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Tax

Governance

Stakeholders

Uganda Budget 2023

June 15, 2023

Range of Services

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- Review report/engagements
- Agreed upon procedures
- Special attestation services
- Project audits and donor support

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- Tax position reconciliation services
- Return examination services
- Payroll tax compliance
- Tax registration services
- Tax advisory services

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- 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

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- Mergers & Acquisitions
- Financial due diligence

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- Feasibility studies
- Transfer pricing advisory
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- Operations improvement
- Strategic consulting

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- 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

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- Salary survey
- Recruitment
- HR manuals/handbooks
- Performance management
- Outsourced HR services

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- 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

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

Introduction

The Ugandan Budget Statement was delivered by Hon. Matia Kasaija, Minister of Finance, Planning and Economic Development on June 15, 2023. The theme for the FY 2023/24 national budget is **"Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation and Market Access."**

Anil Patel
Managing Partner
Grant Thornton Uganda

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

i) Increased domestic revenue mobilization and a reduction in non-concessional borrowing to ensure debt sustainability.

ii) Effective implementation of the Parish Development Model and EMYOOGA initiatives.

iii) Effective implementation of the various export strategies and enhancing access to global and regional markets.

iv) Support for the private sector by reducing the cost of doing business through:

   a. Construction of the Standard Gauge Railway and the rehabilitation of the Meter Gauge Railway.

   b. Development of small scale solar-powered irrigation schemes to address climate change and ensure food security.

   c. Maintenance of both tarmac and murram roads.

   d. Continued investments in industrial parks and energy transmission lines.

v) Provision of affordable credit for micro and small enterprises and low-income groups through the Small Business Recovery Fund, EMYOOGA and Microfinance Support Centre; and funding for medium to large enterprises through the Uganda Development Bank.

vi) Provision of quality seedlings, pesticides, fertilizers, storage, and marketing in the agro-industrialization value chain to increase agricultural production and productivity.

vii) Rapid development of oil and gas production, specifically the construction of the East African Crude Oil Pipeline and the National Oil Refinery.

viii) Expansion of our skilled labour force to meet the demand of a diversified economy especially industrial skills.

ix) Mitigation of the negative impact of climate change on the economy and livelihoods.

x) Implementation of the Greater Kampala Metropolitan Infrastructure Development Master Plan.

xi) Maintenance of peace and security of persons and property as the bedrock on which the above are based.

The budget for this FY 2023/24 is aimed at achieving the following broad objectives:

i) Urgent completion of key public investments with higher multiplier effects on the attainment of NDPIII targets and the NRM 2021 – 2026 Manifesto.

ii) Enhanced revenue mobilization and collections.

iii) Full-scale operationalization of the Parish Development Model (PDM).

iv) Enhanced government efficiency and effectiveness through rationalization of public expenditure, payroll audit, etc

The total national budget for FY 2023/24 is UGX 57.2 trillion. This will predominantly be funded through the following means:

- Domestic Revenue – UGX 29.7 trillion
- Domestic Borrowing – UGX 3.2 trillion
- Budget Support – UGX 2.8 trillion
- External Financing – UGX 8.3 trillion
- Appropriation in Aid collected by Local Government – UGX 287 billion
- Domestic Debt Refinancing – UGX 8.4 trillion
- Other financing – UGX 228 billion

