Grant Thornton

Tax

Governance

Stakeholders

Uganda Budget 2024

June 13, 2024

Range of Services

Audit and assurance

- Financial statements audit
- Report on internal controls
- Review report/engagements
- Agreed upon procedures
- Special attestation services
- Project audits and donor support

Tax Compliance

- Preparation and filing provisional and final tax returns
- Direct and indirect tax compliance
- Tax position reconciliation services
- Return examination services
- Payroll tax compliance
- Tax registration services
- Tax advisory services

Tax Consulting

- Transfer pricing
- International tax consulting
- Tax health check
- Tax opinion
- Tax planning and restructuring
- Dispute resolution
- Tax due diligence
- Tax litigation
- Exemptions, Refunds, Objections management and revenue audit management

Transaction Services

- Debt advisory
- Business Valuations
- Mergers & Acquisitions
- Financial due diligence

Business Consulting Services

- Business process reviews
- Enterprise Resource Planning (ERP) implementation
- Feasibility studies
- Transfer pricing advisory
- Business transformation
- Operations improvement
- Strategic consulting

Business Risk Services

- Internal audit
- AML/CFT compliance audit
- Regulatory services
- Risk modeling services
- EQAR (External Quality Assurance Reviews)

Forensic Investigation Services

- Forensic investigations
- Digital forensics
- Cybercrime
- Accounting irregularity/ misconduct
- Expert dispute resolution and advisory

Human Resource Solutions

- Salary survey
- Recruitment
- HR manuals/handbooks
- Performance management
- Job Analysis, Evaluation

Corporate Secretarial

- Company Incorporation/ entity setup
- Secretarial compliance and consulting
- Liquidations
- Agreements and MOUs
- Business licenses
- Work permit processing

Information Technology (IT) Advisory

- IT audit
- Cyber security
- IT security awareness training
- Data privacy compliance audit
- ICT post-implementation review
- ICT projects assurance
- Mobile & application security testing
- IT compliance framework verification
- IT policy review

Business Process Solutions

- Book keeping/financial accounting
- Monthly compliances
- Payroll and personnel administration
- Fund Management
- Compilation of financial statements
- Electronic Fiscal Receipting & Invoicing Solution (EFRIS)
- Virtual CFO

Contents

"This Grant Thornton Budget analysis provides commentary designed to assist you in navigating the increasing complexities of the economic and 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 Budget speech was delivered by Hon. Matia Kasaija, Minister of Finance, Planning and Economic Development on June 13, 2024. The theme for the FY 2024/25 national budget is ***"Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation, and Market Access."***

Jasmine Shah
Managing Partner
Grant Thornton Uganda

The economic growth strategy underlying the budget for the next financial year and the medium term includes:

i) Increased investment towards exploration of oil and gas as we move towards first oil production in FY 2025/26
ii) Growth in exports, supported by the increase in regional trade in the EAC and COMESA, intra-Africa trade, and harnessing existing and new trading partners in the Middle East and Asia
iii) Strategic investments to boost tourism through improved infrastructure, branding and marketing, and effective implementation of the Meetings, Incentives, Conferences and Events (MICE) Programme
iv) Agro-industrialisation and light manufacturing supported by access to affordable credit through Uganda Development Bank (UDB), investments supported through Uganda Development Corporation (UDC); the Parish Development Model, Small Business Recovery Fund, Emyooga, the Presidential Industrial Hubs for Youth Entrepreneurs, and programmes to support exporters as well as growth and productivity of women enterprises
v) Private investment growth supported by Foreign Direct Investment, remittances, and a stable macroeconomic environment
vi) Continued investment in industrial parks to encourage industrialization as well as construction and maintenance of roads and bridges; and
vii) Rehabilitation of the Metre Gauge Railway and commencement of the Standard Gauge Railway to decongest traffic as well as expansion of ICT infrastructure and provision of reliable and affordable electricity to foster business activities.

Uganda's growth strategy for the next financial year and the medium term will depend largely on four key drivers:

(i) Agro-industrialization
(ii) Tourism development
(iii) Mineral development, including oil and gas, and
(iv) Science, technology, and innovation (STI).

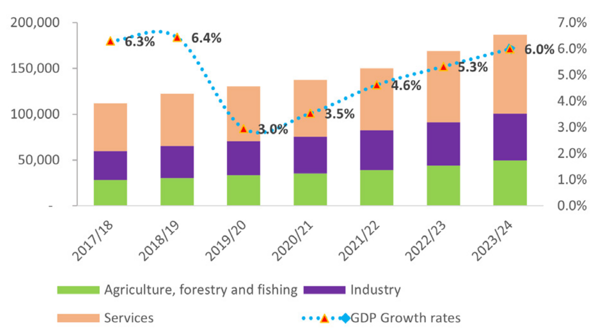
Economic Review

Macro-economic Indicators

Gross Domestic Product

According to the Uganda Bureau of Statistics (UBOS), preliminary estimates indicate that the size of Uganda's economy expanded to Ushs 202.1 trillion in FY 2023/24 from Ushs 183.004 trillion in FY 2022/23. In real terms, the economy grew by 6.0 percent, compared to a revised growth rate of 5.3 percent in FY 2022/23. The economic growth in FY 2023/24 was mainly driven by a significant pickup in the level of economic activity in the agriculture, industry and services sectors. All these three sectors registered growth in FY 2023/24, with strong recovery noted in the agriculture and services sectors. The services sector remains the largest contributor to GDP (42.8 percent), followed by industry (25.2 percent), and the agriculture, forestry, and fishing sector (24.6 percent).

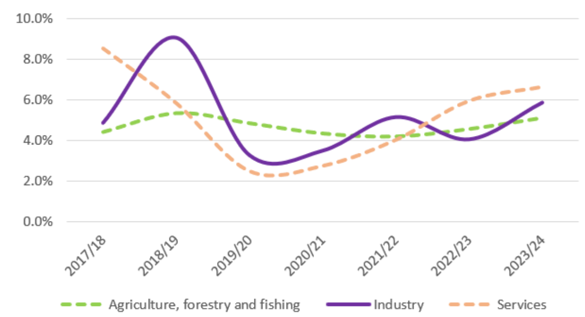
Figure: Trends in Uganda's GDP



Source: UBOS, Annual GDP Publication Table

In FY 2023/24 the industry sector grew by 5.8 percent compared to 4.0 percent growth in FY 2022/23 while the services sector grew by 6.6 percent compared to 5.9 percent over the same period. The growth was attributed to increased output from manufacturing, construction, wholesale and retail trade, financial services, education, telecommunication, transport services and health care activities. The agriculture, forestry and fishing sector grew by only 5.1 percent compared to 4.5 percent in FY 2022/23 due to better weather conditions and continued government intervention in provision of quality seedlings, extension services, water for production, and affordable credit.

Figure: Real GDP Growth rates by sector



Source: UBOS, Annual GDP Publication Table

Real GDP is projected to grow by 6.4 percent in FY 2024/25. This is an improvement from the 6 percent growth estimates for FY 2023/24. The higher growth projection is on account of increased aggregate demand and private sector activity; growth in manufacturing and construction activities; production in agriculture; growth in services; increased investments toward exploration of oil and gas; and growth in exports. In addition, economic growth is expected to be supported by continued implementation of growth supportive programs such as the Parish Development Model, Emyooga, provision of affordable credit for businesses and manufacturers through Uganda Development Bank, Uganda Development Cooperation, the Small Business Recovery Fund, the Agriculture Credit Facility, as well as agro-insurance among others.

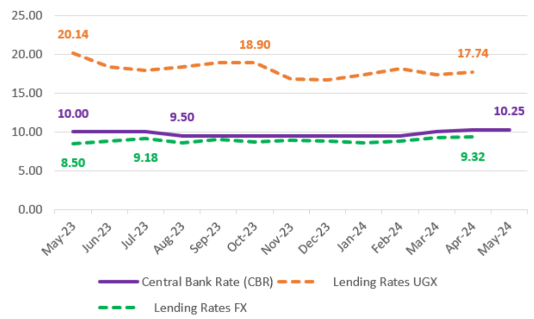
Monetary Policy

Interbank money market rates remained well anchored within the upper and lower bounds of the Central Bank Rate (CBR) during FY 2023/2024. The weighted average 7-day interbank money market rate fell in FY 2023/24 relative to FY 2022/23 as the CBR remained predominantly lower in the Financial Year compared to the previous.

As inflationary pressures continued to ease, the Central Bank Rate (CBR) was reduced from 10 percent in July 2023 to 9.5 percent in August 2023 and thereafter remained unchanged for the first half of FY 2023/24. The reduction was also occasioned by the need to stimulate aggregate demand and support economic growth prospects, especially as inflation had declined much faster than earlier expected.

Bank of Uganda increased the Central Bank Rate (CBR) to 10.0 percent in March 2024 and further to 10.25 percent in April from 9.5 percent that was maintained since August 2023. The increase in the CBR is aimed at stabilizing the shilling exchange rate, and controlling inflationary pressures that could arise out of the weakening of the shilling and its impact on domestic prices.

Figure: Central Bank Rate and Commercial Bank Rates



Source: UBOS, Macroeconomic Indicators

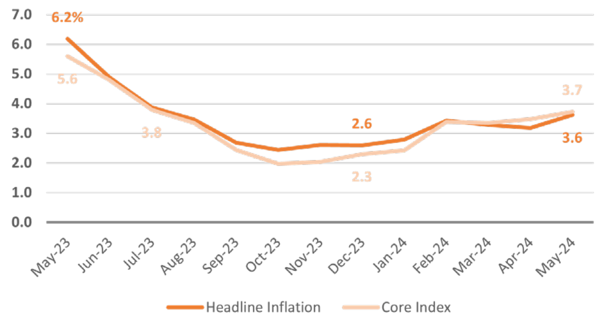
Commercial bank weighted average lending rates for shilling-denominated loans declined in the 9 months to March 2024 averaging 17.8 percent, compared to 18.6 percent observed in the previous Financial Year. This was mainly on the back of a longer loosening cycle that extended from July 2023 to February 2024. Notable declines were observed in the trade and building, mortgage, construction & real estate sectors with reduction in lending rates mainly attributed to prime corporates.

Inflation

Inflation has on average remained below the 5 percent target in FY 2023/24 descending from spikes of the previous Financial Year. During the first 11 months of FY 2023/24, headline and core inflation averaged 3 percent and 2.8 percent compared to 8.8 percent and 7.4 percent observed in FY 2022/23. The decline in inflation was mainly due to a fall in food prices, triggered by improved weather conditions and increased food supplies. Other contributing factors include a decline in imported inflation, particularly for energy products, due to a drop in global commodity prices that had previously surged because of the Russia-Ukraine war.

Additionally, a tight monetary policy helped moderate aggregate demand and stabilize the Uganda shilling. Food inflation significantly dropped to an average of 1.9 percent in the eleven months from the high of 19.7percent in the previous Financial Year while Electricity, Fuel and Utilities(EFU) inflation subsided to an average of 4.5 percent from 8.9 percent over the same period.

