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Uganda Budget 2019

13 June 2019

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"This Grant Thornton Budget analysis provides commentary designed to assist you in navigating the increasing complexities of the tax environment.

Across the world it is clear that tax authorities are increasingly learning from, and working with, each other in their quest for higher tax yields. This places more onus on taxpayers to report and be accountable for tax liabilities. Grant Thornton's global network of tax specialists work together to ease the burden on you and your business and to provide practical solutions in support of your growth ambitions."

Introduction

The Ugandan Budget Statement was delivered by the Hon. Minister of Finance, Planning and Economic Development Matia Kasaijja on June 13, 2019. The FY 2019/20 national budget retains the theme **"Industrialization for Job Creation and Shared Prosperity"** which is in line with that of the East Africa Community (EAC) partner states. It also corresponds directly with the second National Development Plan (NDPII) 2015/16 to 2019/20: **"Strengthening Uganda's competitiveness for sustainable wealth creation, Employment and inclusive growth"**

Anil Patel
Managing Partner
Grant Thornton Uganda

Budget 2019 / 2020

The Budget for FY 2019/20 will be implemented in line with the five focus areas of the National Development Plan II which include: Agriculture, Tourism, Minerals, Oil and Gas, Infrastructure development and Human Capital Development. Six thematic growth areas around which the budget implementation would revolve were therefore discussed. These are:

- Harnessing key growth sectors through increased support of agricultural, agri-business and agroindustry; oil and gas; mineral development; and tourism.
- Enhancing private sector growth and development by growing exports, improving avenues for import substitution and expanding economic infrastructure.
- Promoting human capital development by skilling the workforce and fostering healthy living.
- Strengthening public investment management in order to increase return on investment in both public and private sectors.
- Strengthening governance through improved efficiency in public administration and security sustainability.
- Strengthening the financing framework by anchoring it on an effective domestic revenue mobilisation strategy and a responsive debt management strategy.

A focus in the current budget on the following aspects is included within the Tax reforms:

- Enhanced protectionism of Local industries - The tax policy reforms for the financial year 2019/20 are geared at increasing the competitiveness of locally manufactured items against similar imported items.
- Refining of the Investment criteria for Income Tax exemptions - In order to attract more investment in the region, this year's Tax amendments have a keen focus on reducing the investment capital requirement for Income Tax exemptions.

Economic Review

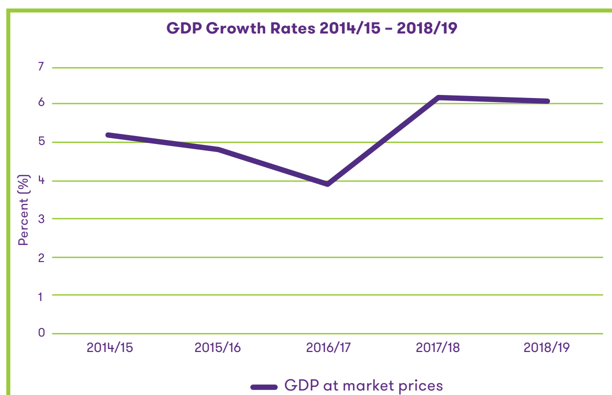
Macro-economic Indicators

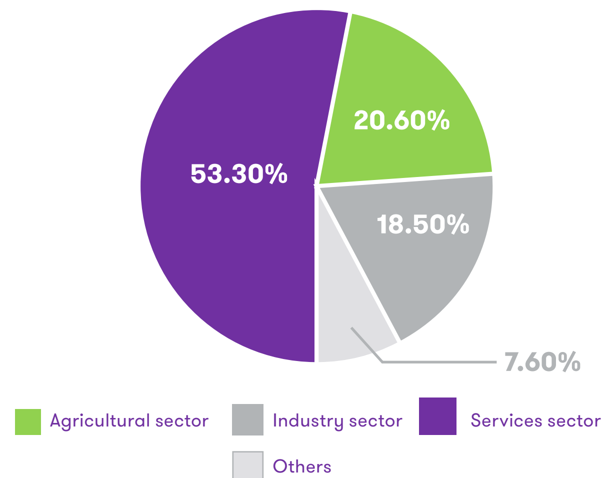
Gross Domestic Product

The country's economic growth has remained relatively stable in FY 2018/19, estimating a growth in Gross Domestic Product (GDP) of 6.1%. This growth has majorly been attributed to increased private and public sector activity as well as a relatively stable global economic environment. The GDP of the economy is estimated at Ushs 109.9 trillion up from Ushs 100.6 trillion at the end of FY 2017/18. The Real GDP per capita increased from USD 797 in FY 2017/18 to USD 825 in FY 2018/19.

Of the total GDP, the services sector contributed 53.3% followed by the agriculture and industry sectors which contributed 20.6% and 18.5% respectively. Sector wise growth was as follows:

- The Agricultural sector grew by 3.8% similar to the growth registered in FY 2017/18. The sector witnessed an increase in food crop, cash crop cultivation as well as growth in forestry and fishing. This was attributed to favorable weather conditions and government intervention to ensure investment in quality inputs and increased access to markets.
- The Industry sector declined in sectorial performance from the 6.1% registered growth in FY 2017/18 to 5.8%. This was attributed to a slowdown in construction, mining and quarrying activities. On the other hand, the manufacturing segment improved to 2.8% compared to 1.7% in FY 2017/18 on account of newly commissioned factories, that have increased industrial activity in food processing, production of cement, iron and steel.
- The Services sector achieved the highest growth of 7.2% (as compared to the other sectors) despite the fact that this was a slowdown from the 7.8% growth registered in FY 2017/18. This was mainly due to the good performance in trade and repairs, transportation and storage, accommodation and food services, financial and insurance activities, real estate activities and human health.

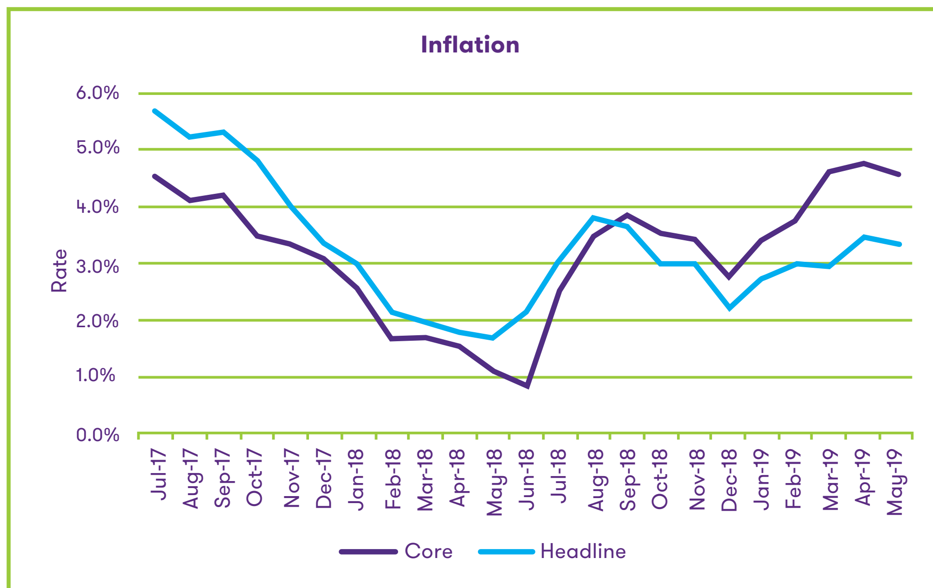




Inflation

In the course of the FY 2018/19, overall inflation was relatively low and within the 5% medium-term target by the Central Bank.