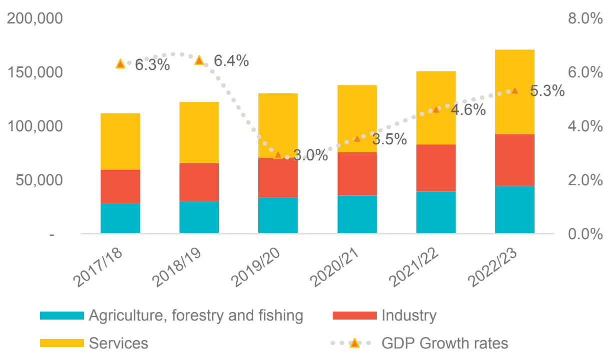
Economic Review

Macro-economic Indicators

Gross Domestic Product

According to the Uganda Bureau of Statistics (UBOS), the size of Uganda's economy expanded to UGX 184.3 trillion in FY 2022/23 from UGX 162.7 trillion in FY 2021/22 representing a growth rate of 5.3 percent in real terms, from 4.6 percent the previous year despite a slowdown in global growth and climate related shocks. The economic growth in FY 2022/23 was mainly driven by a significant pickup in the level of economic activity in the industry and services sectors while economic activity in the agriculture, forestry, and fishing sector was modest owing to unfavorable weather conditions. All these three sectors registered growth in FY 2022/23, with strong recovery noted in the industry and services sectors. The services sector remains the largest contributor to GDP (42.6 percent), followed by industry (26.1 percent), and the agriculture, forestry, and fishing sector (24.0 percent).

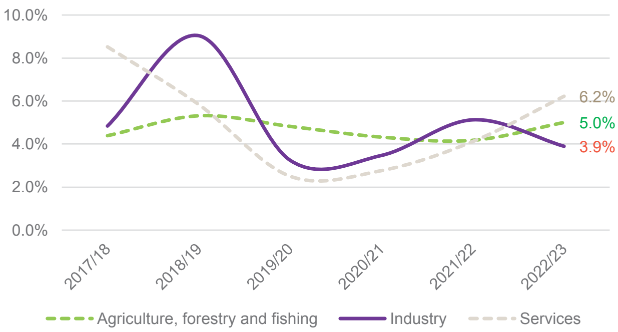
GDP from FY 2017/18 to FY 2022/23



Source: UBOS, Annual GDP Publication Table

In FY 2022/23 the industry sector grew by 3.9 percent compared to 5.1 percent growth in FY 2021/22 while the services sector grew by 6.2 percent compared to 4.1 percent over the same period. The growth was attributed to increased output from manufacturing, wholesale and retail trade, telecommunication, and health care activities. The agriculture, forestry and fishing sector grew by only 5.0 percent compared to 4.2 percent in FY 2021/22 due to the prolonged drought observed from April 2022 to early August 2022, that negatively affected food crop activities.

Real GDP Growth Sectorwise



Source: UBOS, Annual GDP Publication Table

For the FY 2023/24, Uganda's GDP is projected to grow up to UGX 207.22 trillion from UGX 184.3 trillion in FY 2022/23. This growth will be supported by; a pickup in oil sector construction activities; growth in regional trade; a rebound in agricultural production, and job creation owing to government interventions and initiatives like the Parish Development Model (PDM) and the Presidential Initiative on Wealth and Job creation (EMYOOGA). Over the medium term, economic growth is projected to average between 6 percent and 7 percent, driven by an anticipated increase in productivity within the agriculture and manufacturing sectors.

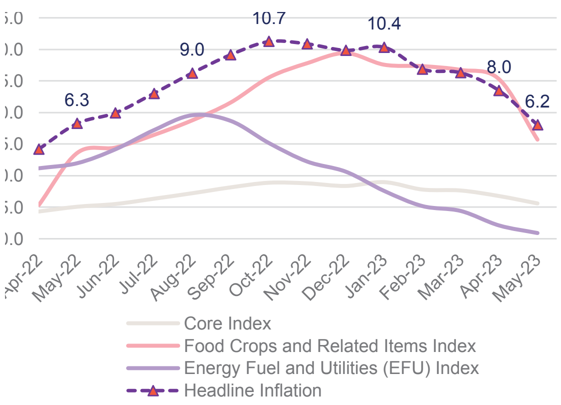
Inflation

Annual headline inflation significantly increased to 10.7 percent during the first half of FY 2022/23 from an average of 4.6 percent during the previous half. The sharp rise in inflation recorded in 2022 was majorly attributed to a rise in food and global energy prices which were intensified by the Russia- Ukraine war, supply chain disruptions, and changing patterns of climate change.