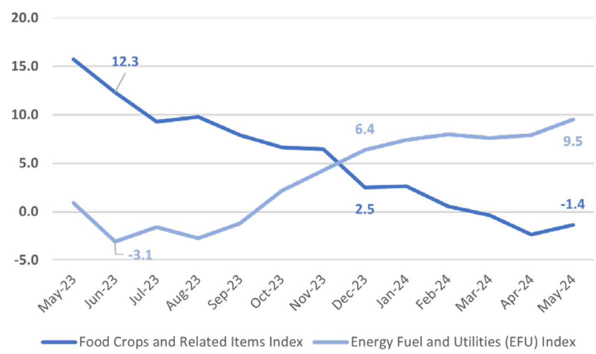
Figure: Headline & Core Inflation (Base: 2016/17 = 100)



Source: UBOS

Annual EFU inflation also slowed to a six-month average of 1.2 percent in the first half of FY 2023/24 from the 2.8 percent average recorded in the previous half, mainly attributed to the general reduction in international oil prices compared to calendar year 2022. However, compared to the same period last financial year, the general price index for the EFU component declined between June and September before steadily increasing toward the close of the calendar year at 6.4 percent. The later movement followed a persistent upward trend in the international oil prices between July and September that resulted into higher fuel import prices for the proceeding months and consequently an increase in the domestic pump prices.

Figure: Food Crops and Related Items EFU Index (Base: 2016/17 =100)



Source: UBOS

Annual Energy, Fuels and Utilities inflation increased to 9.5 percent in May 2024 from 6.4 percent in December 2023. This was largely attributed to a rise in prices for petrol, diesel, liquified gas as well as charcoal and electricity when compared to the same period a year back. The rise in electricity charges followed a decision by the Electricity Regulatory Authority to increase end user tariffs for the second quarter of 2024 on account of the depreciation of the Shilling against the dollar which increases the costs of power generation incurred in foreign currency.

Annual headline inflation is projected to average 5.4 percent in FY 2024/25, higher than the projection of 3.3 percent for FY 2023/24. This projected increase in inflation is partly on account of the lagged effects of the recent exchange rate depreciation on inflation, and a likelihood of higher global commodity prices arising from geopolitical tensions in the Middle East which could feed through to domestic prices.

External Sector Developments

Uganda's Balance of Payments remained vulnerable during the 12 months to March 2024, weighed down by elevated global economic uncertainty. While the financial surplus expanded in compensation for the wider current account deficit, net capital inflows fell short of the deficit, resulting in reserve drawdown during the year to March 2024. The Current Account recorded a deficit of USD 4.3 billion in the year to March 2024, which was 8.6 percent wider than a deficit of USD 3.9 billion registered in the year to March 2023, reflecting deteriorations in all sub-accounts, save for the trade balance. Despite the increased travel receipts and higher income earned on reserve assets registered in the reporting year relative to the previous year, both the services and primary income deficits widened, by 20.6 percent and 15.0 percent to USD 1.7 billion and USD 1.2 billion, respectively, due to high transport payments in line with import growth, and a higher cost of external debt service reflected year-on-year. Furthermore, the secondary income surplus narrowed by 8.1 percent to USD 1.9 billion primarily on account of lower grant inflows.

US$ 4.3 billion
Current account deficit as of March 2024

In terms of financing, capital inflows strengthened. The financial account surplus expanded from USD 2.9 billion in the year to March 2023, to USD 3.7 billion in the year to March 2024. FDI inflows remained robust, maintaining a relatively stable surplus at USD 3 billion, up from USD 2.9 billion, year-on-year, reflecting investor optimism regarding the domestic investment climate amid progression in development of the oil-sector projects and associated spillovers. Net portfolio outflows contracted by 65.3 percent, supported by a notable slowdown in the pace of exit of offshore investors from the domestic securities market (86.5 percent y-o-y contraction in net exit). The surplus was further boosted by a 74.7 percent year-on-year increase in donor support inflows, specifically budget support loan inflows, largely reflecting disbursements under the International Monetary Fund – Extended Credit Facility (IMF-ECF) Program.

US$ 3.7 billion
Financial accounts surplus as of March 2024

In sum, a BOP deficit of USD 202.5 million was registered in the year to March 2024, a 76.9 percent improvement from a BOP deficit of USD 875.8 million in the year to March 2023. Accordingly, gross international reserves contracted to USD 3.5 billion, with reserve cover falling to 3.3 months of future imports, down from USD 3.6 billion (3.5 months of future imports), in the years to March 2024 and 2023, respectively.

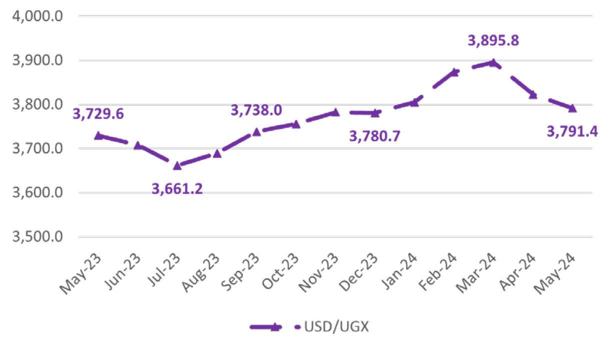
US$ 202.5 million
Balance of payment deficit as of March 2024

Exchange Rate

During the first half of Fiscal Year 2023/24, the Uganda Shilling experienced a depreciation against the US dollar, moving from a mid-rate of Ushs. 3,661.2 per USD in July 2023 to Ushs. 3,780.7 per USD by December 2023, marking a 3.3 percent depreciation. Compared to other East African Community (EAC) countries, the Shilling's exchange rate movements were relatively stable, averaging a modest depreciation of 0.4 percent from Ushs. 3,718 per USD in the second half of FY 2022/23 to Ushs. 3,734 per USD in the first half of FY 2023/24.

In February 2024, the Ugandan shilling lost value against the US dollar with the mid-rate increasing to Ushs 3,874 per USD in February 2024, from Ushs 3,805 per USD in January 2024. The exchange rate movement has been driven by the outflow of some offshore investor funds from the domestic market attributed to more attractive yields in competing markets, strong seasonal demand, and hedging as businesses sought to protect themselves against further exchange rate depreciation pressures. The pace of depreciation has reduced in the three-month period of March to May 2024 following the tightening of monetary policy, positive news about the recent IMF-approved disbursement of USD 120 million under the ongoing Extended Credit Facility (ECF) program, and the European Union's €218.5 million to support various initiatives, including green projects, women enterprises, and agricultural value chains in Uganda. The shilling could strengthen if these and other expected budget-support loans materialize.

Figure: Official Exchange Rate Movement of USD/Ush



Source: BOU

Comparison with regional currencies

The Uganda shilling has been relatively stable compared to the Kenyan shilling over the last ten months the Financial Year. The Kenyan shilling faced sharp volatility in 2023 as the country witnessed a negative outlook due to reduced debt-servicing capacity. The Kenyan shilling, however, took a drastic turn towards rapid appreciation in recent months, owing to the Euro bond over subscription, external financing that shored up fiscal strength and monetary policy actions that fine-tuned foreign exchange operations to ensure the unit's recovery. The Tanzanian shillings registered higher volatility compared to the previous financial year, yet it remained more stable than other selected East African currencies. This stability was primarily supported by effective monetary policies and robust economic growth. The Rwanda Franc has continued on a depreciating path due to a higher import bill and worsening trade deficit amidst tight global financial conditions.

Fiscal Policy

The overarching goal of the fiscal strategy in FY 2023/24 was to attain inclusive economic growth, while maintaining a stable macroeconomic environment and preserving debt sustainability. This was to be attained through continued investment in public infrastructure for inclusive growth and implementation of the Domestic Revenue Mobilisation Strategy (DRMS) which targets revenue to GDP growth of 0.5 percent every Fiscal Year.

1) Domestic Revenues.

For the past decade, revenue has been growing at an average of 17 percent per annum, raising from Ushs 9.4 trillion in FY 2014/15 to a projected outturn of Ushs 27.7 trillion in FY 2023/24. Regarding revenue to GDP ratio, Uganda's revenue effort has been growing at an average of 0.3 percent, rising from 12.3 percent in FY 2014/15 to 13.6 percent projected for FY 2023/24.

The structure of Uganda's taxes has been changing over the same period. The share of domestic taxes (both direct and indirect domestic taxes) has increased from 50.8 percent in FY 2014/15 to a projected 58.3 percent in FY 2023/24. The share of international trade taxes to total revenue has reduced from 45.9 percent in FY 2014/15 to a projected 34.3 percent in FY 2023/24. Whereas the share of Non-Tax Revenues (NTR) to total revenues has averaged at 5.2 percent over the past decade.

Overall tax and Non-Tax Revenue collections for the period July 2023 to April 2024 amounted to Ushs 21.9 trillion against the projection of Ushs 23.6 trillion, hence a shortfall of Ushs 1.8 trillion. However, it's important to note that there was a growth in revenue collections compared to the same period FY 2022/23 by 11.8 percent reaching Ushs 2.3 trillion. This growth is above the average growth rate of 9.6percent for the period July to April for the last four financial years.

2) Grants

Government planned to receive grants worth Ushs 3.1 trillion of which Ushs 69.65 billion was to be for general budget support while Ushs 3.01 trillion was to support specific projects. By the end of the financial year, it is projected that the whole budget support grants will have been disbursed by the various development partners. However, project support grant disbursements are projected to be Ushs 1.5 trillion implying a 50 percent performance. This is partly due to absorption constraints related to project execution challenges, leading to failure of various projects to meet the conditions necessary for further disbursement of funds.

3) Government Expenditure

Total expenditure by Government (excluding domestic debt refinancing and Appropriation in Aid - AIA) is projected to be Ushs 38.4 trillion against a budget of Ushs 40 trillion. This implies an under performance of

3.9 percent owing to externally financed development expenditure that is projected to perform at only 41.7 percent of its budget. This is mainly on account of project execution challenges emanating from projects not being fully ready at the time of being included in the budget. Domestically financed development expenditure, on the other hand, is projected to be 19.4 percent higher than budgeted mainly on account of supplementary budgets issued for various Ministries, Departments and Agencies (MDAs) implementing development projects.

Similarly, the need to cover wage and non-wage shortfalls that arose during budget implementation necessitated supplementary budgets to these sub categories, ultimately resulting in higher than budgeted expenditure on recurrent items in the budget. Wages and salaries are projected to be higher than budget by Ushs 88.05 billion (1.2 percent) while non-wage recurrent expenditure is expected to exceed the budget by Ushs 1.4 trillion (12.0 percent).

Additionally, interest payments are projected to be above budget mainly on account of increased interest rates globally which affected external interest payments while additional borrowing requirements both at the end of last financial year (FY 2022/23) and during this financial year led to more interest payment requirements than initially projected.

The Ushs 9.1 trillion deficit arising from Government operations in FY 2023/24 was financed through borrowing from both the external development partners as well as our domestic financial markets. During the financial year, a total of Ushs 2.7 trillion was disbursed by development partners. Of this amount, Ushs 688.35 billion was for supporting general activities in the budget while Ushs 1.97 trillion was tagged to specific development projects. In the domestic financial markets, Government projects to have raised a total of Ushs 7.9 trillion by the end of the current financial year.

FY 2024/25 Budget

The National Budget for FY 2024/25 was approved by parliament on May 16, 2024. The budget was increased from Ushs 52.7 trillion for FY 2023/24 to Ushs 72.1 trillion for FY 2024/25 which represents an increase of 36% from the previous financial year.