The average core inflation increased by 0.6% to 3.6% during the first 10 months of FY 2018/19. This was due to an upward trend in the first half of the year of communication & transport services. In the ten months to April 2019, the average headline inflation,



despite the increase in core inflation declined to 3.1% compared to 3.7% in the same period during FY2017/18 due to declining food crop inflation as well as stable global oil prices.

Balance of Payments

Uganda has continued to experience trade deficits Uganda has continued to experience trade deficits similar to the trend witnessed over the last couple of years. The current account deficit in FY 2018/19 is projected to widen to about 9.6% of the GDP compared to 6.6% in FY 2017/18. During the 12-month period ending February 2019, preliminary estimates indicate a deficit of USD 56.2 million, compared to the surplus of USD 289.6 million that was recorded in the 12-month period ending February 2018. This was majorly attributed to the value of imported goods that increased by 14.7% to USD 6.2 billion from USD 5.4 billion as well as a widened deficit of services imported by 58.6% from USD 425.1 million to USD 674.1 million over the same period.

Despite the fact that the exchange rate is vulnerable to shocks from external and domestic market forces, between July 2018 and April 2019 the Uganda shilling appreciated against the US Dollar by 0.6% from Ushs 3,760 to Ushs 3,736. The appreciation is majorly attributed to increasing inflows in form of Foreign Direct Investments, Non-Governmental Organizations (NGOs) as well as improved coffee export receipts.

The continued weak position of the shilling is on the account of a relatively lower financial account surplus, higher debt service payments as well as a decline in net supply in foreign exchange during the second half of the FY 2018/19. Going forward, exchange rate volatility is likely to be affected by unpredictable global trade market trends and the persistent current account deficit of the country.

9.6%
Current Account Deficit

USD/UShs 3,736
April 2019

Government Policies

Monetary Policy

Through use of the Central Bank Rate (CBR), an overall accommodative monetary policy stance was maintained which was aimed at boosting private sector credit growth so as to strengthen the economic growth momentum. In this regard, in the FY 2016/17, the CBR rate was reduced drastically from 15% to 10% and this was further reduced to 9% in FY 2017/18. The CBR was increased only once in the current period following the desired boost in credit growth.

During the first quarter of the FY 2018/19, commercial bank interest rates declined to a weighted average of 19.3% from 20.3% in FY 2017/18 reflecting the impact of the adopted monetary policy. However, following the increase in the CBR in October 2018, rates were adjusted to an average of 20.6% for the period between October 2018 and January 2019.

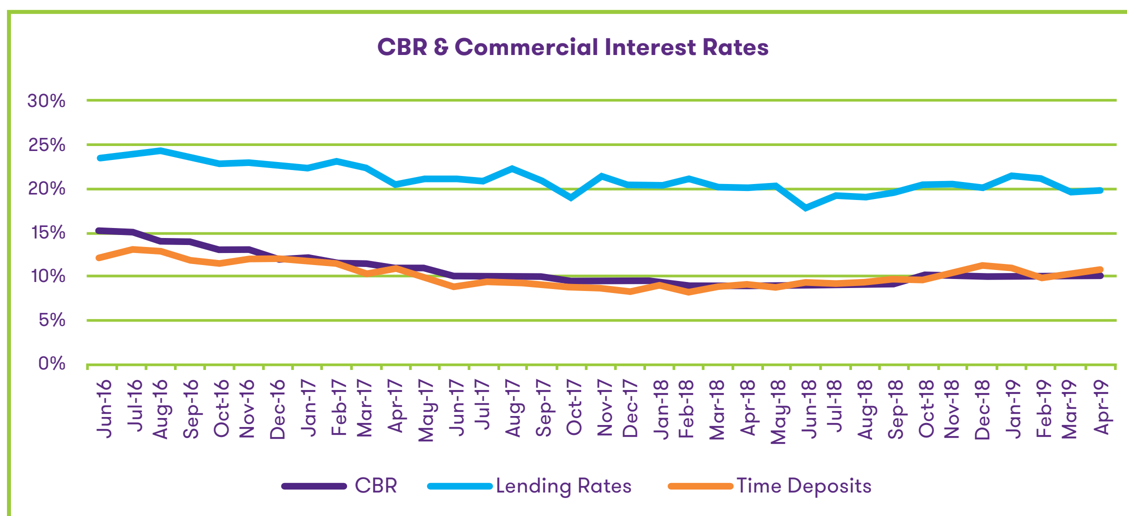
Fiscal Policy

The overall fiscal deficit is expected to close at 5.8% of the GDP (Ushs 6.4 trillion), which is higher by 28% as compared to the previous FY. The total expenditure as a ratio of the GDP has also increased in FY 2018/19 to 22% from 20.1% in FY 2017/18. These impacts are due to the governments increased focus on infrastructure in the current FY.

The overall planned net revenue target for FY 2018/19 was Ushs 16.4 trillion which is expected to be exceeded in the current FY and will amount to 14.7% of the GDP as compared to the previous FY of 14%. Also, by April 2019, these revenues registered a surplus of Ushs 364.5 billion, representing a growth in collection of 16.94% compared to the corresponding 10 month period last year.

The level of public debt was approximately USD 10.74 billion as at the end of June 2018, of which USD 7.29 billion was borrowed externally and USD 3.45 billion borrowed within the domestic market. This translates into 41.5% of GDP in nominal terms and is projected to increase to 42.2% of the GDP by end of June 2019. Despite this increase, this amount still remains below the 50% present value of debt to GDP threshold stipulated in the Charter for Fiscal responsibility, beyond which debt becomes unsustainable.

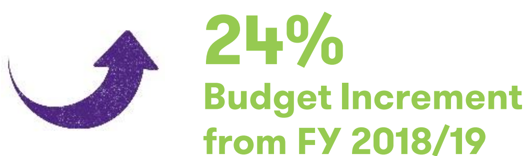
5.8%
Fiscal Deficit



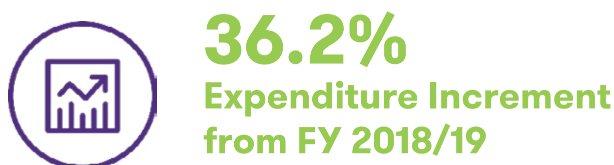
FY 2019/20 Budget

Overview

In line with the Public Finance Management Act 2015, as amended, the budget was approved by Parliament on 24th May 2019. The overall budget for FY 2019/20 has increased by approximately 24% to Ushs 40.5 trillion as compared to Ushs 32.7 trillion allocated in FY 2018/19. This is a significant rise compared to the 13% budget increment recorded in FY 2018/19 from FY 2017/18.



In an attempt to achieve all the targets, overall expenditure is expected to amount to Ushs 33.1 trillion, realizing an increment of 36.2% from last years' allocation. FY 2019/20's expenditure will be equivalent to 27% of the GDP.



The Government's current target is to achieve a tax revenue collection to GDP ratio of 15.5% in line with the National Development Plan II (NDPII) to finance the budget. This target translates to approximately Ushs 18.9 trillion which would be raised through Tax revenues.

Considering the expansionary fiscal policy, the fiscal deficit is expected to grow to a high of 8.7%. Despite the focus towards increasing the infrastructure in the country, the government has ensured that this deficit and debt is sustainable by implementing the Domestic Revenue Mobilization Strategies.