In the second half (H2) of FY 2022/23, inflation decreased to 6.2 percent in May 2023 from 10.4 percent in January 2023. The disinflation process (temporary slowing of the pace of price inflation) was attributed to a combination of domestic and external factors. On the external front, international commodities prices for energy and food items which had spiked due to the escalation of the Russia-Ukraine conflict have continued to decrease and are now below their pre-conflict levels as the global economy cools off due to the impact of synchronized tight monetary policies and continued easing of global supply chains constraints. On the domestic front, the relatively stable shilling has also helped accelerate the disinflation process, thanks to tight monetary and fiscal policies that have contributed to moderation in aggregate demand. All these, factors have favored the reduction of non-food prices. Although domestic food prices continue to fall, they remain persistently high and above the historical trend.

Energy Fuel and Utilities (EFU) inflation continued to fall for the seventh straight month in a row after peaking at 19.6 percent in August 2022. EFU inflation stood at 4.4 percent in March 2023, marking a continued decline from 5.2 percent in February 2023.

Monthly Inflation



Source: UBOS, Macroeconomic Indicators

Inflation is expected to continue declining in FY 2023/24, driven by lower energy prices, improved global supply chains, and exchange rate stability owing to tighter monetary and fiscal policies. Headline and core inflation are expected to average 6.1 percent and 5.8 percent, respectively. Core inflation is projected to return to the 5 percent target by the end of 2023. To achieve this, tight monetary and fiscal policies are expected to be maintained.

Balance of Payments

Uganda's external position remained fragile in the year to March 2023, weighed down by headwinds occasioned by the Russia-Ukraine crisis. A BOP deficit of USD1,069.2 million was registered in the year to March 2023, a reversal from a BOP surplus of USD 738.5 million recorded in the previous year. The estimated stock of reserves at the end of March 2023 was USD 3,628.8 million, lower than the USD 4,463.6 million recorded at the end of March 2022.

US$ 1,069.2 m

Fiscal Deficit as of March 2023

The current account deficit remains high, at USD 3,851.3 million by historical standards. This is regardless of the marginal 1.4 percent improvement in the year to March 2023 on account of an expansion in the secondary income surplus and marginal narrowing of the deficit on the primary income account. The secondary income surplus widened by 18.7 percent while primary income account narrowed by 1.7 percent to USD 772 million due to the threefold increase of income on reserve assets.

The financial account surplus contracted by 47.3 percent to USD 1,929.6 million as the outflow of portfolio capital surged and financial flows through the other investments contracted substantially. Interest rate hikes in advanced economies triggered offshore investors to exit from government securities. External debt service payments coupled with a lower budget and project support loan disbursements owing to tighter global financial conditions strained the financing. As such, the financing of the current account deficit was mainly from foreign direct investment inflows which increased by 42.6 percent to USD 1,654.4 million directed majorly to the oil projects and drawdown on international reserves.

Finally, the trade deficit deteriorated by 9.4 percent to USD 3,565.2 million in the year to March 2023. Nonetheless, the deterioration in terms of trade has eased from the peak of over 30 percent in February 2022, reflecting the recent successive declines in most of the international commodity's prices. The 13.3 percent growth in exports to USD 4,717.1 million, accrued from high commodities prices of coffee, maize, sugar, beans, and base metals, could not result in an improvement in the trade deficit due to scale effects. Import expenditure including gold trade grew by 9.5 percent to USD 8,284.4 million. The overbearing increase in the import bill was attributed to the surge in global oil, non-oil commodity prices, with increasing volumes of oil imports. The services deficit widened by

7.9 percent to USD 1,556.3 million, largely due to higher payments for transportation services in line with the increased expenditure on imports.