The key priorities for the FY 2024/25 budget include:

1. Investing in the people of Uganda through education, health and water, sanitation and hygiene.
2. Peace and security of all persons in Uganda.
3. Maintenance of all roads, construction of a few strategic roads, as well as rehabilitation of the Metre Gauge Railway and construction of the Standard Gauge Railway.
4. Investing in wealth creation initiatives, including commercial agriculture, value addition (UDB and UDC), the Parish Development Model (PDM), Emyooga, Agriculture Credit Facility, tourism, science-based research, and youth skilling, export promotion programme, and the GROW Project.
5. To facilitate electricity transmission, distribution and utilisation of existing energy stock.
6. Mitigation of natural disasters (Contingency Funding)
7. International commitments for regional and global partnerships

The total national budget for FY 2024/25 is Ushs 72.14 trillion. This will predominantly be funded through the following means:

Figure: Source of Government Revenue for FY 2024/25 (In trillion Ushs)

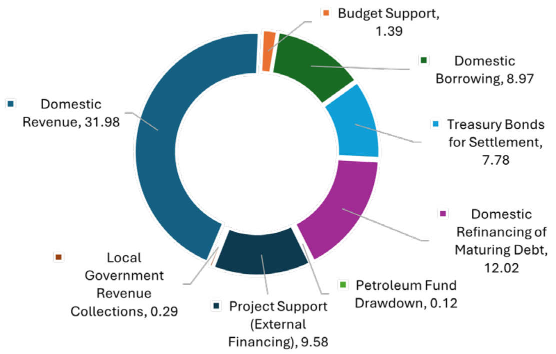
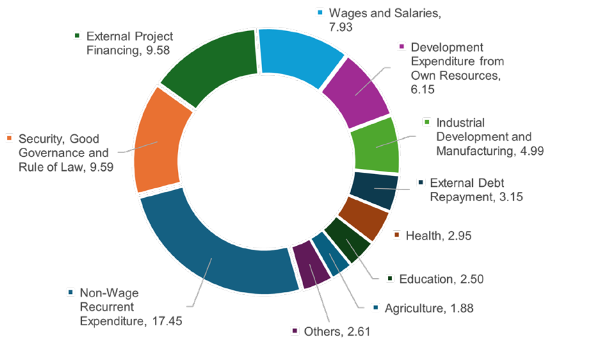


Figure: Planned Government Expenditure for FY 2024/25 (in trillion Ushs)



Ushs 72.1 tn

allocated

36.0%

Budget increase from FY 2023/24

Sectoral Analysis

Agriculture

Agriculture is the backbone of Uganda's economy, with approximately 70 percent of the population and 36 percent of working population engaged in agricultural activities. The sector plays a vital role in food security, export earnings, and rural development. The country's diverse climate and fertile soil support the production of a wide range of agricultural products, including coffee, tea, bananas, maize, beans, and various fruits and vegetables.

The value added for the agriculture, forestry, and fishing sector increased by 5.1 percent in FY 2023/24, compared to a growth of 4.5 percent in FY 2022/23. In nominal terms, the gross value-added rose to Ushs 49.7 trillion in FY 2023/24, up from Ushs 44.1 trillion recorded in FY 2022/23.

The performance of the agricultural sector was majorly driven by cash crops and livestock which grew by 7.6 percent and 7.9 percent respectively. Food crops grew by 5.1 percent while fishing registered a decline by 1.9 percent from a growth of 3.4 percent recorded in the previous year. The agricultural sector contributed 24.6 percent to the country's GDP in FY 2023/24 an improvement of 0.5 percent from 24.1 percent in FY 2022/23.

5.1%
Sector growth in FY 2023/24

For FY 2024/25, the government has allocated Ushs 1.6 trillion to the agricultural sector, decreasing by 52 percent from Ushs 2.2 trillion in FY 2023/24.

The priority actions to commercialize agriculture next financial year include the following:

1. Revamping the National Animal Quarantine and Evaluation Centre (at NAGRC&DB, Entebbe) to promote exports and safeguard the national herd in case of animal imports.
2. Rolling out the e-extension systems for real-time information sharing and monitoring of delivery of extension services across the country.
3. Establishing post-harvest handling, storage and processing facilities including silos, dryers, warehouses and cold rooms of various scale and capacities at sub-County, zonal and district levels.
4. Transform Ruhengere and Sanga farms into dairy-intensive farms to meet the high demand for Ankole-Friesian crosses due to their profitability.
5. Establish livestock breeding and production support infrastructure on Government ranches and farms, to facilitate breeding, production, multiplication and availing of animal seed for the PDM.
6. Construct and equip two (2) regional coffee quality certification laboratories in Mbale (phase I) and Kasese (phase II).
7. Construct disease diagnostic and analytical infrastructure for quality assurance (National Agricultural Diagnostics Laboratory & Support Centre, Zonal Research Laboratories and Compliance Centres, National Veterinary Medical Stores).

Government is implementing the NDP III which defines the strategic direction for the country and sets key objectives, interventions, and targets for sustainable socio-economic transformation of Uganda. The goal of NDP III is to increase average household incomes and improve the quality of life of Ugandans. NDP III aims to pursue achievement of these goals under the overall theme of Sustainable Industrialization for inclusive growth, employment, and sustainable wealth creation. The Agro-Industrialization (AGI) which is one of the programs under the NDP III offers a great opportunity for Uganda to embark on its long-term aspiration of

UGX 1.6 tn
FY 2023/24 allocation to Agriculture

The Agro-Industrialization (AGI) program strategic objective includes;

- Increasing agricultural production and productivity;
- Improving post-harvest handling and storage of agricultural products;

- Promoting agro-processing and value addition;
- Increasing market access and competitiveness of agricultural products in domestic and international markets;
- Increasing the mobilization, access and utilization of agricultural finance;
- Strengthening agriculture sector institutional capacities for agro-industrialization.

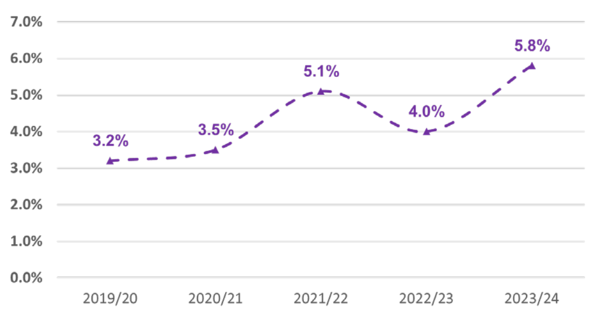
Implementation of the above objectives in the agro-industrialization program will entail holistic planning and integration of all stages of the different commodity value chains. Every activity prioritized will contribute to alleviating constraints for the farmer at each value chain stage.

The Agricultural Credit Facility (ACF) disbursed loans totaling to Ushs 41.01 billion to 368 farmers and firms, with the Government contributing Ushs 20.55 billion. The Northern region received a disproportionately low share of ACF loans because of communal land tenure systems in Northern Uganda and limited financial literacy compounded the problem. This was deepened by the absence of collateral and insufficient information on ACF and restricted credit access in some areas in Eastern Uganda.

Trade and Industry

The gross value added for the industry sector registered a growth of 5.8 percent in FY 2023/24 compared to a growth of 4.0 percent in FY 2022/23. The growth in the sector is majorly attributed to manufacturing activities, which grew by 5.4 percent in FY 2023/24, construction activities which registered a growth of 7.5 percent in FY 2023/24. Water activities registered a growth of 3.9 percent in FY 2023/24 as well as mining & quarrying activities registered a slower growth of 4.4 percent in FY 2023/24 compared to an earlier growth of 4.0 percent in FY 2022/23.

Figure: Industry Sector growth



Source: UBOS

The manufacturing activity recorded the highest contribution of value added in the industry sector, contributing 61 percent of the sector's GDP and 15.4 percent to the total GDP. Public sector investments have continued to be dominated by civil construction of dams, roads and bridges. The construction activities recorded the highest growth in the industry sector of 7.5 percent in FY 2023/24.

Manufacturing Programme

Manufacturing provides a platform for strengthening the private sector to drive growth through raising production to expand export of high-value products and import replacement. This pivotal role of manufacturing aids in creation of jobs, increasing household incomes and elevating the quality of life.

Government approved a Budget of Ushs 218.810 billion to this Program in FY 2023/24, to achieve set milestones as outlined:

1. Develop the requisite infrastructure to support manufacturing in line with Uganda's planned growth corridors (triangle).
2. Increase value addition for import substitution and enhanced exports.
3. Increase access to regional and international markets.
4. Strengthen the legal and institutional framework to support manufacturing.

UGX 288.67billion
FY 2024/25 allocation for the manufacturing sector

Ushs. 288.67 billion has been allocated to the programme in FY 2024/25 towards the following interventions:

1. Supporting implementation of PDM in the LGs
2. Developing regulations to the Accreditation Services Act.
3. Strengthening the capacity of cooperatives to provide finances for Manufacturing.
4. Implementing the Sugar Industry Stakeholder Council Activities.
5. Amending the Sugar Act and Regulations.
6. Measure Greenhouse Gases and carbon emissions from the industrial processes and

products use sector

7. Implementation of the Competition Law and Consumer Protection Law.
8. Implementation of the National BUBU Strategy.
9. Developing regulations for Tobacco Sub-Sector and Steel Scrap Metal.
10. Developing Iron and Steel Development Strategy.
11. Developing Regulations on Iron and Steel Scrap Metal
12. Implementation of the National Industrial Policy (NIP) through the development of Cotton Textile and Apparels strategy and industrial Database.

Financial Sector

Financial and Insurance services

The financial and insurance services sector grew by 4.2 percent in FY 2023/24, from 0.6 percent growth registered in FY 2022/23 in real terms. In nominal prices, the activity recorded a value addition of Ushs 5.62 trillion in FY 2023/24, compared to 5.13 trillion in FY 2022/23 with an overall contribution to GDP of 2.8 percent in FY 2023/24, similar to the previous financial year.

In the year to March 2024, the banking sector registered a growth of 9.94 percent in total assets from Ushs 45.92 trillion in March 2023 to Ushs 50.48 trillion in March 2024. Over the same period, the deposit base grew by Ushs 2.19 trillion (6.84 percent) from Ushs 32 trillion to Ushs 34.2 trillion.

The level of intermediation remained strong exhibited by growth in total advances, which shot up by Ushs 1.3 trillion between March 2023 and March 2024. This was a decline in growth compared to Ushs 2.1 trillion registered in the prior twelve-month period to March 2023.

2.8%
Financial and Insurance services contribution to GDP in FY 2023/24

Private Sector Credit (PSC)

The growth in Private Sector Credit (PSC) dropped to 7.8 percent during the 9-month period ending March 2024, compared to the 10.0 percent observed in the previous fiscal year. The growth of PSC was primarily driven by loans denominated in the local currency, which increased by an average of 9.6 percent, but lower than the previous financial year's average growth of 12.0 percent. On the other hand, the growth rate of foreign currency loans decreased to 3.7 percent from respective growth of 4.7 percent in the previous financial year.

5.05%
Non peforming Loans

The stock of Non-Performing Loans for the period ending March 2024 decreased by Ushs 68.22 billion or 5.99 percent from March 2023. Accordingly, the ratio of Non-Performing Loans/ Total Loans and Advances improved marginally from 5.72 percent to 5.05 percent.