Macroeconomic Indicators

The above budget will therefore work towards realizing the following key macroeconomic indicators:

- GDP of Ushs 121.8 trillion translating into 6.3% growth from FY 2018/19. Major contributors to this growth will include increased private sector activity due to the increased consumer demand. Furthermore, recovery in manufacturing based on public and private construction, growth in trade and repairs, increased agricultural output based on improved productivity and government interventions will also support this sustained growth.
- Increased GDP per capita to USD 1,039 as Uganda aspires to become an upper middle income country by 2040.
- Maintaining inflation at an average forecasted rate of 4.1% within the Central Bank's 5% medium-term target.

6.3%
GDP Growth

Ushs 121.8 tn
GDP

Sectorial Analysis

Agriculture

The country's backbone, agriculture remains a key contributor to economic growth. Employing over 65% of the national population, the agricultural sector contributed up to 20.6% to the GDP in FY 2018/19.The sector realized a growth of 3.8% in FY 2018/19 similar to that registered in FY 2017/18.

3.8%
Growth in FY 2018/19

One of the main drivers during this period include increase in cash crops production of 5.2% compared to the 4.6% growth in FY 2017/18. In addition to this, continued government interventions in extension services and distribution of pesticides, commercialization through commodity development as well as favorable weather conditions have also been key contributors to this sustained growth. Furthermore, strong enforcement against illegal fishing which increased by 11.3% compared to -2.1% realized in FY 2017/18.

During FY 2018/19, various interventions within the Agriculture Sector Strategic Plan (ASSP) to transform subsistence farming into commercial agriculture were undertaken. This plan was set towards increasing agricultural production and productivity, increasing access to critical farm inputs, improving agricultural markets and value addition and improving service delivery.

In an effort to achieve all targets in the ASSP's final implementation year, Government has allocated approximately Ushs 1 trillion of the FY 2019/20 budget. This is approximately 3.2% of the government expenditure intended to:

- Train farmers and extension workers in improved agronomic practices and other new modern production and harvesting technologies.
- Provide a combination of inputs including soil testing kits, fertilizers and improved seeds.
- Launch East Africa's largest organic fertilizer factory in Tororo district, finalize equipment installation for Atiak Sugar Ltd and Bwendero and construct a lint processing plant in Pader district.
- Construct and maintain small scale coffee irrigation systems and launch the 5 year implementation plan for the Coffee Roadmap to accelerate coffee production and exports to 20 million 60 kg bags by 2025.
- Increase agricultural financing through engagement of stakeholders to formulate an Agriculture Insurance Strategy and through EAC, finalize the draft EAC Insurance Bill.
- Construct two model communal aquaculture parks, ensure yield of large commercial species increases by at least 10% annually and approve the Fisheries and Aquaculture Bill, 2018.

Trade and Industry

The government's strategy with regard to trade and industrialization has been maintained at enhancing local products and services, particularly through its Buy Uganda Build Uganda (BUBU) policy. In addition to this, the government embarked on acquisition and development of land to develop 22 industrial and business parks across Uganda. Works have so far been commissioned in a total of 10 industrial parks including four privately owned parks.

Furthermore, the government has endeavored to fulfill its pledge to achieve and implement other trade policy objectives over the medium term to further augment the performance of the sector. It will continue to implement these objectives in the next financial year:

- Enhancing value addition and industrialization to support job creation;
- Stimulating the cooperative movement by mobilizing collective resources through cooperatives;
- Improving the regulatory framework for creating an enabling environment for trade that enhances wealth creation;
- Ensuring implementation of the National Development Export Strategy (NEDS); and Conducting Technical Guidance Inspections and Compliance monitoring field visits aimed at enhancing Implementation of Industrial Development Initiatives.

Furthermore, in order to expand the market for Uganda's exports and enhance industrialization in the country, the government signed and ratified a number of trade and investment agreements in FY 2018/19. These as well were driven by a bid to increase Uganda's competitiveness and attractiveness. The agreements signed included:

- Establishment of the African Continental Free Trade Area (AfCFTA) which once endorsed by at least 22 member states is expected to enable free movement of goods and persons on the African Continent.
- Trade Agreement with Tanzania to address the Non-Tariff Barriers (NTBs) obstructing trade between the two countries which is expected to clear importation of dry agricultural produce, edible oil and sugar from Uganda.

With this, the government has increased the allocation to the sector from 134.1 billion in FY 2018/19 to Ushs 202.8 billion for the FY 2019/20 which is 0.6% of the total budget. During this year, the government plans to implement the following which will further enhance the trade and industry sector:

- Finalization of the agreement between Republic of Uganda and Republic of Sudan on shared protection and promotion of investment.
- Process and finalize a Bilateral Investment Treaty (BIT) between the Republic of Uganda and the Republic of Singapore on Promotion and Protection of Investments.
- Identify and eliminate non-tariff barriers through continuous engagement/negotiations with trading partners especially within the East African Community
- Establish a database of suppliers of exports to improve linkage between exports and local industries then enhance the domestic supply chain for export competitiveness
- Increased promotion of MSMEs (Micro, Small and Medium Enterprises) for industrial development, strengthen Uganda's development and quality infrastructure and processes to guarantee industry competitiveness for MSMEs and increase the number of formalized MSMEs in domestic and export markets.

Ushs 202.8 bn

Allocation to the sector in FY 2019/20

0.6%

Allocation of expenditure in FY 2018/19

Work and Transport

The impact of infrastructure development in economic growth is attributed to the ripple effects it has on all sectors of the economy. For this reason, the government aims to increase stock and ensure quality of the infrastructure to accelerate the country's competitiveness. The works and transport sector growth rides on the bid to facilitate industrialization by connecting manufacturers to markets.

Government targets to increase paved road to 6,000 km by 2020 of which 5,111 were completed by May 2019. In line with the target to start commercial oil production by 2020, preparatory works on key oil roads advanced in FY 2018/19 and physical works on three oil roads equivalent to 363 km out of 600 km were commenced. The rehabilitation of the International Airport has also progressed and is aimed to achieve the desired targets of 3.5 million passengers per year as well as 100,000 metric tonnes of cargo per year.

The budget allocation for this sector has increased by 34% in FY 2019/20 to Ushs 6.4 trillion from Ushs 4.8 trillion in FY 2018/19. In line with the priorities set by the Vision 2040 and the NDP II, the government hopes to achieve the following during this financial year:

- Rehabilitation of up to 3,000 km of roads to increase accessibility to market and services.
- Adopt advanced technology for sustainable maintenance of existing infrastructure.
- Develop the Standard Gauge railway connecting Malaba to Kampala.
- Complete on-going works on rehabilitation of railway networks, ports and airports across the country.

Ushs 6.4 tn

Allocation to the sector in FY 2019/20

34%

Expenditure increment from FY 2018/19

Energy and Minerals

This sector remains imperative for the country's plan to increase industrialization and employment and aims to increase overall energy generation to address the biggest challenge to industrial development which is high costs of power. The population with access to electricity continues to increase with the national electrification rate at 25% in FY 2018/19.

Currently, the country's installed generation capacity is at 1,200 MW but once all ongoing projects are completed, the electricity generation capacity will reach 2,300 MW. In FY 2018/19, Government has so far commissioned seven electricity transmission line projects totaling to 630 km and efforts have been made towards reducing power tariffs to approximately US 5 cents per Kwh from the current US 8 cents per Kwh to enable access to affordable power.

In regard to minerals, developments in the recent past have led to an increased share of GDP to 1.7% in FY 2017/18 from 1.4% in the previous year. The value of gold exports by 2018 had risen to surpass that of coffee as Uganda's leading export commodity earning over USD 555 million.

Oil has continued to be the most promising driver for economic growth due to the infrastructural projects being undertaken ahead of the targeted production by 2022. These projects include: construction of the East African Crude Oil Pipeline, the Oil Refinery, the Kabaale International Airport, oil roads and further exploration activities along the Kingfisher and Tilenga.

