting for the words “sports betting and pool betting” appearing in in Part X, the words “betting or gaming”.

**Comments:**

The above amendment seeks to synchronize the activities (betting or gaming) mentioned in 118C and in related schedule

# VAT (Amendment) Bill 2020

Please find below a brief of what is contained in the VAT Amendment Bill 2020 including our understanding of its implications and comments, if any.

## **Executive Summary of proposed amendments:**

**Amendment to Section 28 (3):** Six months additional time for manufacturers to claim input tax credit prior to obtaining VAT registration.

**Insertion of subsection 28(4a):** Ring fencing and restriction of input tax credit attributable to commercial properties.

**Insertion of subsection 28(4b):** Input tax credit on electronic invoices.

**Insertion of subsection 42(2b):** Restriction of offsets to be carried forward.

**Amendment to First Schedule:** Addition of Islamic development bank

## **Amendment to Second Schedule:**

- (i) Inclusion of machinery and tools for agricultural purposes.
- (ii) Modifications of conditions to procure certain inputs exempt from VAT for strategic Industries.
- (iii) Supply of digital stamps.
- (iv) Supply of cotton seed cake.
- (v) Exemption from VAT on specific imported services.

## **1. Amendment to Section 28 (3): Extension of timelines for manufacturers to claim input tax credit prior to obtaining VAT registration.**

*The Value Added Tax Act, in this Act referred to as the principal Act is amended in section 28 -*

*(a) by inserting the words “or in case of manufacturers, not more than twelve months before the date of registration” at the end of subsection (3).*

### **Implications:**

Currently every taxable person (irrespective of their industry) are entitled to claim input tax credit on purchases of goods (including capital goods) made prior to six months of VAT registration. With this amendment, it has been proposed to extend this period to **twelve months** for a taxable person engaged in manufacturing activities and for rest of the taxable persons it will continue as six-month period.

### **Comment:**

This will help in reduction of project costs in the manufacturing industry.

## **2. Insertion of subsection 28(4a): Ring fencing and restriction of input tax credit attributable to commercial properties.**

*by inserting immediately after subsection (4) the following -*

*“(4a) An owner of more than one commercial building shall account for tax for each commercial building separately and shall not claim tax credits on inputs used in the construction of an incomplete building against the tax collected from a completed commercial building.*

### **Implications:**

Every commercial building under the same ownership will have to account for input and output taxes separately for each commercial building. Moreover, the input credit in relation to building under construction will not be allowed to be offset against the output tax of other commercial buildings.

This will increase the time and complexities in filing of VAT returns for taxable persons having multiple commercial buildings.

### **Comments:**

With the proposed amendment, the Uganda Revenue Authority (URA) should consider amending current VAT return templates to incorporate building wise reporting.

The amendment is not clear as to whether during the construction period, the input tax credit would be available to be carried forward for the offset against future VAT output from the same commercial building.

The amendment is not clear as to how the input credit related to common costs will be claimed and against which building.

## **3. Insertion of subsection 28(4b): Input tax credit on electronic invoices.**

*(4b) A taxable person who is allowed a tax credit on purchase of goods and services from a supplier who is designated to use the e-invoicing system, shall only claim a tax credit on expenses supported by e- invoices or e-receipts. ”*

### **Implications:**

Any taxable person will ONLY be allowed to claim input tax credit, if they have purchased goods or services from the designated suppliers, who are expected to raise ONLY e-invoice or e-receipt.

### **Comments:**

If the proposed bill is passed into law, every taxable person will have to confirm whether their supplier of goods and services are designated to issue e-invoice or e-receipt and if so, ensure to collect ONLY e-invoice or e-receipt from the designated supplier to be eligible to claim input tax credit.

#### **4. Insertion of subsection 42(2b): Restriction of offsets to be carried forward.**

*Section 42 of the principal Act is amended by inserting immediately after subsection (2a), the following -*

*“(2b) The amount off set under subsection 2(a) shall be for a maximum period of three months after which, the taxable person shall claim a refund in accordance with subsection (1).”*

#### **Implications:**

As per current provisions of VAT Act, a taxpayer can offset any amount available as VAT credit which is below UGX 5,000,000 indefinitely until the same is completely exhausted. Henceforth, even if the credit carried forward is below UGX 5,000,000, it will only be allowed to carry forward the same for three (3) months and thereafter, the taxable person will have to apply for cash refund.

This change will only be effective if URA matches their resources to cover the increased number of refund applications from taxpayers.

#### **Comments:**

The proposed amendment is in line with URA’s administrative approach of ensuring that taxpayers who report VAT credits apply for cash refund as against going through the lengthy refund processes caused by applications constituting lumpsum amounts.

#### **5. Amendment to First Schedule: Addition of Islamic development bank**

*The First Schedule is amended by inserting immediately after “International Telecommunications Union” the following -*

*“Islamic Development Bank”*

#### **Implications**

Islamic Development Bank will be able to claim input tax credit and will be eligible for cash refund.