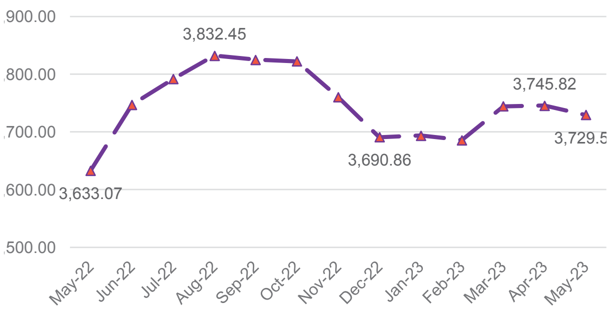
Exchange Rate

During FY 2022/23, the shilling remained strong relative to the pre-covid-19 levels, compared to its counterparts in the region. The shilling held steady on an appreciation path, both in nominal and real terms. The nominal appreciation was 1.3 percent quarter-on-quarter to average UGX 3707.9/USD in the quarter ending March 2023.

The shilling appreciation is supported by tight monetary and fiscal policies, an increase in export revenues, and continued foreign direct investment inflows. The tight monetary policy stance has lessened the outflow of short-term capital, a relative improvement in the terms of trade. This has led to temporal improvement in exports earnings, trade balance, and ultimately the current account of the balance of payments. In addition, the strong foreign direct investment inflows, especially in the oil sector, and increase in forex receipts from tourism sector, coupled with stable inward remittances from workers, have also favored a stronger shilling.

Monthly exchange rates (USD/UGX)

May 2022 - May 2023



Source: UBOS, Macroeconomic Indicators

For the FY 2023/24, the shilling is expected to depreciate against the US dollar due to the global strengthening of the US dollar following the increase in the policy rate by the federal reserve of the United States of America (USA) and higher perceived safety and better economic growth prospects in the USA.

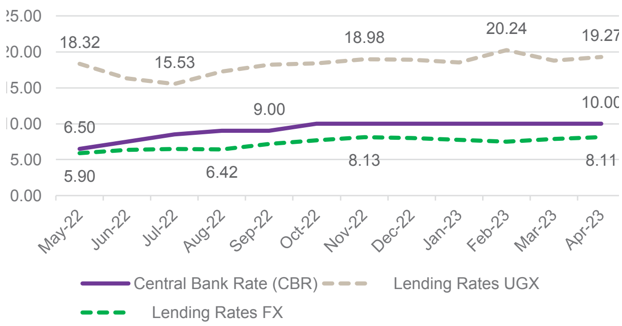
Monetary Policy

The Bank of Uganda (BOU) increased the Central Bank Rate (CBR) from 6.8 percent in June 2022 to 10 percent in the third and fourth quarter of the FY 2022/23. The lower and upper bands on the CBR were also maintained at +/- 2 percentage points and the rediscount and bank rates at 13 percent and 14 percent, respectively. The lower and upper band levels were maintained and consistent with the disinflation process going forward and recovery of economic growth. This tightening is set to normalize inflation back to the mid-term 5 percent target by the end of this year.

Consistent with the monetary policy actions, inflation and liquidity conditions forced interest rates to remain high and private sector credit to moderate. The 7-Day interbank weighted average rate rose to 12.1 percent in the quarter ending March 2023 relative to 11.8 percent in the three months to December 2022 while the overnight rate rose to 11.9 percent from 10.7 percent over the same period. As such, commercial banks relied on the standing lending facility (SLF) to meet their liquidity needs shortfalls. Lending rates charged by commercial banks to the private sector increased from an average of 15.53 percent in July 2022 to an average of 18.91 percent in December 2022. This caused private sector credit growth to decline to 9.8 percent in the quarter ending March 2023 from 10.2 percent in the quarter ending December 2022.

CRB and Commercial lending rates

May 2022 - April 2023



Source: UBOS, Macroeconomic Indicators

Fiscal Policy

Domestic revenue in FY 2022/23 is estimated at UGX 25,551 billion which is approximately 13.7 percent of GDP. For FY 2023/24, domestic revenues are projected to amount to UGX 28,831.1 billion (13.8 percent of GDP). 93 percent of domestic revenues will be attained from tax revenues while the remainder will be obtained from non-tax revenue.