For the FY 2019/20, the government has increased the allocation to the sector from Ushs 2.4 trillion to Ushs 3 trillion taking up approximately 9.2% of the current year Government expenditure. This will allow the government to:

- Continue efforts to increase affordable power generation and expand power transmission and distribution infrastructure.
- Promote and monitor petroleum exploration and development in order to increase the reserve base whilst working to achieve local production.
- Streamline petroleum supply and distribution as well as development of petroleum refining, pipeline transportation and bulk storage infrastructure.

Ushs 3 tn
Allocated to sector in FY 2019/20

9.2%
of total expenditure allocated in FY 2019/20

Financial sector

The financial sector remained relatively stable and well capitalized witnessing a number of regulatory changes aimed to increase the overall resilience to both expected and unexpected shocks. The banking sector's total assets grew by approximately 10% in the year ended March 2019. This growth was attributed to the increase in investment in government securities and Private Sector Credit (PSC). Growth in PSC improved to an average of 11.6% for the period between July 2018 and March 2019 compared to 10.4% for the same period in the previous year. This was a result of decreasing Non-Performing Loans (NPL) from 5.3% in 2017 to 3.8% in 2018 resulting from improved economic conditions which consequently created a greater risk appetite of banks.

11.6%
Growth in private sector credit

3.8%
Non-Performing Loans

During FY 2018/19, all economic sectors registered positive credit growth following the recovery of credit to the three dominant sectors namely, trade, manufacturing and real estate. Credit to these sectors had an average increase of 11.6%, 13.3% and 10.3% respectively.

Overall the penetration of the insurance increased from 0.8% in 2017 to 0.85% in 2018 with the Gross Written Premium increasing by 17.5% from Ushs 728.4 billion to Ushs 856 billion over the same period. In terms of market share, non-life insurance constituted 67% whereas life insurance accounted for 25% and HMOs constituting 8%.

0.85%
Insurance Penetration

Going forward, the government intends to launch a strategy for Financial Literacy that will run from 2019 to 2024 mainly aimed to increase financial inclusion. Further to this, regulatory authorities in the sector will continue to strengthen consumer protection through the enhancement of the institutional arrangements associated with consumer empowerment and market conduct.

Information, Communication and Technology

ICT is a critical enabler for the growth of the economy and the increasing use of mobile devices, communication systems as well as expansion of the National Backbone Infrastructure have played significant impact in both domestic and global.

During FY 2018/19, the sector achieved telephony penetration of 60% with up to 35% internet subscribers. Continued to this technology revolution, there is increased uptake of technological initiatives across other sectors such as the financial services evidenced by the speed at which mobile money transactions have been embraced (subscriptions have increased by 5% and the value in daily transactions escalated from Ushs 14.8 trillion to Ushs 18 trillion).

Allocation in the current government expenditure to the ICT sector has marginally reduced to Ushs 146.2 billion from Ushs 149 billion in FY 2018/19. The amount allocated is intended to spur the sector to reduce the cost of doing business, smoothen the flow of information and enable seamless connectivity.

Ushs 146 bn
Allocation in FY 2019/20

In FY 2019/20, the government plans to:

- Improve the regulatory environment to ensure that the sector is responsive to the new technological developments.
- Increase the integration of e-government services to achieve efficiencies and ease in administration.
- Ensure that a robust Information security system is implemented for a secure, reliable and resilient environment capable to respond to cyber threats.
- Implement the National Postcode and Addressing system.
- Promote manufacturing and assembling of ICT devices in the economy.

Travel & Tourism Sector

The tourism sector continues to be one of the leading foreign exchange earner for Uganda. During the year 2018, the number of tourists is projected to reach 1.5 million up from 1.3 million in 2015. The sector's overall contribution in 2018 was Ushs 2.7 trillion equivalent to 2.9% of the GDP. Furthermore, the sector created approximately 238,500 jobs in 2018 up from the created 229,000 jobs in 2017 in multiple segments of the economy such as hospitality, travel agencies as well as airlines.

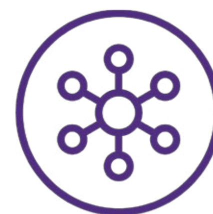
2.9%
Contribution to GDP

In FY 2019/20, the government has increased the allocation to the sector to Ushs 193.7 billion up from Ushs 32.6 billion in the last FY. This allocation is planned to achieve the following:

- Development and rollout of the new Pearl of Africa brand in the domestic as well as the regional market through the Uganda Tourism Board.
- Implementation of the Source of the Nile Tourism Master plan to develop an internationally competitive tourism product.
- Fast tracking of the planned developments of infrastructure at key tourist sites such as Mount Rwenzori, Kagulu hills, Bishop Hannington site, Kitagata hot

Ushs 193.7 bn
Allocation in FY 2019/20

Income Tax



The Parliament approved tax measures for financial year 2019/20 which will come into effect from 1st July 2019. Some adjustments to tax legislation have been made to streamline incentives in relation to Income Tax, VAT, Excise Duty and Stamp duty Act. In addition, import duties have been adjusted to protect viable and competitive sectors. Tax laws have also been amended to support compliance, enhance competitiveness in the region, while closing loopholes that may lead to revenue leakage. The revenue target for next financial year is aimed at achieving 16.8% of GDP

The details of these measures are in the respective tax amendments Acts as below:

Amendments and comments

1. Amendment to Section 2 of the Income Tax Act (the definitions section)

a) The definition of Beneficial owner

The Income Tax Act, in this Act referred to as the principal Act is amended in Section 2 by inserting immediately after paragraph (e) the following;

(ea)"beneficial owner" means a natural person who owns or has a controlling interest over a legal person other than an individual and who exercises control over the management and policies of a legal person or legal arrangement, directly or indirectly whether through ownership or voting securities, by contract or otherwise"

Comment

The term beneficial owner is used in the Act but was hitherto not defined and now with this amendment it is defined.

The definition is further intended to bring coherence between Financial Action Task Force and Anti Money Laundering and tax initiatives concerning beneficial owners.

This will ensure that benefits of international agreements are limited to rightful owners.

b) The definition of "citizen"

The Income Tax Act, in this Act referred to as the principal Act is amended in Section 2 by inserting immediately after paragraph 1 the following-

1a) "citizen" means:

(a) a natural person who is a citizen of an East African Community Partner state;

(b) a company or a body of persons incorporated under the laws of partner state of East African Community in which at least fifty-one percent shares are held by a person who is a citizen of an East African Community Partner state'

Comment

This amendment is intended to provide clarity on the application of the benefit on investments contained under Section 21 (1) of the principal Act. This particular benefit allows exemption from income tax based on size of capital investment. The thresholds for minimum capital investment required is based on whether the investor is a citizen or not.

From the definition it is important to note the following;

- A citizen can be a natural person, or can be a company or body of persons incorporated under the laws of any East African Partner State (whose majority shares are held by a citizen).

- Citizenship is broadened beyond the borders of Uganda, to include all citizens and companies established within the partner states of East Africa.

- The East African Community (EAC) is a regional intergovernmental organization of 6 Partner States: The Republics of Burundi, Kenya, Rwanda, South Sudan, The United Republic of Tanzania and The Republic of Uganda.