#### **6. Amendment to Second Schedule (Exempt supplies):**

*The Second Schedule to principal Act is amended -*

*(a) by inserting immediately under paragraph (s) immediately after paragraph (xxxvii) the following -*

*“(xxxviii) trailer for agricultural purposes.*

*(xxxix) combine harvesters.”*

#### **Implications:**

The above assets or consumables will become cheaper for the farmers.

*The Second Schedule to principal Act is amended -*

*(b) by substituting for paragraph (pp) the following -*

*“(pp) supply of services to conduct a feasibility study and design; the supply of locally produced materials for the construction of a factory or a warehouse and the supply of locally produced raw materials and inputs or machinery or equipment, to an operator within an industrial park, free zone or any other person carrying on business outside the industrial park or free zone and whose investment capital is at least ten million United States Dollars in the case of a foreigner or one million United States Dollars in the case of a citizen for ten years who, subject to availability, uses at least fifty percent of locally sourced raw materials and employs at least one hundred citizens and -*

*(i) processes agricultural goods.*

*(ii) manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobile, household appliances.*

*(iii) manufactures furniture, pulp, paper, printing and publishing of instructional materials;*

*(iv) establishes or operates vocational or technical institutes;*

*(v) carries on business in logistics and ware housing, information technology or commercial farming; or*

*(vi) the manufacture of tyres, footwear, mattress or toothpaste;”.*

#### **Implications:**

The government further proposes to add strategic industries specified in (vi) above.

#### **Comments:**

Though the exemptions provided to the strategic industry sectors are welcome, since the supplier of material and services will not be able to claim their Input taxes in relation to such supplies, the full benefit may not be passed on to the strategic industries.

*The Second Schedule to principal Act is amended -*

*(c) by inserting immediately after paragraph (eee) the following -*

*“(fff) supply of digital stamps for purposes implementing tax verification, quality and safety system.*

#### **Implications:**

The bill proposes to exempt supply of digital stamps to the specified industries. As such this will reduce the cost of implementation of digital stamps in the country.

*The Second Schedule to principal Act is amended -*

*(ggg) supply of cotton seed cake.*

#### **Comments:**

The supply of cotton seed cake has been area of ambiguity between taxpayer and the revenue authority. The current wording of the exempt schedule to the VAT Act only provides exemption to unprocessed food stuffs and unprocessed agricultural products. The current proposal as such seeks to provide clarity as well as bridge the gap in relation to degree of processing on cotton seed cake by considering it as an exempt supply.

*The Second Schedule to principal Act is amended -  
(kkk) the supply of processed milk.”  
(jjj) the supply of liquefied gas.*

**Implications:**

The common man of the country may benefit from reduction in the price of milk as well as LPG.

*The Second Schedule to principal Act is amended -  
(hhh) the supply of the following imported services -  
(i) software and equipment installation services to manufactures;  
(ii) services incidental to tele-medical services; and  
(iii) royalties paid in respect of agricultural technologies.*

**Implications:**

In order to reduce the costs of importation of services, the bill now proposes to eliminate VAT on the following imported services:

- The importation of software and installation of equipment for the manufacturer;
- The import of services in form of tele-medical service in order to further improve medical facilities in country; and
- In order to further harness the capabilities in agriculture sector, the royalties paid in respect of agricultural technologies.

*The Second Schedule to principal Act is amended -  
(III) the supply of accommodation in tourist hotels and lodges located up-country.*

**Implications:**

This change will increase Uganda’s competitiveness with neighboring countries as the accommodation in lodge will become cheaper.

**Comments:**

It is our expectation that URA would come up with the list of areas which can be classified as up-country.



# The Stamp Duty (Amendment) Bill 2020

Please find below a brief of what is contained in the Stamp Duty (Amendment) Bill 2020 including our comments and it's implications:

## Proposed Amendments:

**Amendment to Schedule 2;** *The Stamp Duty Act, 2014, in this Act referred to as the principal Act is amended in Schedule*

(a) *by inserting immediately after item 63 the following*

"63A	<i>Professional licence or certificate</i>	<i>100,000/=</i> "
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## Implications:

Stamp duty payable on documents related to Professional license or certificates is Ugx 100,000

## Comments:

Holders of professional license and certificates now must endeavor to pay stamp duty in order to validate their documents

(b) *by substituting for item 60A (iii) the following—*

*“(iii) capacity to at least source fifty percent of the locally produced raw materials, subject to availability;”*

) *by substituting for item 60A (iv) the following—*

*“(iv) capacity to employ a minimum of one hundred citizens; and”*

## Implications:

Description	Current Legislation	Proposed Legislation
Utilizing of Local raw Material for the purpose of production to qualify for exemption	seventy percent of the raw materials used are sourced locally, subject to their availability;	capacity to at least source fifty percent of the locally produced raw materials, subject to availability;”
Employees minimum numbers of citizens	directly employs a minimum of one hundred citizens;	capacity to employ a minimum of one hundred citizens;

## Comments:

The Government appears to be embracing a more liberal approach to the criteria's of Stamp duty exemption in line with amendments made to Income Tax Act, VAT Act and Excise Duty Act.