The growth rate of credit was sluggish across key sectors, with declines observed in agriculture, transport and communication, building, mortgage, construction, real estate, personal and household loans, and other sectors. The trade, and transport and communication sectors experienced a significant decline in credit to 5.7 percent and 3.3 percent over the year from 10.7 percent and 8.6 percent of the prior year respectively.

Additionally, the building, mortgage, construction, and real estate sectors have witnessed a significant slowdown in credit growth with personal and household loans remaining constant over the same period. This moderation in credit growth can be attributed to rising lending rates, reduced lending in foreign currency, and negative effects from the global economic slowdown. These factors have collectively hampered overall aggregate demand.

Insurance

The Insurance Sector continued to exhibit vibrant growth, boasting an annualized average growth rate of 13.31 percent over the last five years. As of December 2023, the industry remained on a positive growth trajectory, expanding from Ushs 1.44 trillion in 2022 to Ushs 1.61 trillion, representing an 11 percent growth over the reporting period. In real terms, the sector experienced an estimated growth of 5.6 percent during this period.

Non-Life insurance business generated Ushs 934.5 billion in 2023 growing from Ushs 898.1 billion underwritten in 2022. This represents a 4 percent growth over the year. The leading classes of insurance are Motor and Medical, with the two combined accounting for approximately 44 percent of the premiums from Non-Life insurance business.

4.0%
Growth in Non-life insurance businesses

Life insurance business on the other hand generated Ushs 606.6 billion over 2023, an increase from Ushs 501.6 billion recorded in 2022. This represents approximately 21 percent growth. The dominant class within life insurance is Life Individual, accounting for 52 percent of the total premiums from life business.

21.0%
Growth in Non-life insurance businesses

In 2023, Health Maintenance Organizations (HMOs) underwrote Ushs 56.36 billion, marking a significant increase from the Ushs 38.3 billion underwritten in 2022. This represents a robust 47 percent growth in this segment over the year. Meanwhile, the Microinsurance business saw a notable surge, generating Ushs 888.5 million compared to Ushs 611.3 million in 2022, reflecting a 45 percent growth. Additionally, Foreign Reinsurance Business ceded to local Reinsurers experienced growth, reaching Ushs 2.6 billion in 2023 from Ushs 2 billion in 2022, indicating a 27 percent increase.

In 2023, Gross Claims paid for both life and non-life (including HMOs) constituted 45.5 percent of the total premiums, amounting to Ushs 727.53 billion. This marked an increase from 40.3 percent of total premiums in 2022, reflecting a 5.2 percent growth in claims. Payment of all payable and legitimate claims remains a strategic focal objective of the IRA.

Private Sector Development

In FY 2023/24, the total approved Budget for this Programme amounted to Ushs 1.96 trillion. By December 31, 2023, Ushs 929.83 billion (48.7 percent) had been disbursed, of which 37.9 percent (Ushs 352.40 billion) had been utilised. During the FY 2023/24, the Programme's performance assessed in line with the Programme Objectives was as follows:

1. Lowering the cost of doing business.
2. Driving growth through improving the organizational and institutional capacity of the private sector.
3. Promotion of local content in public programmes.
4. Strengthening the enabling environment and enforcement of standards.
5. Government unlocking investment in strategic economic sector.
6. Policy, legal and institutional frameworks.

To ensure that this Programme delivers on the targets set for FY 2024/25 under the Programme Implementation Action Plans (PIAPs), Government has expanded the Budget allocated for the Programme by 5.9 percent, from Ushs 1.91 trillion in FY 2023/24 to Ushs 2.02 trillion in FY 2024/25. The increase in the Budget allocation is majorly explained by the planed continuous capitalization of the Parish Development Model (PDM) SACCOs through the final year of Stabilization phase. In FY 2024/25, Government intends to implement several interventions aimed at bolstering various sectors. These include:

1. Continuous implementation of the PDM financial inclusion pillar. The stabilization phase of PDM implementation will continue, ensuring the disbursement of Ushs 1 million per beneficiary remains consistent.
2. Continue enforcing the implementation of guidelines on preference and reservation schemes to enhance the capacity of domestic service providers to compete effectively in public procurement.
3. Expansion of accreditation scope to ensure recognition of the UNBS certification, testing and metrology services.
4. Capitalize UDB and other public financial institutions further, to provide affordable long-term capital at favorable interest rates.
5. Complete the construction of establishment of the BDS Centre of Excellence, alongside structured implementation of the delivery of BDS. This includes coordination and capacity-building of BDS providers countrywide.
6. Complete development of the public free zone at Entebbe International Airport.
7. Finalization of the review of the national export development strategy to facilitate expansion in export revenue.

Integrated Transport Infrastructure and Services

Government allocated Ushs 4.64 trillion to the Integrated Transport Infrastructure and Services Programme in FY 2023/24. This was to construct, upgrade, maintain and improve transport infrastructure and services with the aim at connecting people to various opportunities such as jobs, education, health services and thus contribute to the high-level results area of reducing poverty in the country. It was also expected to address the challenges associated with logistics and high freight costs, the stock of transport infrastructure and the average infrastructure lifespan.

In FY 2023/24, a total of Ushs 2.47 trillion was allocated to Uganda National Roads Authority (UNRA) to upgrade, maintain and rehabilitate national roads; and Ushs 401.9 billion earmarked for road maintenance at national and district level. The Programme Performance and achievements are summarized below;

a). Optimized transport infrastructure and services investment

Road Transport

1. Upgraded and constructed 21 road projects totaling 1,201.3 km. During FY 2023/24, Uganda's cumulative paved road network increased to 6,338 km, representing 30 percent of the total national road network and 82 percent of the NDP III target. As at the end of March 2024, construction of 141.52 km (equivalent to 61.5 percent) had been achieved against a target of 230 km by June 2024.
2. Substantially completed two road projects totaling 88.5 km i.e. Rukungiri-Kihihi-Ishasha road and Kitala-Gerenge road.
3. 36.63 km of national roads (representing 22.5 percent of the targeted 163 km) had been rehabilitated.
4. Completed 3 bridges on the national road network and 3 bridges on District, Urban Community Access (DUCA) roads.

Road Maintenance

The NDP III undertook to maintain 80 percent of District roads in fair to good condition. To achieve this, the Government allocated Ushs 186.6 billion for the improvement of District, Urban, and Community Access roads (DUCAR) in FY 2023/24. In the provision of higher Local Government Services:

1. Various Town Council roads were upgraded to bitumen standard, and others were at different completion stages. As at March 2024, TC's had:
   - Substantially completed the New Shimoni PTC Road (3.14 km)
   - Substantially completed Nsuube and Mother Kevin Road in Nkokonjeru TC
   - Completed 74 percent of Kiwologoma-Kijabijo Road (4.5 km)
   - Completed 73 percent of Bulindo-Nsasa-Namugongo Road (4.6 km)
   - Completed 60 percent of Namuswa Road (3.5 km) in Bulengeni TC
2. 25 km of Community Access roads in Adjumani, Amuria, Arua, Budaka, Bududa, Busia, Butaleja, Butambala, Butebo, Iganga, Kaliro were rehabilitated.
3. 47.5 km of DUCA roads in 42 districts were opened.
4. Road safety hazards and black spots along Kampala–Lyantonde–Kazo–Ibanda–Kamwenge–Fort Portal road corridor and Lyantonde–Mbarara–Ntungamo–Kabala–Kisoro Road were inspected.
5. Conducted Road Safety sensitization awareness campaign of Boda -boda cyclists in Kampala

Air Transport

In FY 2023/24, Government allocated Ushs 409.22 billion for implementation of interventions under Air, Rail and Water transport. These interventions are critical in ensuring that transport costs are lowered and Uganda's global competitiveness is enhanced. The following achievements were realized, following interventions undertaken, as at March 2024:

1. The construction of the Kabaale International Airport progressed steadily, standing at 90 percent completion as at June 2024. The remaining 10 percent comprises of critical air navigation, meteorology, communication and airport operational facilities
2. Continued with the maintenance of 13 aerodromes i.e. Pakuba, Arua, Soroti, Moroto, Gulu, Kidepo, Lira, Kisoro, Mbarara, Masindi, Kasese, Tororo and Jinja.
3. The rehabilitation of the Entebbe International Airport has progressed steadily. The New

Passenger Terminal Complex is at 10 percent of civil works while the rehabilitation of Apron 1 is at 85 percent progress.

Railway Transport

The NDP III aimed to increase the share of freight transported by rail to 25 percent by 2025 from the baseline of 3.5 percent in 2018. In the FY 2022/23, the share of freight transported by rail reached 10 percent, which is below the NDP III target. In FY 2023/24, Government:

1. Completed the rehabilitation of the Tororo–Mukono railway line in February 2023, covering a distance of 243 km.
2. Compensated 1,529 Project Affected Persons (PAPs) on the Malaba–Kampala rail route. In addition, by the end of December 2023, the refurbishment of the Mukono–Namanve line was at 78.2 percent physical progress while the Namanve–Kampala line was completed, and railway services resumed in May 2024.
3. Continued to rehabilitate the meter gauge railway from Tororo to Gulu. 32 percent physical progress had been achieved as at March 2024, while 226 PAPs have been compensated.
4. Continued implementation of the Standard Gauge Railway (SGR) project. By December 2023, a total of 161.074 acres of land had been acquired out of the planned 312 acres for the construction of the SGR.

Water Transport

The NDP III aimed to reduce the cost of water freight (per km/ton) from USD 0.06 to USD 0.048 in FY 2022/23. However, the unit cost has remained at USD 0.06. Interventions to lower the cost are discussed below:

1. Development of the Bukasa Port is ongoing. By March 2024, 219 PAPs had been compensated to pave way for the port development. In addition, swamp removal and reclamation works is at 15 percent completion. The port will provide an alternative route from Mwanza in Tanzania to Kampala and will reduce dependence on the northern corridor.
2. The feasibility study for phase II of the construction of Bukasa Port was completed and a contractor for swamp-removal and reclamation procured.
3. Construction of three ferries and landing sites was achieved i.e. Lake Bunyonyi landing site (3 percent completion), Bukungu–Kagwara–Kaberamaido ferry landing site (74 percent completion) and Sigulu ferry landing site (99.4 percent completion).
4. The Ministry of Works and Transport licensed 75 boats and registered 3 boats to operate on Uganda's inland water transport corridor.
5. Completed the construction of the Maritime Training Institute and commenced the construction of the Maritime Rescue Coordination Centre at Mwanza and Entebbe.
6. Construction progress of Search and Rescue centres for Kaazi landing site is at 46.4 percent, Masese (5 percent) and 25 percent for Kaiso, Panyimur and Zengebe.
7. Procured 10 navigational equipment for the search and rescue vessels.

b) Strengthened, and harmonized policy, legal, regulatory and institutional framework for infrastructure and services

In FY 2023/24, Ushs 26.23 billion was allocated for Transport Regulation, leading to the development, approval and adoption/implementation of the following reforms:

1. Dissemination of traffic and road safety regulations in Jinja, Iganga, Tororo, Malaba, Mbale, Soroti, Lira, Gulu, Omoro, Arua, Nebbi, Packwach, Mubende, Kabarole, Kasese, Bushenyi, Kabale, Ntungamo and Mbarara districts.
2. Issuance of 172,823 Driving Licenses.