2. Amendments to Section 21

2.1 Ten (10) year exemption on income for letting out or leasing facilities in an industrial park or free zone

Section 21 of the principal Act is amended-
(a) in Subsection (1) by substituting for paragraph (ae) the following-

(ae) the income derived by a person from letting or leasing facilities whose investment capital is at least fifty million United States Dollars in case of a foreigner or ten million United States Dollars in case of a citizen, in an industrial park or free zone for a period of ten years from the date of commencement of construction or in the case of an existing developer , from the date on which the existing developer makes an additional investment equivalent to fifty million United States Dollars in the case of a foreigner or ten million United States Dollars in the case of a citizen."

Comment

The Tax Amendment Act 2018/19 introduced a 5-year income tax exemption for a developer of an industrial park or free zone who has investment capital of USD 100 million.

This year, the threshold for the minimum investment capital required has been reduced from USD 100 million to USD 50 million for foreigner and USD 10 million for citizens.

- The exemption will be on income generated from leasing or letting out facilities in an Industrial Park or free zone
- The exemption will be for a period of 10 years
- Commencement of the exemption for new investors will be from the date of starting the construction of the facilities.
- It is important to note that even an existing developer will benefit from this amendment as long as the investor makes an additional investment as stated above.

2.2 Ten (10) year exemption for operators in an industrial park or free zone or other persons carrying on business outside industrial park or free zone

Section 21 of the principal Act is amended-
(a) in subsection (1) by substituting for paragraph (af) the following

"(af) the income of an operator in an industrial park or free zone or other person carrying on business outside the industrial park or free zone who carries on any of the business referred to in paragraph(ag) who's 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 from the date of commencement of business or, in the case of an existing operator 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".

Comment

The subsection of the Income Tax Act sought to provide clarification to legislation that was implemented last year, by adjusting the investment capital and duration of the exemption as follows;

(a) the investment capital threshold
- from USD 15 million to USD 10 million for foreigners
- from USD 5 million to USD 1 million for citizens and

(b) the duration of the exemption
- from 5 years to 10 years

The amendment further limits this exemption to specific industries listed below:

(i) processing of agricultural goods;
(ii) manufacturing or assembling medical appliances, medical sundries or pharmaceuticals, building materials, automobile, or household appliances;
(iii) manufacturing of furniture, pulp, paper, printing and publishing of instructional materials;
(iv) establishing or operating vocational or technical institutes; or
(v) carrying on business in logistics and ware housing, information technology or commercial farming.

2.3 Income tax exemption for operators in an industrial park or free zone or single factory

Section 21 of the principal Act is amended-

(c) In subsection (1) by inserting immediately after paragraph (af) the following –

"(ag) the income of an operator within an industrial park ,free zone or an operator who owns a single factory or other business outside the industrial park or free zone whose minimum investment capital is ten million United States Dollars in the case of a foreigner or one million United States Dollars in case of a citizen, who, subject to availability uses at least fifty percent of the raw materials that are locally sourced, subject to their availability and employs at least sixty percent citizens, and-

(i) processes agricultural goods;
(ii) manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials , automobile , house hold appliances;
(iii) manufactures furniture, pulp, paper, printing and publishing of instructional materials;
(iv) establishes or operates vocational or technical institutes ; or
(v) carries on business in logistics and ware housing, information technology or commercial farming."

Comment

This section seems to have two parts;

In case of operation within an industrial park or free zone, the exemption does not limit the type of activities mentioned herein above.

However, if the operation is outside the Industrial park or free zone, the exemption is limited to the type of activities listed herein above in addition to the following additional conditions

- Usage of 50% locally sourced raw materials, subject to availability; and
- Employing at least 60% citizens.

2.4 Exemption of interest paid on Infrastructure bond

Section 21 of the principal Act is amended-
In subsection (1) by inserting immediately after paragraph (ag) the following –

(ah) "Interest paid on infrastructure bond"

by inserting immediately after Section 21(2) (c) the following:

(d) "infrastructure bond" means all listed bonds, notes or other similar securities used to raise funds for public infrastructure and other social services if those bonds have a maturity period of at least ten years"

Implication

Exemption of infrastructure bonds is intended to promote investment in long term government securities and align with the tax structure for government securities in the other EAC Partner states. It is also intended to support the funding of infrastructure developments in the country.

3 Amendment of Section 25 of principal Act; interest deduction.

Section 25 of the principal Act is amended by substituting for subsection (3) the following-

"(3) The amount of deductible interest in respect of all debts owed by a tax payer who is a member of a group, other than a financial institution or person carrying on insurance business, shall not exceed thirty percent of the tax earnings before interest, depreciation and amortization."

Comment

In the financial year 2018/19, the law was amended to limit deductibility of interest from all debt owed by a Taxpayer (who is a member of a group) to 30% of the EBIDTA and the excess amount is to be carried forward for not more than three years. The amendment now proposes that this limitation shall not affect financial institutions or a person carrying on insurance business. In other words, financial institutions and insurance service providers will not be affected by limitation on deductible interest.

4. Amendment to Section 88 of the principal Act

Section 88 of the principal Act is amended in subsection (5) (a) by repealing the words "within the meaning accorded to that term by the relevant international agreement

Implication

As the definition of "beneficial owner" is now included in the Act, the beneficial treatment for rates under respective DTAA is only available if conditions laid down in Section 88(5)(a) are fulfilled along with the new definition of beneficial owner as per Section 2(ea.). As such, this amendment seeks to limit the definition of the beneficial owner to the definition under Section 2. The implication of the same is that the definition above will override similar definitions in international agreements.

5 Amendment of section 118B of the principal Act

Withholding tax on purchase of an asset or a business

Section 118B of the principal Act is amended-

(a) by renumbering the current section as subsection (l) ; and

(b) by inserting immediately after subsection (1)

the following-

"(2) A resident person who purchases a business or business asset shall withhold tax at a rate specified in Part VIII of the Third Schedule."

Part VIII by inserting after paragraph 2 the following –

The Withholding Tax rate for purposes of section 118B (2) is 6% of the gross payment

Implication

Withholding tax of 6% has been introduced on purchase of a business or business asset. Any resident person purchasing a business or a business asset from another resident person will have to withhold tax at 6% and pay it to URA. Previously, withholding on purchase of assets was only in respect of purchases of assets from non-residents at the rate of 10%. This amendment has widened the net by requiring a purchaser to withhold 6% from the resident.

The tax withheld shall not be a final tax, meaning that the person from whom the tax is withheld can take credit of this tax in his final returns.

This WHT is to be deducted by the payer irrespective of them being a designated agent or not and is not subject to exemption under Section 119.

6 Repeal of Section 118E of the principal Act

Section 118E of the principal Act is repealed. Withholding tax on agricultural supplies has been revoked.

Comment

This relieves the agriculture industry from deducting WHT from the farmers and middlemen who are yet to be educated on tax requirements.

7 Amendment of Section 119 of the principal Act

Section 119 of the principal Act is amended in subsection (5) by inserting immediately after paragraph (g) the following-

"(h)agricultural supplies"

Implication

As withholding tax of 1% is no longer applicable on agricultural supplies, all corresponding legislation affecting the same has been amended.

8 TIN requirement when issuing any Government license or authorization

Section 135 of the principal Act is amended by substituting for subsection (3) , the following-

"(3) A local authority, Government institution, or regulatory body shall not issue a license or any form of authorization necessary for purposes of conducting any business in Uganda, to any person without a taxpayer identification number."

Implication

This amendment is meant to strengthen and emphasize compliance of the law by local authorities and Government institutions by obliging these bodies to require a Taxpayer Identification Number prior to issuing a License or other form of authorization to do business.

9 Tax on Government securities

The Third Schedule to the principal Act is amended in paragraph 2 part IV as follows;

The withholding tax rate for interest payments on government securities to a non-resident person under section 83 is:

(a) is 20 percent for government securities whose period of maturity does not exceed ten years; and

(b) 10 percent for government securities whose period of maturity is at least ten years."