## Excise Duty (Amendment) Bill 2020

Please find below a brief of what is contained in the Excise Duty Amendment Bill 2020 including our understanding of its implications and comments, if any:

### Executive Summary of proposed Amendments:

Amendment to Part II of Schedule 2: Change in rates of various excisable items:

No	Excisable item	Category	Current legislation	Nature of proposal	Proposed legislation
1	Cigarettes	a). Soft cup Locally manufactured  Imported	Shs.55,000 per 1,000 sticks Shs.75,000 per 1,000 sticks	Change in rate	Shs.75,000 per 1000 sticks
	Cigarettes	b). Hinge lid Locally manufactured  Imported	Shs.80,000 per 1,000 sticks Shs.100,000 per 1,000 sticks	Change in rate	Shs.120,000 per 1000 sticks
2	Beer	a) Malt beer	60% or Shs. 1860 per litre, whichever is higher	Change in rate	60% or Shs. 2050 per litre, whichever is higher
	Beer	b) Beer whose local raw material content, excluding water, is at least 75% by weight of its constituent	30% or Shs. 650 per litre, whichever is higher	Change in rate	30% or Shs. 790 per litre, whichever is higher
	Beer	c) Beer produced from barley grown and malted in Uganda	30% or Shs. 950 per litre, whichever is higher	Change in rate	30% or Shs. 1,115 per litre, whichever is higher
3	Spirits	a). Un-denatured spirits made from locally produced raw materials	60% or Shs. 2000 per litre whichever is higher	Change in rate	60% or Shs. 1500 per litre whichever is higher
	Spirits	c). Ready to drink Spirits	80% or Shs. 1500 per litre whichever is higher	Change in rate	80% or Shs. 1700 per litre whichever is higher
4	Wine	a) Wine made from locally produced raw materials	20% or Shs.2000, per litre, whichever is higher;	Change in rate	20% or Shs.2300, per litre, whichever is higher;
5	Non-alcoholic	a). Non-alcoholic beverages not including fruit or vegetable juices.	11% or Shs.185 per litre, whichever is higher.	Change in rate	12% or Shs.250 per litre, whichever is higher.

	Non-alcoholic	b). Fruit juice and vegetable juice, except juice made from at least 30% of pulp from fruit and vegetables grown in Uganda.	13% or Shs.300 per litre, whichever is higher.	Change in rate	12% or Shs.250 per litre, whichever is higher.
8	Fuel	a) Motor spirit (gasoline)	Shs.1200 per litre	Change in rate	Shs.1350 per litre
	Fuel	b) Gas oil (automotive, light, amber for high speed engine)	Shs.880 per litre.	Change in rate	Shs.1030 per litre.
	Fuel	d) Gas oil for thermal power generation to national grid	NIL	Change in wording	d) Gas oil for power generation to national grid
	Fuel	e) Illuminating kerosene	Shs.200 per litre	Change in rate	Shs.300 per litre
11	Sacks and bags of polymers of ethylene and other plastics under its HS codes 3923.21.00 and 3923.29.00 except vacuum packaging bags for food, juices, tea and coffee.	Sacks and bags of polymers of ethylene and other plastics under its HS codes 3923.21.00 and 3923.29.00 except vacuum packaging bags for food, juices, tea and coffee.	120%	Change in rate	120% or Shs.10,000 per Kilogram of the plastic bags
15	Motor vehicles	Motor vehicle lubricants	10%	Change in wording	Lubricants HS codes 2710.19.51, 2710.19.52, 3403.19.00 and 3403.99.00 including motor vehicle lubricants except aircraft Lubricant
				Change in rate	15%
19	Motorcycles	Motorcycles at first registration	Shs.200,000	Change in rate	Shs.300,000
21	Operators within an industrial park, free zone, single factory or other business outside the industrial park or free zone	Strategic Sectors	b). exemption is currently applicable to following sectors; i). agro processing ii).Food processing iii).Medical appliances iv).Building materials v).light industry vi).automobile, manufacturing and assembly vii).household appliances and assembly viii).furniture ix).logistics and warehousing x).information technology xi)commercial farming xii) -	Repealing of exemption for light industry and adding of additional sectors	b). Amendment proposes to exempt only the following sectors; i). agro processing ii). Food processing iii). Medical appliances iv). Building materials v) - vi) automobile, manufacturing and assembly vii). household appliances and assembly

					viii). furniture ix). logistics and warehousing x). information technology xi). commercial farming xii). tyres, footwear, mattress or toothpaste
		Criteria attached to raw material usage for strategic sectors	seventy percent of the raw materials used are sourced locally, subject to their availability	Change in percentage	fifty percent of the raw materials used are sourced locally, subject to their availability
24	Fermented Beverages	Including cider, perry, mead, spears, near beer	-	Insertion of new excisable item(s)	60% or Shs.950 per litre whichever is higher.

For any specific query, information or guidance on the above, please feel free to contact us on our email [tax@ug.gt.com](mailto:tax@ug.gt.com)

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Yours sincerely

**Grant Thornton Taxation Services Limited**