Implementation of the Programme was constrained by several challenges, i.e.

1. Inadequate disbursement of appropriated funds to implementing Agencies, which results in arrears and interest accruing on delayed payments to service providers.
2. Shortage of road maintenance equipment in the newly created Cities and Municipalities.
3. Underfunding of Regional Mechanical Workshops, which compromises major equipment maintenance in Local Governments.

UGX 4.98 tn
FY 2024/25 allocation to Transport Infrastructure and services

For the FY 2024/25, government has allocated Ushs 4.98 trillion to the Integrated Transport Infrastructure and Services Programme to undertake the following interventions, among others:

i) Construct 288 km of ongoing road projects, substantially complete 209.9 km of ongoing road projects and acquisition of 727.5 ha of land for the 20 ongoing road projects.

ii) Continue with rehabilitation of DUCA roads and six national road projects totaling 453.3 km i.e. Kampala–Jinja Highway, Busunju–Kiboga–Hoima, Mityana–Mubende road, Alwii–Nebbi road, Olwiyo–Pakwach road and Olwiyo–Pakwach road and procurement of civil contractors for Masaka–Kyotera–Mutukula and Nyendo–Villa Maria roads.

iii) Undertake feasibility studies and detailed engineering designs for sixteen (16) road projects, totalling 1,038.5 km.

iv) Upgrade transport infrastructure around L. Kyoga, L. Albert, L. Victoria and River Nile.

v) Complete the National Integrated Transport Masterplan (2021-2040)

vi) Maintain the 13 aerodromes as well as completion of the passenger terminal building at Entebbe Airport.

vii) Acquire 260 acres of right of way of SGR in seven districts including implementation of preparatory activities of SGR i.e. Update of the feasibility studies for the western and eastern routes.

viii) Completion and operationalization of Kabalega International Airport in Hoima for which Ushs 162 billion has been provided.

Tourism and Hospitality

Due to the diligent efforts in pursuit of conservation, development of tourism products and aggressive destination marketing, Uganda has been ranked as the fourth top destination to visit in 2024 by Bradt Guides. The government has projected full recovery of the sector by 2025.

In FY 2023/24, tourism and hospitality sector contributed 4.5 percent to GDP. The budget allocation to the tourism sector has been increased to Ushs 288 billion in FY 2024/25 from Ushs 249 billion in FY 2023/24

UGX 287.6 bn
FY 2024/25 allocation

In FY 2022/23, the government was able to achieve the following in the tourism and hospitality sector:

a) Promoting domestic and inbound tourism:

i) Ministry of Tourism and Wildlife Authority launched the 8th edition of the Pearl of Africa Tourism Expo (POATE) under the theme 'Responsible Tourism'. The theme emphasizes the need for the tourism industry to reassess strategies for wildlife habitat preservation, a crucial element for sustaining Uganda's Tourism sector; and

ii) Government held the Explore Uganda campaign in Busoga sub-region which included activities like Busoga Regional Investment Forum, tour of installations and sites such as Nile Breweries, Nalubaale dam and bridge, Kagulu hill, etc.

b) Improve, develop and diversify tourism products and services:

i) Uganda Wildlife Authority (UWA) introduced a mobile phone-based gorilla-tracking application called 'My Gorilla Family'. The application is an interactive portal where subscribers can virtually access daily gorilla excursions and track family migrants using their cell phones;

ii) UWA rolled out a new booking and revenue collection system to combat gorilla permit fraud. Gorilla and chimpanzee permits would be issued by UWA to both local and foreign nationals to undertake tracking activities;

iii) With effect from July 2024, Government, through UWA, raised the cost of gorilla trekking permits to USD 800 per person, up from USD 700. The cost of permits to track chimpanzees also rose from USD 200 to USD 250 per person. The new rates will be valid for two years till June 2026;

iv) Government inspected, registered and licensed 107 tour and travel companies; registered 25, inspected 2 and licensed 2 tour guides.

v) 45 accommodation facilities were registered while 4 were inspected and licensed;

vi) Uganda Airlines started direct flights to Mumbai, India in October 2023. This is expected open up Uganda as a tourism destination for Indians;

vii) Following an on-site audit conducted by the International Civil Aviation Organisation (ICAO) to evaluate the effectiveness of Uganda's safety oversight systems for compliance with the ICAO Standards and Recommended Practices (SARPs), Uganda's aviation sector scored 72.17 percent. This was above the Eastern and Southern Africa (ESAF) region average of 55.66 percent and global average of 67.68 percent; and

viii) Uganda hosted the 19th Summit of Non-Aligned Movement (NAM) Heads of State and Government and Group 77 and China Summit. Uganda's Chairmanship for the two Summits provided a platform to market Uganda's unique tourism and investment opportunities.

c) Increase the stock and quality of tourism infrastructure:

i) Parliament passed the Civil Aviation Authority (Amendment) Bill, 2024 that will bring Uganda's aviation regulator in conformity with the Convention on International Civil Aviation. The law gives powers to the Chief Investigator to lead investigations into any serious incident that occurs in or outside Uganda, involving an aircraft registered in Uganda or an aircraft operated by an operator in Uganda;

ii) The Ministry of Tourism, Wildlife and Antiquities commissioned rehabilitation works at the Source of the Nile in Jinja, for a Shs15 billion modern pier as part of the 20-year long development plan. The site was handed over to M/s Excel Construction Limited as a contractor to construct the pier which will constitute a glass bridge, thermal restaurants, art villages and docking area to accommodate over 20 modern boats;

iii) 765km out of 3,900km of the 65 roads mapped out as tourism roads were tarmacked. A total of 1,536km of trail network, 140km of tourism tracks and 597km of boardwalks were maintained in all protected areas;

iv) In September 2023, Kampala witnessed the grand debut of 'Four Points by Sheraton' designed to appeal to both business and leisure travelers. It is fitted with 142 modern and well-appointed guest rooms including an expansive presidential penthouse suite;

v) Mount Elgon conservation area was designated as one of the ten biospheres reserves in the world. It joins the 748 sites in 134 countries, including 23 transboundary sites. This was decided by the International Coordinating Council of UNESCO's Man and the Biosphere (MAB) programme in June;

vi) The UNESCO World Heritage Committee dropped Kasubi tombs from the list of world heritage in danger. This decision was reached during the 45th Session of the World Heritage Committee in September 2023 after confirmation that restoration works had been completed; and

vii) Government in partnership with Ruparelia Group of Companies unveiled a 4,400-seater state-of-the-art Speke Resort Convention Centre which will contribute to enhancing Ugandan's Meetings, Incentives, Conference and Exhibitions (MICE) potential and competitiveness.

During FY 2024/25 the Government of Uganda has allocated **Ushs 287.6 billion** aimed to achieve the following:

i) Uganda plans to host the inaugural East African Air show in December 2024 featuring cutting-edge aircraft, inspiring aerobatics and breath-taking formations. This will bring together aficionados, industry experts, Government representatives and tourism enthusiasts from the region and beyond;

ii) Uganda Wildlife Education Centre (UWEC) in collaboration with National Forestry Authority (NFA) is set to build four new Wildlife Education Centres (zoos) in the districts of Mbarara, Mbale, Gulu, and Kyenjojo. NFA will earmark 60ha of land in forest reserves in each of the districts for UWEC to set up wildlife-friendly structures;

iii) The MTWA will establish an Open-air Museum in Iriiri sub-county, Napak district aimed at exhibiting fossils and attracting more tourists to the Karamoja sub-region. This comes after the discovery of several dental remains of lower Miocene rodents and femur bone fossils of a giant animal identified as anthracothere, believed to have existed around 20 million years ago;

iv) Uganda will pursue membership in the Single African Air Transport Market (SAATM), whose intention is to integrate the aviation industry of the continent. SAATM is a project by African Union with an aim of promoting increased connectivity and ease the flow of people and goods between member states; and

v) Uganda plans to host the first World Women Birders' Conference in December 2024. With a goal to earn USD 700 million from birders by 2030, the potential of birding in Uganda is immense.

ICT Sector Analysis

The ICT sector's contribution to GDP has increased by 0.1 percent from 1.5 percent in the FY 2023/24 to 1.6 percent of GDP in FY 2024/25. Government approved a Budget of Ushs 191.83 billion for the Digital Transformation Programme in FY 2023/24. The achievements registered under the respective objectives of the programme in FY2023/24 include the following:

a) Increase the national ICT infrastructure coverage

i) Extension of the National Backbone Infrastructure (NBI) to ninety (90) sites across the country by end Q3, FY 2023/24. This brings the cumulative number of sites connected to date under NBI to 1,556. Further extended NBI connectivity to 20 entities that are utilizing bulk internet bandwidth.

ii) Deployed 28 outdoor WiFi hotspots deployed during the NAM/G77+China summit in Kampala and Entebbe. Out of these, 18 were maintained and remain fully operational post-summit while the 10 were decommissioned after serving their temporary purpose.

iii) Hosted twenty-three (23) new systems at the National Data Centre and maintained 20 Wi-Fi sites.

iv) Signed a joint venture agreement between UTCL and Rowad Capital Commercial LLC (RCC), a Dubai-based company. This multi-million-dollar joint venture project aims to improve Uganda's telecommunication sector.

b) Enhance usage of ICT in national development and service delivery

i) Onboarded nine (9) entities onto the Unified Messaging and Collaboration System (UMCS).

ii) Supported ten (10) BPO centres by providing subsidized internet and technical support including IT regulation requirements and facilitating linkage of innovators to potential markets. The supported BPO centres created two hundred three (203) jobs.

iii) On-boarded thirteen (13) entities onto the Whole-of-Government integration and data sharing platform in FY 2023/24. Cumulatively, 133 entities were onboarded onto the UGHub platform, out of which 76 were private entities while 57 were public.

iv) Developed four new websites including the Presidential CEO Forum and Global Symposium for Regulators-UCC while 5 websites were revamped

v) Issued thirty-six (36) Computer Emergency Response Teams (CERT) advisories and alerts to enhance cyber-attack defence. In addition, thirty-one (31) cybersecurity awareness sessions were conducted for both the public and private sector.

vi) Onboarded thirteen (13) entities onto data and information sharing platform to facilitate seamless data sharing. Cumulatively one hundred thirty-three (133) entities including 76 private entities and 57 public entities have been onboarded.

vii) Completed re-designing of the e-citizen portal and initiated onboarding of URSB E-services, Posta Ug e-services, NITA-U e-services, and URA e-service.

c) Promote ICT research, innovation and commercialization of indigenous knowledge Products

i) Reviewed and developed National ICT Intellectual Property (IP) Guidelines to align them with international standards.

ii) Developed initial draft of the Business Process Outsourcing (BPO) implementation strategy. In addition, the manual for the national BPO standards and best practices in BPO sector were developed to align Uganda's BPO industry with international standards. All these were done with the aim to improve service delivery, and to boost Uganda's competitiveness in the global BPO market.

iii) Achieved 40 percent progress in upgrading the Open Distance and e-Learning (ODeL) support system.

iv) Continued development of an ICT Research and Innovation Ecosystem Monitoring and Evaluation Framework, with progress reaching 80 percent.

v) Organised two ICT/Engineering Hackathon programs, resulting in the development of an animal tag prototype submitted for pre-incubation and commercialization.

vi) Certified eighty-two (82) IT Service providers.

d) Increase the ICT human resource capital

i) Registered and certified One hundred fifteen (115) IT service providers in-line with the IT Certification Regulations, translating in 95.83 percent of the target for FY 2023/24.

ii) Conducted 15 (fifteen) print media engagements to educate consumers on their rights. To that end, 6 (six) radio awareness engagements and 4 (four) consumer awareness sessions were held to cater to both private and public stakeholders.

e) Strengthen the policy, legal and regulatory framework

i) Launched Uganda's first Digital Transformation RoadMap in August 2023. The roadmap aims to leverage digital technology to narrow the disparity between rural and urban citizens. It also focuses on inclusivity and empowerment and further seeks to bridge the digital divide that has historically hindered opportunities for marginalised communities.

ii) Supported development of several policies including Business Process Outsourcing (BPO), Communications, and National Guidance Policies. Additionally, procurement of equipment for upgrading three transmission sites in Western Uganda was conducted to enhance redundancy and programme stream provision.

iii) Certified eighty-two (82) new IT service providers and audited seven entities. Two standards were reviewed and submitted for approval to the National Technical Standards Committee.

iv) Developed, reviewed, and submitted two (2) standards to the National Technical Standards Committee under the UNBS.