The third Schedule to the principal Act is further amended by substituting for paragraph 3, Part V the following:

"3. The withholding tax rate for interest payments on government securities to a resident person under Section 117 is –

(a) Twenty percent (20%) for government securities whose period of maturity does not exceed ten years; and

(b) Ten percent (10 %) for government securities whose period of maturity is at least ten years.

Implication

This amendment seeks to promote investment in long-term government securities and align the tax structure for government securities in the other EAC Partner States.

The purpose of this is to make government securities more competitive and to match the rates prevailing in the East African region

Value Added Tax

Amendments and comments:

1. **Amendment to Section 1; Definition of a citizen**

    The Value Added Tax Act, referred to as the principal Act, is amended in section 1 by inserting immediately after paragraph (aa) the following- "(aaa)" "citizen" means –

    a) a natural person who is a citizen of a Partner State of East African Community;
    b) a company or a body of persons incorporated under the laws of a Partner State of the East African Community in which at least fifty- one percent of the shares are held by a person who is a citizen of a Partner State of the East African Community,"

    Implications;

    The term "citizen" has been accorded a definition within the Act. Previously, this term was not defined, yet it appears in certain sections of the law, for example; Section 45(2) bars a citizen or permanent resident of Uganda from claiming refunds due for diplomats and diplomatic missions. In Schedule 2 (item 2(1pp), citizens are given a lower minimum capital investment threshold required in order to benefit from exemptions, than what is given to non-citizens. It is against such background that it was found prudent to define what is meant by the term "citizen".

For this definition, there are two important points to note;

a) A citizen can be a natural person or can be a company or body of persons incorporated under the laws of any East African partner state (and whose majority shares are held by a citizen).

b) Citizenship is broadened beyond the borders of Uganda, to include all citizens and companies established within the partner states of East Africa.

2. **Amendment to Section 5; VAT withholding tax**

    Section 5 of the principal Act is amended by substituting for subsection (2) the following
    "(2) The Minister shall, by notice in the Gazette , designate a person who shall withhold tax on payment of taxable supplies";

    By inserting immediately after subsection (2) the following –
    "(2a) A person designated under subsection (2) shall remit to the Uganda Revenue Authority, six percent of the
    Taxable value referred to in sections 21 and 23 of this Act.
    (2b) Subsection (2a) does not apply to a taxable person who the Commissioner General is satisfied has regularly Complied with the obligations imposed on a taxable person under this Act."
    (2c) The six percent of the taxable value withheld by a person designated under subsection (2) shall be recognized as a payment in the subsequent value added tax return of the payer from whom the tax is withheld

    Implications;

    In the 2018/19 tax amendments, the Government introduced VAT withholding within the law. This however faced implementation challenges as well as an uproar from the business community and was subsequently halted by the Hon. Minister of Finance.

    The Authors of the same have since gone back

to the drawing board and are now re-introducing VAT withholding tax with some amendments to the original version that had been introduced last year.

- It is noted that last year, the Hon. Minister had gazetted persons who should withhold VAT on purchase consideration. As per our understanding, the new gazette to be issued in line with the amendment is expected to contain similar names of those who had been gazetted last year, possibly with few additions or subtractions.

- A person who has been designated will be required to withhold 6% of the taxable value from the taxable person making the supply and pay it directly to URA. This is a significant change as opposed to the rate (full 18% of the taxable value) that had been proposed last year.

- Exemption may be granted to those Taxable persons who will have regularly complied with the obligations imposed under this Act. Where a taxable person (a seller) is VAT withholding exempt, it means his customer who is VAT designated agent shall not be obliged to withhold the 6% VAT when making payments to him.

The VAT so withheld will be recognized as a payment in the subsequent VAT return of the taxpayer from whom the tax was withheld.

In order to implement above amendment, URA will issue a Practice Note to provide guidance on the implementation of the VAT withholding mechanism.

Whereas the Practice Notes will provide the exact guidance on implementation, we believe below will be the treatment for both the seller and buyer:

The Buyers VAT return;

- The buyer's VAT return will show his full input tax.
- The buyer will at end of month submit his return where they account for normal VAT payable/ claimable (output tax minus Input tax).
- The buyers' monthly return also has a schedule for withholding VAT (Section G - I (New)) on which all the VAT withheld must be accounted for.
- The total tax payable in his monthly tax return will be the total VAT payable by him and the total VAT withheld by him from payments to suppliers.
- Once the buyer submits the return, with section G duly filled in, the URA system is expected to generate VAT credit certificates (derived from entries in section G) and issue these certificates to both the buyer and seller.

The sellers VAT return;

- The seller's VAT return will show output VAT in full
- It will show the full input tax incurred during the period
- It will then show the VAT payable (VAT return Section G - II(New))
- It is then expected to allow for credit of WHT already deducted
- If the tax withheld exceeds the tax payable in a given month that would lead to a claim for a refund or carry forward of credit as the case may be.

Further, note that there may be timing difference between the month in which the invoice is received and the month in which the buyer will make the payment to the supplier. The seller will suffer this time lag as he will be expected to account for full output VAT and can only take his credit after receiving VAT credit certificate, which only happens after the buyer has submitted the return (withholding schedule) to URA.

The Act also mentions applicability of VAT withholding on importation of goods (Section 23) which appears to have been left in error as it has no relevance.

3. Amendment to the first schedule of the principle Act

The First Schedule to the principal Act is amended by inserting immediately after *"United Nations High Commission for Refugees" the following –*

"United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)"

Implication

United Nations Entity for Gender Equality and the Empowerment of Women (UN women) has now been added to Schedule 1. Bodies listed in Schedule 1 are entitled to certain VAT benefits and VAT refunds as specified in Section 45 of the VAT Act. This entitlement is in fulfilment of requirements of diplomatic covenants that Uganda is party to in the Diplomatic Privileges Act Cap 201.

4. Amendment of Second Schedule to principal Act

The Second Schedule to the principle Act was amended in several sections;

a. Exemption of aircraft insurance services;

The principal Act is amended by inserting immediately after paragraph 1 (d) (iv) the following:

"(v) Aircraft insurance services."

Implication

This amendment seeks to reduce the cost of insuring aircrafts in Uganda and to support the development of the local airline industry.

b. Addition to list of items covered under the exemption for agricultural machinery, tools and implements.

Amendment is made to the principal Act by inserting immediately after paragraph 1 (s) (xxxv) the following:
"(xxxvi) rice mills;
(xxxvii) agricultural sprayers'

Implication

Rice mills and agricultural sprayers have been added to the items covered under the exemption for agricultural machinery, tools and implements. This amendment seeks to reduce the cost of key agricultural equipment as well as support the development of the agricultural industry.

5. Reduction in minimum capital Investment required for a Developer of Free zones/ Industrial parks, to qualify for exemption

The Second Schedule to the principle Act is amended in paragraph 1(c) by substituting for words "one hundred" whenever they appear in (mm) (nn) and (oo) for the word "Fifty"

Implication

The 2018/19 VAT Amendment Act introduced VAT incentives for developers of industrial parks or free zones. The incentive was in form of exemption on procurement of specified goods and services that were critical in their investment and this was tagged to them investing at least USD 100 million.

The new amendment now reduces the threshold of the required investment from USD 100 million to USD 50 million. If a Developer invests up to this amount, he would enjoy the following exemptions on his procurements;

- The procurement of services to conduct a feasibility study, design and construction (item (mm) of the Second Schedule)
- The procurement of Earth moving equipment, and machinery for development of an industrial park or free zone (item (nn) of the Second Schedule)
- The procurement of construction materials for development of an industrial park or free zone(item(oo) of the Second Schedule)

6. Extension of VAT exemption on specified inputs by Operators of Industrial parks and free zones

(d) 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 and equipment to an operator within an industrial park, free zone or to an operator who owns a single factory or other business outside the industrial park or free zone whose minimum investment capital is ten million United States Dollars in the case a foreigner or one million United States Dollars in case of a citizen , who uses at least seventy percent of the raw materials that are locally sourced, subject to their availability and at least sixty percent of the employees are citizens and who
(i) processes agricultural goods;

(ii) manufactures or assembles medical appliances, building materials, automobile, household appliances;
(iii) manufactures furniture; or
(iv) Carries on business in logistics and warehousing, information technology or commercial farming."

Implication

An exemption similar to the one for free zone operators has been introduced for technical and vocational institute operators.

This exemption will only apply for those whose investment capital is at least USD 10 million in case of a foreigner or USD 1 million in case of a citizen. This is intended to boost growth in technical or vocational education.

9. Other exemptions;

Further amendments were proposed to be made to the Second Schedule by adding on the following to that schedule;

- The supply of imported drugs and medicines and medical sundries.
- The supply of imported mathematical sets and geometry sets used in educational establishments;
- The supply of woodworking machines;
- The supply of welding machines and sewing machines;
- Supply of imported crayons, colored pencils, lead pencils, rulers, erasers, stencils, technical drawings sets, educational computer tablets, educational computer applications and laboratory chemicals for teaching science subjects used in educational services.

These above amendments to the exempt schedule are intended to:

- Promote the development of educational establishments.
- To support these institutions by exempting the imported mathematical sets and geometry sets.
- To support the easy access to these machines by youth setting up woodworking businesses.
- To ensure the availability of affordable drugs other than those manufactured in Uganda.

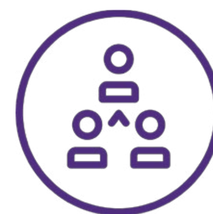
10. Amendment of Third Schedule to principal Act.

The Third Schedule to the principal Act is amended by substituting for paragraph (c), the following
"(c) The supply of drugs, medicines and medical sundries manufactured in Uganda."

Implication

The supply of drugs and medicines was previously zero rated. Now this has been changed to zero rate only for those produced in Uganda. This is intended to promote local manufacturing of drugs, medicines and medical sundries, to cover the medical value chain.

Tax Procedures Code



Amendments and comments:

1. Waiver of tax owed by Government

The principal Act is amended by inserting immediately after Section 40 the following-

"40A Tax due and payable by Government

(1) The Minister shall pay any tax due and payable by Government, arising from a commitment made by Government to pay tax on behalf of a person or owing from Government as counterpart funding for aid funded projects.

(2) Notwithstanding subsection (1), all unpaid taxes by Government as at 30th June, 2019 are written off.

(3) The Minister shall publish in the Gazette, a list of all taxes waived under subsection (2)."

Comment

The Act provides a waiver of taxes owed by government as a result of mainly two obligations;

a) Commitment to pay tax on behalf of a person; for example through the investment schemes such as the tax holidays awarded to some investors during which government is tasked with clearing the tax obligations of such companies.

b) Government counterpart of Aid Funded projects; The nature of such projects is that the government is to provide a certain percentage of funding, in the same way tax liability of such projects in most cases is to be offset by government.

As such, the liabilities accrued by the government as at June 30, 2019 are to be written off. This amendment is intended to settle all outstanding government tax arrears and give government a clean slate

2. Compounding of offences by the commissioner

Amendment of Section 66 of the principal Act

Section 66 of the principal Act is amended by inserting immediately after subsection (1) the following -

"(1a) Where a person has committed an offence under a tax law, other than under section 63 of this Act and that person voluntarily discloses the commission of the offence to the Commissioner, at any time prior to the commencement of court proceedings, the Commissioner may enter into an agreement with the offender to compound the offence if the offender agrees to pay to the Commissioner the outstanding unpaid tax and that person shall not be required to pay any interest or fine due."

Comment

Previously, the Commissioner had power under the law to compound offences as long as the

person who has committed the offence admits to the offence in writing and agrees to pay the unpaid tax and an amount of fine not exceeding that imposed by the tax law.

The amendment has not changed the Commissioner's powers to compound, however it is introducing the aspect of voluntary disclosure. The amendment also states that the person shall not be required to pay any interest or penalty due.

This amendment in effect intends to encourage voluntary disclosure of unpaid tax by the tax payer. It will also help reduce costs and time taken in the recovery of the unpaid tax through the court process.

3. Insertion of Section 74A; Payment of informers

The Principal Act is amended by inserting immediately after Section 74 the following-

"74A" The Commissioner General shall pay to a person who provides information leading to the recovery of a tax or duty, the equivalent of five percent of the principal tax or duty recovered."

The Act has introduced a reward of 5% to any person who provides information leading to recovery of tax or duty due. The 5% will be on the principle tax or duty recovered as a result of the information given.

This amendment is intended to create uniformity in application of law relating to payments to informers.

4. Insertion of Schedule 4 into the principle Act - Tax returns to be filed.

Tax returns filed with Commissioner General

Schedule 4 lists the tax returns that are required to be filed under the tax laws. These include:
a) Value Added Tax return,
b) Income Tax return,
c) Withholding Tax return,
d) Excise Duty return,
e) Tax return under section 50 of the Lotteries and Gaming Act, 2016 and
f) Stamp Duty return.

This amendment seeks to clarify on the specific returns to be filed.

5. Amendment of the Finance Act, 2014

The Finance Act, 2014 is amended by repealing section 8

Comment

Section 8 of the Finance Act formerly dealt with payments to informers, this has now been catered for in Section 74A of TPC and thus the section is repealed.

Excise Duty

Amendments and comments:

1. **Amendment to Section 2; Definition of citizen**

   A definition of citizen was introduced in the excise duty act which is the same as outlined above under Income Tax act and VAT Act amendments.

2. **Substitution of Part III of principal Act; Registration of Manufacturers, importers and providers of excisable good and services.**

Part III of the Excise Duty Act covers provisions relating to licensing of excisable activities. The amendment substitutes the entire Part III and replaces it with a different drafting or text.

As mentioned in the definition, the Act now imposes a tax on the provision of "over the top services" made available to the public.

Below are highlights of what has changed between the old text and the new text

Sr. No	New text	Old text
1	Focuses on registration of persons (Manufacturer, Importer or provider of excisable goods and services other than retailers) subject to excise duty and registration of premises in which excisable goods or services are produced or takes place.	Focused only on licensing of premises used in production of excisable goods
2	The new Act eliminates the requirement to pay a license or registration fee to obtain an excise license, which aligns with the rest of the tax laws in Uganda as far as tax registration is concerned.	The previous provision required payment of a license fee in order to produce excisable goods
3	The new Act provides for a timeline (one month) for the Commissioner to respond to an application for registration.	The old text did not specify any timeline within which the Commissioner should respond.
4	A certificate of registration is valid for 12 months from the date of issue and application for its renewal is to be made before 30 days of its expiry or within such further time as the Commissioner may allow.	The old text was not specifying the 30 day period within which to make the renewal application, but only mentioned that the renewal should be before expiry of the existing license.
5	A person who operates without a certificate is liable to a penalty of 20 currency points for each day of default from the date on which the person commences the manufacture, provision or dealing in excisable goods or excisable services that they operate in default	Previously the penalty was equal to the amount of duty payable for the period the application is late

3. Amendment of section 15A of principal Act

The principal Act is amended in section 15 by substituting for subsection (3) of Section 15A the following-

> *"(3) A person who fails to pay excise duty imposed under this Act by the due date is liable to pay interest on the unpaid duty at a rate of two percent per month, compounded, for the excise duty which is outstanding."*

This is intended to cover late payment interest on both excisable goods and services. The old text provided for interest on excisable goods only. The interest due and payable for failure to pay on the due date will be calculated on the **compounded** amount of the outstanding tax.