UGX 245.9 bn
FY 2024/25
allocation to Digital Transformation

In the forthcoming FY 2024/25, the allocation for the Digital Transformation Programme is Ushs 245.89 billion and the priorities of the Programme include:

i) Continued implementation of Last Mile connectivity/rollout of Broadband Infrastructure: The focus will be on connecting Public Service delivery units such as schools, hospitals, post offices, tourism sites, Police and Local Governments through the Uganda Digital Acceleration Programme (UDAP).

ii) Supporting the roll-out of e-Government: Efforts will be directed towards the deployment of e-services such as e-extension (for agriculture), e-education, e-health, and remote collaboration solutions. This initiative aims to digitally transform public service delivery, making services more accessible, efficient and responsive to citizens' needs.

iii) Supporting development and commercialization of Local ICT Products by nurturing local ICT talent and promoting commercialization of indigenous ICT products. This involves the establishment of the ICT Innovation Fund to support the development of applications and services by local innovators.

iv) Providing digital literacy training to small and medium Enterprises (SMEs) and communities. This training shall raise awareness about ICTs and empower businesses to effectively utilize ICT products and services, thereby enhancing their competitiveness and participation in the digital economy.

Sustainable Energy Development

In FY 2023/24, the Program was allocated Ushs. 1.51 trillion to support energy planning and infrastructure development as discussed below.

a) Increased generation capacity of electricity and allotted funds for energy planning, management, and infrastructure development to increase the supply of electricity in the country, for both domestic and industrial use.

i). Uganda's installed generation capacity has increased to 1,946.8 MW due to the addition of 600 MW following the commissioning of all the units of the Karuma dam. Additionally, physical progress for the construction of Nyagak III is at 94 percent. Once fully commissioned, Karuma and Nyagak are projected to increase Uganda's generation capacity to 1,953.4 MW.

ii). The government has continued to promote the use of alternative energy sources such as solar energy, wind energy and nuclear energy to diversify the country's energy mix and be able to meet the NDP III target of 3,500 MW by 2025. To this end, a 4 MW Solar power plant at Busitema was commissioned and subsequently added to the national grid.

iii). The draft Atomic Amendment Bill, 2023 was prepared and approved by the Senior Management of the Ministry of Energy and Mineral Development (MEMD) for submission to Cabinet.

b) The share of the population with access to both grid and off-grid electricity stood at 57 percent in FY 2019/20, with grid connections at 19 percent and off grid connections at 38 percent. To further consolidate the above gains and in provision of national public services:

i). Construction of 24 transmission lines and substation projects is ongoing. By December 2023, 133 km of transmission line network was added to the national grid, bringing the total stock of transmission network to 4,964 km.

ii). 140km of medium voltage and 246 km of low voltage was added to the electricity distribution network, resulting in a total distribution network of 63,774 km.

iii). Through the Electricity Connection Policy (ECP), 70,240 households were added to the national grid. This brings the cumulative number of households connected to the national grid to 2,087,187 in 2023.

iv). National electricity demand grew by 9.6 percent in December 2023. By user category, domestic demand grew by 10.8 percent, commercial demand by 11.4 percent and industrial demand by 9.2 percent.

v). Energy losses were reduced from 16.8 percent in 2022 to 16.2 percent in 2023.

UGX 982.56 bn
FY 2024/25 allocation to Sustainable Energy Development

For FY 2024/25, the government has allocated Ushs 982.56 billion trillion aimed to achieve the following:

i). Complete ongoing Transmission Network expansion and strengthening Projects.

ii). Implement the Net Metering Framework.

iii). Develop and enforce Minimum Energy Performance Standards.

iv). Procurement process for an EPC contractor for the rehabilitation and optimization of the Nalubaale Kiira complex.

v). Develop specific codes of practice for the operation of nuclear power plants and other non-nuclear power applications.

vi). Promote use of new renewable energy solutions (wind water pumping solutions, solar water heating, solar cookers, solar water pumping).

vii). Finalize the amendment of Atomic Energy Act, 2008.

Petroleum

The approved Budget for sustainable development of Petroleum resources in FY 2023/24 was Ushs. 446.615 billion, a significant increase from Ushs. 84.94 billion released in FY 2022/23.With the substantial budget increase, Government was able to achieve the following in FY 2023/24, under the respective Program Objectives:

i) Strengthen policy, legal, regulatory frameworks and institutional capacity in the oil and gas industry

ii) Enhance local capacity to participate in oil and gas operations

iii) Promote private investment in oil and gas industry

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

Uganda is on track to ensure its first oil is produced by end of 2025, with a total of 11 oil wells having been drilled (8 in Tilenga, 3 in Kingfisher area) with capacity to produce 190,000 barrels and 40,000 barrels of oil per day respectively.

UGX 920.86 bn
FY 2024/25 allocation to petroleum services

For the FY2024/25, government has allocated Ushs 920.86 billion to the Petroleum Services Programme to undertake the following interventions:

i) Formulation and conclusion of the National Petroleum Policy which is expected to create a conducive environment for faster and efficient exploration, development, production, and commercialization of discovered resources and utilization of petroleum products in the country while acknowledging the energy transition initiatives;

ii) The Noise and Vibrations Regulations under the Oil for Development Program in partnership with development partners,

iii) Civil works on the EACOP,

iv) The Resettlement Action Plan (RAP) for affected persons in the 10 districts where the EACOP crosses, and

v) Compensation of Project Affected Persons (PAPs) and completion of resettlement houses.

The Income Tax (Amendment) Act, 2024

The Parliament approved the Income Tax Act Amendments for the financial year 2024-25. These amendments are pending assent by H.E The President of Uganda and would become law once the same are assented.

Please find below a brief of what is contained in, The Income Tax (Amendment) Act, 2024

Executive summary of key amendments:

Section/ schedule	Summary of the Amendments
2(III)(III)	Proceeds/Benefits from retirement fund in case of termination of service will be considered as non taxable for PAYE. This is in addition to existing provision of non taxing the Proceeds/Benefits from retirement fund in case of death or retirement of the member.
21(1)	The Amendment seeks to exempt the following income from income tax: • Income derived by a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap. 84; • Income derived from the disposal of government securities on the secondary market; • Income derived by manufacturers of electric vehicle, electric battery or electric vehicle charging equipment or manufacturer who fabricates the frame and body of an electric vehicle.(subject to fulfillment of eligibility criteria's); and • Income derived by operator of specialized hospital facilities.(subject to fulfillment of eligibility criteria's).
54(1)(e) and (1a)	Preferential treatment to income of venture capital funds repealed to align with the introduced exemption for venture capital funds under Section 21(1).
78A and 78B	The definition of "Branch" is replaced by the new definition of "permanent establishment" and also clarity on computation of chargeable income of a permanent establishment is provided.
79(m)(iii) and (qa)	Income sourced in Uganda to include; • Annuity paid by a non-resident person as expenditure of a business carried on by the non-resident person through a permanent establishment in Uganda. • Income derived from the payment of insurance premium, if the premium relates to the insurance or reinsurance of a risk in Uganda.
85(6)	Profits attributable to the activities of a permanent establishment of the non-resident in Uganda to be charged at a tax rate of 30%.
118I and Part XIV, Third schedule	Introduction of a 10% withholding tax on commissions paid to Payment Service Providers.
First schedule	The Income of following institutions is exempt from income tax: • African Reinsurance Corporation (Africa Re); • Independent Regulatory Board of the East African Power Pool; • Islamic Cooperation for the Development of the Private Sector.

Analysis of the amendments with their commentary and significance.

1. Insertion of Section 2(III)(III)

The definition of a retirement fund is amended in Section 2(III)(III).

Commentary:

This amendment seeks to expand the definition of retirement fund to include the provision of benefits for members of the fund in the event of termination of service or upon the occurrence of an event specified in the written law, agreement, or arrangement.

Significance:

Proceeds/Benefits from retirement fund in case of termination of service will be considered as non taxable for PAYE.

2. Insertion of Section 21(1)(ta) and 21(1)(tb)

The amendment seeks to exempt income of private equity or venture capital fund from income tax. Further the income derived from the disposal of government securities on the secondary market will also be exempt from income tax.

Significance:

Preferential treatment is given to private equity or venture capital as a source of long-term capital that can provide funding through acquisition of shares in privately held businesses. This can attract sizeable investments into the country and give boost to the economy.

No Income Tax applicable on disposal of government securities in secondary market. (prior to their maturity).

3. Addition of new sectors under Section 21(1)(af)

The amendment seeks to exempt the income of Manufacturers from manufacturing of electric vehicle, electric battery or electric vehicle charging equipment or fabricating the frame and body of an electric vehicle. Also income of operators of specialized hospital facilities is exempt from income tax. This are in addition to the sectors already mentioned under Section 21 (1)(af) of the Income Tax Act

Commentary:

The amendment seeks to grant 10-year income tax exemption to the businesses in the above mentioned sectors subject to fulfilment of eligibility criteria's as laid down under Section 21(1)(af) of the Income Tax Act.

Significance:

The above amendment is also intended to attract investment in the provision of specialized medical services, and manufacture of electric vehicles. This is expected to support potential investors by eliminating income tax outflow and ultimately improve the investment cycle.

4. Repeal of Section 54(1)(e) and (1a)

Repeal of preferential treatment of capital gains arising from the sale of investment interest of a registered venture capital fund from the list of non recognized gains or losses.

Commentary:

This is a consequential repeal given that any income including capital gains derived by a venture capital fund is now exempt income under section 21.

Significance:

It harmonizes and/or clarifies the legislative intent to exempt income of venture capital fund.

5. Insertion of Section 78A, 78B and 89(6)

Insertion of definition of permanent establishment and calculation of chargeable income of a permanent establishment.

Commentary:

The definition of "Branch" is replaced by the new definition of "permanent establishment" and also clarity on computation of chargeable income of a permanent establishment is provided by this new amendment.

Significance:

This amendment aligns the definition of "branch" to the definition of a Permanent Establishment under the UN Model Double Taxation Agreement and Uganda's Double Taxation Avoidance Agreements. Further amendment under Section 85(6) also clarifies that the Profits attributable to the activities of a permanent establishment of the non-resident in Uganda to be charged at a tax rate of 30%.