4. Schedule 2 (item 20); Exemption on construction materials for development of industrial parks and free zones by a developer.

The law has been amended to lower the threshold of investment capital that a developer should have in order to qualify for this exemption. A developer should now have a minimum of investment capital of USD 50 million in case of foreigner and USD 10 million in the case of a citizen, in order to qualify for this exemption. This is a reduction from USD 100 million that had been set last financial year.

5. Schedule 2 (item 21); Exemption on construction materials and inputs by an operator within the industrial park, free zone, single factory or other business outside the free zone.

The law has been amended to reduce the minimum investment capital that qualifies one for this exemption. The minimum investment capital has been reduced as follows;

- Citizens; From USD 5 million to USD 1 million
- Foreigner; From USD 15 million to USD 10 million

Schedule 2 is further amended to restrict this

exemption only to investors in strategic sectors that Government identified. These include;

i) Processing of agricultural goods;
ii) manufacturing or assembling of medical appliances, medical sundries or pharmaceuticals
iii) manufacturing of building materials,
iv) manufacturing or assembling of automobiles,
v) manufacturing or assembling of house hold appliances or
vi) manufacturing of furniture, pulp, paper, printing and publishing of instructional materials
vii) carrying on business in logistics and ware housing, information technology or
viii) Commercial farming."

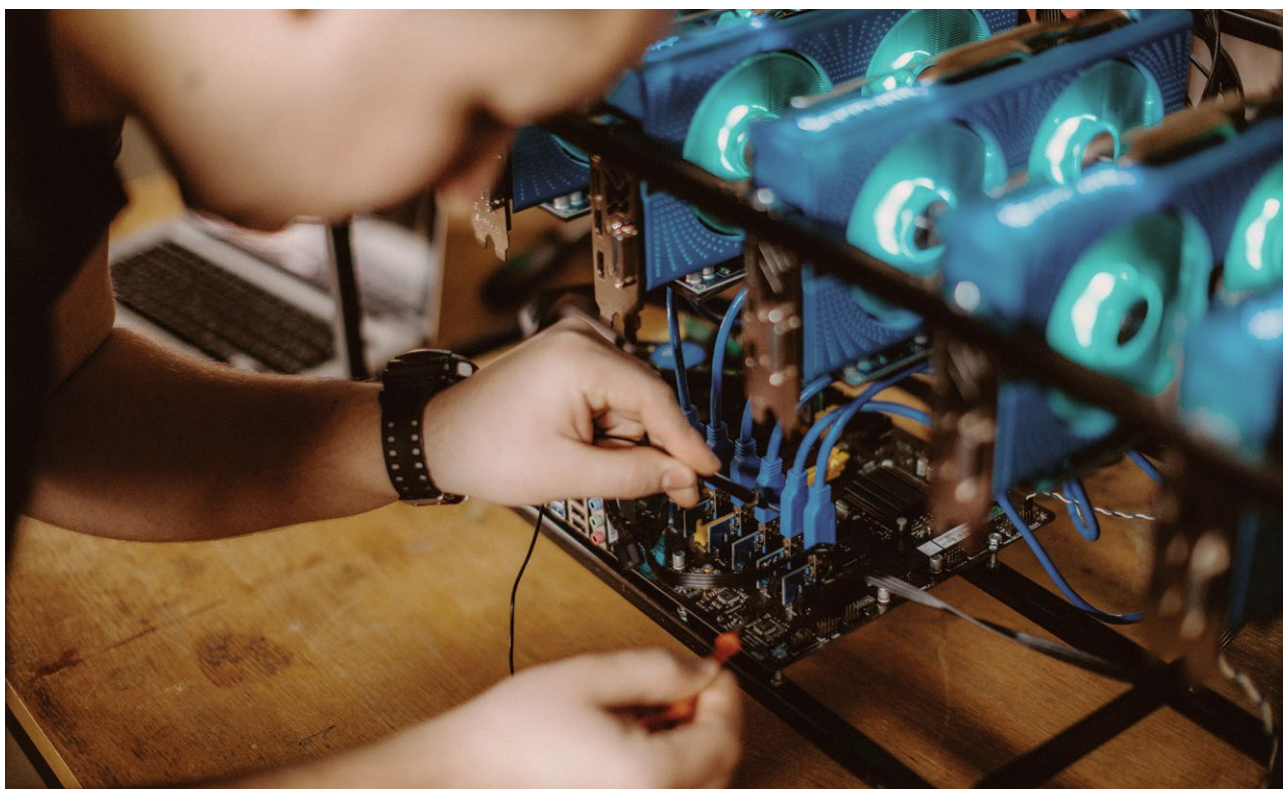
8. Schedule 2 (item 24). Exemptions for Technical or Vocational Institution operators

Excise Duty exemption has been introduced for operators of Technical and Vocational institutes as long as they have the required minimum capital investment as follows;

- Citizens - USD 1 million
- Foreigners – USD 10 million

The exemption is on construction materials for the construction of premises and other infrastructure, machinery, equipment or furnishings and fittings.

This amendment seeks to promote the development of technical or vocational Institutions.



Miscellaneous

The Stamp Duty (Amendment) Act, 2019

Amendments and comments:

1. Amendment of Section 2; Definition of Citizen

Definition of "citizen" has been introduced in the stamp duty Act. The definition is the same as in other tax amendment acts as outlined already.

2. Amendment of Schedule 2 (item 36) rate of duty for specified debt instruments

a) Schedule 2 to principal Act is amended by substituting for item 36 the following:

"36	*bank guarantees, insurance performance bonds, indemnity bond and similar debt instruments*	*100,000/=*

This amendment is intended to reduce the cost of debt financing and ease tax compliance and administration.

3. Amendment in item 60A: Exemption of stamp duty on instruments executed in respect of strategic investment projects;

The above item was amended as follows;

a) The minimum capital investment by a developer of an industrial park or free zone is now USD 50 million which was previously USD 100 million.

b) The minimum capital investment by an operator within an industrial park or free zone or an operator of a single factory or other business outside the industrial park has been amended as follows;

- Foreigner: from USD 15 million to USD 10 million
- Citizen: from USD 5 million to USD 1 million

To qualify for Stamp Duty exemption, the capital investment should be within the stated threshold.

This threshold of capital investment has been reduced to benefit a wide range of investors as compared to the threshold stipulated in the law last financial year that hindered investment growth in Uganda.

4) Insertion of item 60A(e) Exemption of Stamp Duty on instruments executed by technical or vocational institute operators

The principal Act is amended by inserting immediately after Item 60A (d) the following:
"(e) technical or vocational institute operator whose investment capital is at least ten million United States Dollars in case of a foreigner or one million United States Dollars in case of a citizen-
i) debenture; whether a mortgage debenture or not, being of a marketable security – of total value;
ii) further charge; any instrument imposing a further charge on a mortgaged property – of total value;
iii) lease of land – of total value;
iv) increase of share capital;
v) transfer of land;
vi) an agreement to provide services on conducting a feasibility study or developing a design for construction."

The above insertion in the Act makes the execution of the above instruments exempt from Stamp Duty. This is intended to promote the development of vocational training institutions.

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