6. Insertion of Section 79(m)(iii) and (qa)

Expansion on what amounts to Income sourced in Uganda. This will now include;

- *Annuity paid by a non-resident person as expenditure of a business carried on by the non-resident person through a permanent establishment in Uganda.*
- *Income derived from the payment of insurance premium, if the premium relates to the insurance or reinsurance of a risk in Uganda*

Commentary:

The Amendments seek to expand on what amounts to income sourced in Uganda. This includes annuities paid by a non-resident as expenditure of a business carried on by the non-resident person through a permanent establishment as well as income derived from the payment of insurance premium, if the premium relates to the insurance or reinsurance of a risk in Uganda

7. Insertion of Section 118I and Part XIV, Third Schedule

Introduction of a 10% withholding tax on commissions paid to payment service providers

Commentary:

This ammendment brings commission paid to payment service providers within the scope of withholding tax regulations as there was no withholding tax on commissions paid to payment service providers.

Significance:

This amendment aims to broaden the tax base, enhance tax compliance and revenue collection.

8. Amendment of First Schedule of the Income Tax Act

The First Schedule to principal Act is amended by inserting the following institutions/organization in its appropriate alphabetical position—

- *African Reinsurance Corporation (Africa Re);*
- *Independent Regulatory Board of the East African Power Pool;*
- *Islamic Cooperation for the Development of the Private Sector.*

Commentary:

The Income of above institution's/organizations is exempt from income tax.

The Value Added Tax (Amendment) Act, 2024

The Parliament approved the Value Added Tax Act Amendments for the financial year 2024-25. These amendments are pending assent by H.E The President of Uganda and would become law once the same are assented.

Please find below a brief of what is contained in, The Value Added Tax (Amendment) Act, 2024

Executive summary of key amendments:

Section/ schedule	Summary of the Amendments
5(ab)	In case of auction, the obligation to pay VAT is on the recipient of proceeds of an auction.
16(2)	A supply of goods during an auction to be treated as a supply of goods by the recipient of the proceeds of the auction.
18(10)	A supply of goods or services by an employer to an employee for no consideration is considered a taxable supply.
42	VAT Credit in excess of UGX 10 Million will not be allowed to be carried forward to subsequent period but will have to be applied as Cash Refund. Previously this limit was UGX 5 Million.
First Schedule	**The First Schedule (Listed Institutions) is amended by including the following institutions:** • African Reinsurance Corporation (Africa Re). • Independent Regulatory Board of the East African Power Pool. • Islamic Cooperation for the Development of the Private Sector. Thus, the above organization/institutions are eligible to claim the input VAT incurred albeit not being registered for VAT.
Second Schedule	**The Following supplies would be considered as Standard Rated as against exempt:** • Supply of Postage stamps. • Supply of software and equipment installation services to manufacturers. • Supply of goods and services used for personal and domestic use by contractors and sub-contractors of hydro-electric power, solar power, geothermal power or biogas and wind energy. **The following supplies are added to the list of exempt supplies** • The supply of electric vehicles locally manufactured or supply of frame and body of electric vehicle locally fabricated • The supply of electric vehicle charging equipment or supply of charging services of an electric vehicle • The supply of cooking stoves that use fuel ethanol, assembled in Uganda is exempt up to 30th June 2028. • "Safety head gear" instead of just "head gear"; • No VAT on payments towards feasibility study and design, local purchase of construction materials for the construction of a factory or a warehouse and the local purchase of raw materials and machinery or equipment by Manufacturers of an electric vehicle, electric battery or electric vehicle charging equipment or fabricates the frame and body of an electric vehicle.

Analysis of the amendments with their commentary and significance.

1. Insertion of Section 5(ab) and Amendment of section 10(4)

- *Obligation to pay VAT is on the recipient of proceeds from an auction.*
- *A supply of goods during an auction to be treated as a supply by the recipient of the proceeds of the goods.*

Commentary:

This is intended to clarify that where property is disposed of through an auction, the supply is treated as made by the person whose goods are being disposed or any other recipient of the proceeds and not of the auctioneer/creditor. Therefore, the liability of VAT is on the person whose goods are being disposed or any other recipient of the proceeds and not of the auctioneer/creditor.

Significance:

The input tax credit claimable under the sale shall also be claimed by the recipient of the proceeds and not the creditor/auctioneer.

2. Insertion of section 18(10)

- *A supply of goods or services by an employer to an employee for no consideration is considered a taxable supply.*

Commentary:

The court of Appeal in Celtel Uganda V Uganda Revenue Authority Civil Appeal No. 22 Of 2006 treated a supply to employees by an employer as a supply at reduced consideration under section 18(7) of the VAT Act and thus taxable at the fair market value.

The above amendment codifies this position.

Significance:

An Employer who supplies goods or services which are taxable in nature to an employee for no consideration, shall remit VAT on the fair market value of the supply.

3. Amendment of Section 42

VAT Credit in excess of UGX 10 Million will not be allowed to be carried forward to subsequent period but will have to be applied as Cash VAT Refund. Previously this limit was UGX 5 Million.

Commentary:

- Section 42(1) and (2) read together provided a threshold of UGX 5 million for a taxpayer to utilize as Tax credit for settling future VAT liabilities.
- The amendment now makes it mandatory to apply for cash VAT Refund if the credit is more than UGX 10 million.

Significance:

This is intended to reduce the number of taxpayers claiming for refunds. Credits below UGX 10 million shall be automatically carried forward to offset the output for the subsequent period.

4. Amendment of First Schedule to principal Act

The First Schedule to the principal Act is amended by inserting the following institutions;

- *African Reinsurance Corporation (Africa Re).*
- *Independent Regulatory Board of the East African Power Pool.*
- *Islamic Cooperation for the Development of the Private Sector.*

Commentary:

- This amendment exempts the above institutions from VAT.

Significance:

The institutions under the first schedule are able to claim the input VAT incurred albeit not being registered for VAT.

5. Amendment of Second Schedule to principal Act

Name of the Product	Current Legislation	New Legislation	Price Impact
Postage Stamps	Exempt	Standard Rated	▲
Software and equipment installation services to manufacturers.	Exempt	Standard Rated	▲
Goods and services used for personal and domestic use by contractors and sub-contractors of hydro-electric power, solar power, geothermal power or biogas and wind energy projects.	Exempt	Standard Rated	▲
Electric vehicles locally manufactured or supply of frame and body of electric vehicle locally fabricated.	Standard Rated	Exempt	▼
Electric vehicle charging equipment or supply of charging services of an electric vehicle.	Standard Rated	Exempt	▼
Cooking stoves that use fuel ethanol, assembled in Uganda.	Standard Rated	Exempt (Valid till 30th June 2028)	▼
Safety Head Gear	Exempt	Exempt	▼

6. Amendment of Second Schedule to principal Act

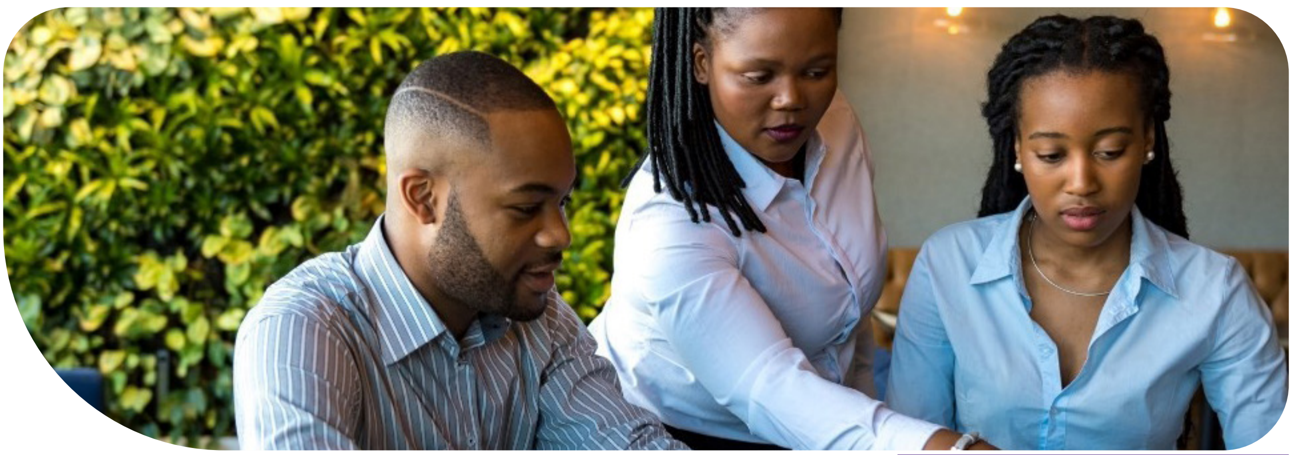
VAT Exemption benefit to the Manufacturers of an electric vehicle, electric battery or electric vehicle charging equipment or fabricates the frame and body of an electric vehicle.

Significance:

VAT not applicable on payments towards feasibility study and design, local purchase of construction materials for the construction of a factory or a warehouse and the local purchase of raw materials and machinery or equipment by Manufacturers of an electric vehicle, electric battery or electric vehicle charging equipment or fabricates the frame and body of an electric vehicle.

Commentary:

The above amendment is also intended to attract investment in electric vehicles sector . This is expected to support potential investors by eliminating VAT from the major purchases and ultimately improve the investment cycle.



The Excise Duty (Amendment) Act, 2024

The Parliament approved the Excise Duty Act Amendments for the financial year 2024-25. These amendments are pending assent by H.E The President of Uganda and would become law once the same are assented.

Please find below a brief of what is contained in, The Excise Duty (Amendment) Act, 2024

Analysis of the amendments with their commentary and significance.

1. Amendment of section 2: Inserting of definition of "Fruit Juice", "Un-denatured Spirits" , "Powder for reconstitution into beer "and "Vegetable Juice"

Commentary:

The Excise Duty Act in Schedule 2 levies the duty of excise on various products where the words "Fruit Juice", "Un-denatured spirits" , "Powder for reconstitution into beer" and "Vegetable juice" have been mentioned but these terms were never defined in the Act. The amendment is intended to make clarity by defining these terms.

This will attempt to create more clarity in implementation of excise duty laws other than reliance on customs nomenclature or generally used definitions for the items in question.

2. Amendment of Schedule 2: The excise duty on the below-mentioned items is to be changed as follows:

Sr. No.	Excisable item	Category	Current legislation	Nature of proposal	Proposed legislation	Price Impact
1	Opaque Beer	Alcoholic	20% or UGX.230 per litre whichever is higher	Change in the rate and fixed amount per litre	10% or UGX 150 per litre whichever is higher	▼
2	Any other alcoholic beverage locally produced	Alcoholic	120% or UGX 230 per litre whichever is higher	Change in the rate and fixed amount per litre	10% or UGX 150 per litre whichever is higher	▼
3	Other wines	N/A	80% or UGX 8000 per litre whichever is higher	Change in the rate and fixed amount per litre	100% or UGX 10,000 per litre whichever is higher	▲
4	Fruit juice and vegetable juice, except juice made from at least 30% pulp or at least 30% juice by weight or volume of the total composition of the drink from fruits and vegetables locally grown.	Non-Alcoholic	12% or UGX 250 per litre whichever is higher	Change in the rate and fixed amount per litre	10% or UGX 150 per litre whichever is higher	▼
5	Any other non-alcoholic beverage locally produced other than a beverage made out of fermented sugary tea solution with a combination of yeast and bacteria.	Non-Alcoholic	12% or UGX 250 per litre whichever is higher	Change in the rate and fixed amount per litre	10% or UGX 150 per litre whichever is higher	▼
6	Mineral water, bottled water and other water purposely for drinking.	Non-Alcoholic	10%	The inclusion of a fixed amount	10% or UGX 50 per litre whichever is higher	▲
7	Motor Spirit (gasoline)	Fuel	UGX 1450 per litre	Change in the fixed amount per litre	UGX 1550 per litre	▲
8	Gas Oil (automative, light amber for high speed engine)	Fuel	UGX 1130 per litre	Change in the fixed amount per litre	UGX 1230 per litre	▲

3. Amendment of Schedule 2: The excise duty on the below-mentioned excisable good or services is to be kept unchanged but the specific requirements/criteria for the goods or service in question are changed as follows:

Sr. No.	Item	Excisable item as per old Legislation	Excisable item as per amendment	Rate of Excise duty
1	SPIRITS	Un-denatured spirits made from locally produced raw materials.	Un-denatured spirits made from locally produced raw materials.	60% or UGX 1500 per litre whichever is higher.
2		Un-denatured spirits made from Imported raw materials	Un-denatured spirits of alcoholic strength by volume of 80% or more made from imported raw materials.	100% or UGX 2500 per litre, whichever is higher.
3		Ready to drink (other) spirits	Any other un-denatured spirits that are locally produced of alcoholic strength by volume of less than 80%.	80% or UGX 1700 per litre whichever is higher.
4		Ready to drink (other) spirits	Any other un-denatured spirits that is imported of alcoholic strength by volume of less than 80%.	180% or UGX 1700 per litre whichever is higher.
5	CEMENT	Cement	Cement, adhesives, grout, white cement, or lime.	UGX 500 per 50 kgs.
6	N/A	Any other fermented beverages made from locally grown cider, perry mead, spears or near beer.	Any other fermented beverages including cider perry mead, spears, or near beer produced from locally grown or produced raw materials.	30% or UGX 550 per litre whichever is higher.
7	N/A	Furnishings and fittings or locally produced materials for construction of premises and other infrastructure to a hospital facility developer whose minimum investment capital is at least five million United states Dollars and who develops a hospital at the level of a national referral hospital with capacity to provide specialized medical care.	Furnishings and fittings or locally produced materials for construction of premises and other infrastructure to a hospital facility developer whose minimum investment capital is at least five million United states Dollars and who develops a hospital with capacity to provide specialized medical care.	NIL

3. Amendment of Schedule 2: The Amendment also inserts new items with excise rates as follows:

Item	Excise Rate	Significance of Amendment
Powder for reconstitution into beer;	UGX 2500 per kg	This is meant to increase the tax base.
Incoming international calls originating from the United Republic of Tanzania and Burundi.	NIL	This is to promote affordability and ease of communication between persons in Uganda and other Members States in the East African community.
Payment services of withdrawals of cash provided through a payment system but does not include withdrawal services provided by a financial institution or a microfinance deposit- taking institution and an agent of a financial Institution.	0.5% of the value of the transaction	This is intended to provide for an equal tax treatment to that of mobile money for payment service providers since they offer a similar service to mobile money. These payment service providers include Chipper Cash and Wave Transfer among others.
Construction materials of a manufacturer of an electric vehicle, electric battery or electrical vehicle charging equipment or fabricator of the frame and body of an electric vehicle whose investment capital is at least USD 35 million in case of a foreigner or USD 5 million in the case of a citizen.	NIL	This is for purposes of harmonization of the Excise Duty (Amendment) Act, 2024 with the Income Tax (Amendment) Act, 2024 and the VAT (Amendment) Act,2024.

Stamp Duty (Amendment) Act, 2024

The Parliament approved the Stamp Duty Act Amendments for the financial year 2024-25. These amendments are pending assent by H.E The President of Uganda and would become law once the same are assented.

Please find below a brief of what is contained in, The Stamp Duty (Amendment) Act, 2024.

Executive summary of key amendments:

Seccond Schedule Item	Description Amendments
18(a)	No stamp duty on shares acquired by investors in a private equity or venture capital fund regulated under the Capital Markets Authority Act.
18(e)	No stamp duty on nominal share capital or any increase of share capital, if acquired by an investor in a private equity or venture capital fund regulated under the Capital Markets Authority Act.
60A(b)(iii) and (iv)	Changes in eligibility criteria for exemption from Stamp Duty in case of investors in strategic sector. • 80% utilization of locally produced Raw Material (subject to availability); • At least 80% of its employees are citizens, earning an aggregate wage of at least 80% of the total wage bill.
60A(d)	• Expansion of specialized medical facilities to any qualifying health facility without them being at a level of a national referral hospital.
60A(g)	• Insertion of NIL stamp duty for a debenture, further charge, lease of land, increase of share capital and transfer of land to a manufacturer of an electric vehicle, electric battery or electric vehicle charging equipment or fabricator of the frame and body of an electric vehicle who meets the given requirements.
62(f)	• Insertion of a NIL stamp duty on transfer of shares or other securities, to or by an investor in a private equity or venture capital fund regulated under the Capital Markets Authority Act.

Analysis of the amendments with their commentary and significance.

1. Amendment of item 18(a); Insertion of 18(e) and 62(f)

- *No stamp duty on shares acquired by investors in a private equity or venture capital fund regulated under the Capital Markets Authority Act.*
- *Insertion of a NIL stamp duty on nominal share capital or any increase of share, acquired by an investor in a private equity or venture capital fund regulated under the Capital Markets Authority Act.*
- *Insertion of a NIL tax on transfer of shares or other securities, to or by an investor in a private equity or venture capital fund regulated under the Capital Markets Authority Act*

Commentary:

The amendment of 18(a) excludes shares acquired by investors in a private equity or venture capital fund regulated under the Capital Markets Authority Act from the 0.5% capital duty on nominal share capital or increase of the same.

The insertion of item 18(e) provides NIL stamp duty on nominal share capital or any increase of share capital, acquired by an investor in a private equity or venture capital fund regulated under the Capital Markets Authority Act.

The insertion of item 62(f) establishes a Nil tax on the transfer of shares or other securities, to or by an investor in a private equity or venture capital fund regulated under the Capital Markets Authority Act.

Significance:

To provide for private equity or venture capital as a source of long-term capital that can provide funding through debt or acquisition of shares in privately held businesses.

2. Amendment of item 60A(b)(iii) and (iv)

Requiring a strategic investment project to:

- *Utilize at least 80% of the locally produced raw materials subject to availability;*
- *Ensure that at least 80% of its employees are citizens, earning an aggregate wage of at least 80% of the total wage bill.*

Commentary:

The ammendment changes creterias to be fulfilled by investors in strategic sectors to benefit from Stamp Duty Exemption. Following are new criterias:

Fixed number of 100 citizens to 80% and increases the requirement of locally sourced raw materials from 50% to 80%. This ammendment aims to reduce externalization of labor and raw materials and promote the use of domesticated/local labor and locally sourced raw materials subject to their availability.

Significance:

To encourage domesticated use of labor thus increasing on employment opportunities in Uganda. It also encourages the domesticated use of raw materials in Uganda

3. Amendment of item 60A(d)

Removal of requirement to develop health facilities to the level of a national referral hospital to benefit from stamp duty exemption on debentures, further charges, lease of land, increase of share capital, transfer of land and agreement for feasibility study services where the hospital developer invests at least USD 5 million.

Commentary:

This amendment seeks to reduce on the restrictions on hospital facility developers who under the current law have to develop a hospital at the level of a national referral hospital to be subjected to NIL stamp duty under item 60A. The amendment removes this requirement of the hospital being at the level of a national referral hospital.

4. Insertion of item 60A(g)

Insertion of NIL stamp duty for a debenture, further charge, lease of land, increase of share capital and transfer of land to a manufacturer of an electric vehicle, electric battery or electric vehicle charging equipment or fabricator of the frame and body of an electric vehicle who meets the given requirements.

Commentary:

NIL stamp duty is applicable on debenture, further charge, lease of land, increase of share capital and transfer of land for any manufacturer of an electric vehicle, electric battery or electric vehicle charging equipment or fabricator of the frame and body of an electric vehicle who meets the following requirements:

1. Minimum investment capital of USD 10 million in case of a foreigner, or USD 300,000 in case of a citizen or USD 150,000 in case of a citizen who invests up-country;
2. Capacity to use at least 80% of the locally produced raw materials, subject to availability;
3. Employs at least 80% of its employees being citizens earning an aggregate wage of at least 80% of the total wage bill; and
4. Provides for substitution of 30% of the value of imported products

Significance:

To encourage investment into the Ugandan economy and increase the employment opportunities and utilization of Ugandan Raw materials.

Tax Procedures Code (Amendment) Act, 2024

The Parliament approved the Tax Procedures Code Act Amendments for the financial year 2024-25. These amendments are pending assent by H.E The President of Uganda and would become law once the same are assented.

Please find below a brief of what is contained in, Tax Procedures Code Tax (Amendment) Act, 2024

Executive summary of key amendments:

Section	Summary of the Amendments
18A	A taxpayer who seeks to claim a deduction or credit on destroyed goods must inform the commissioner before destruction.
40E	Waiver of interest and penalty outstanding as on June 30th, 2023, for the taxpayers who pay their outstanding principal taxes by December 31st, 2024.

Analysis of the amendments with their commentary and significance.

1. Insertion of Section 18A

A taxpayer who intends to claim a deduction of or credit for the goods destroyed as a result of damage or expiry or obsolesce of the trading or manufactured stock, must inform the commissioner before destruction takes place.

Commentary:

This seeks to compel a taxpayer to inform the Commissioner in writing before destroying damaged or expired, or obsolete stock. The prescribed form for informing the commissioner before the destruction would be determined and made available to the taxpayer by the Commissioner as per Section 70 of the TPC Act.

Significance:

This amendment aims to enhance tax compliance and transparency by preventing fraudulent claims and improving administrative efficiency. It reduces ambiguity and ensures that claims for tax deductions are processed more efficiently. Many taxpayers in Uganda deal in goods prone to damage or expiry, such as food items, medicines etc. For these taxpayers, it is crucial to adhere to this requirement to smoothly claim the allowance for loss of goods as prescribed.

2. Insertion of section 40E

- *Waiver of interest and penalty outstanding as on June 30, 2023, for the taxpayers who pay their outstanding principal taxes by December 31, 2024.*

Commentary:

Waiver of interest and penalty outstanding as on June 30, 2023, for the taxpayers who pay their outstanding principal taxes by December 31, 2024.

Significance:

A similar amendment to Section 40D under the TPC Act was introduced last year, aimed at waiving interest and penalties where, outstanding principal tax liabilities are paid by December 31, 2024. However, the intended outcome was not achieved due to the method of payment allocation by URA.

Taxpayers are encouraged to reconcile their ledgers under all tax heads. If any principal tax is outstanding, they should endeavor to clear it by December 31, 2024, to benefit from the waiver of interest and penalties.

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