Grants have registered a shortfall of UGX 882.1 billion, against the UGX 1,741 billion target. Net tax revenue amounted to UGX 16,434.7 billion, undershooting its target by UGX 581.1 billion.

The ratio of total interest payments to domestic revenues increased to 23.5 percent in the year to March 2023 from 20.6 in March 2022 due to the continued pressure exerted by interest payments on domestic revenues. Interest payments are projected to amount to UGX 6,135.5 billion, equivalent to 2.9 percent of GDP.

Expenditure and net lending in FY 2023/24 are projected to amount to UGX 37,247.4 billion. This is slightly less than UGX 37,471.9 billion from FY 2022/23. Current expenditures will average 10.8 percent of GDP while development will average 8.5 percent of GDP.

Domestic debt interest payments contribute the largest share at 18.2 percent of government revenues breaching the 2018 Public Debt Management Framework (PDMF) threshold of 12.5 percent, ultimately clouding out other priority budgetary items. The provisional total public debt stock at the end of March 2023 stood at UGX 86,352.6 billion approximately 49.6 percent of GDP.

In accordance with the Charter for Fiscal Responsibility (FY 2021/22 – 2025/26), the total debt for the FY 2023/24 in nominal terms will be maintained below 50 percent of GDP, while the fiscal balance including grants shall not exceed 3 percent of non-oil GDP by 2025/26. The fiscal strategy for FY 2023/24 is to attain inclusive economic growth while maintaining a stable macroeconomic environment and preserving debt sustainability.

To attain the required fiscal balance the government plans to:

i) Harness revenue mobilization while ensuring that the rise in recurrent spending matches the efficiency in revenue mobilization.

ii) Prioritize spending on sectors with high investment multipliers and households in the subsistence economy in line with the objective of full monetization of the economy.

iii) Continue to invest in public infrastructure for inclusive growth and implementation of Domestic Revenue Mobilization Strategy which targets revenue to GDP growth of 0.5 percent every fiscal year.

FY 2023/24 Budget

Overview

The National Budget for FY 2023/24 was approved by parliament on May 18, 2023. The budget was increased from UGX 48.13 trillion for FY 2022/23 to UGX 52.7 trillion for FY 2023/24 which represents an increase of 9.5% from the previous financial year. The key priorities for the FY 2023/24 budget are the following:

i) Boosting household incomes and micro enterprises.

ii) Commercializing agriculture to enhance production and productivity and improve competitiveness of agricultural products.

iii) Supporting private sector growth.

iv) Investing in the people of Uganda.

v) Improving the stock and quality of infrastructure.

vi) Expediting implementation of strategic interventions in innovation, research and development, and the minerals, oil, and gas industry.

9.5%
Budget Increase from FY 2022/23

UGX 52.7 tn
allocated

The Government's current target is to achieve an overall revenue collection of UGX 29.7 trillion which will be a 16% increase in revenue collection from UGX 25.6 trillion achieved in FY 2022/23.

16%
targeted increase in revenue collection for FY 2023/24

Government expenditure (Excluding debt repayments and appropriation in aid) is projected to amount to UGX 9,945.95 billion in FY 2023/24 an increase from an estimated UGX 6,644.9 billion in FY 2022/23. This however is equivalent to 19.4 percent of GDP which is lower that the estimated 19.9 percent of GDP in the FY 2022/23. This is in line with Government commitment to fiscal consolidation in order to ensure fiscal and debt sustainability.

Nonetheless, this expenditure is poised to reduce the fiscal deficit to 3.5 percent of GDP in FY 2023/24 and thereafter gradually decline to below 3 percent of GDP by the end of the medium term in line with the FY 2021/22 - FY 2025/26 Charter for Fiscal Responsibility.

5.4%
Fiscal Deficit

Sectoral Analysis

Agriculture

Agriculture is the backbone of Uganda's economy, with approximately 70 percent of the 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 agriculture, forestry and fishing sector grew by 5 percent in the FY 2022/23, registering 0.8 percentage points higher than growth rate registered in the FY2021/22. In nominal terms, the gross value added was UGX 44,179 billion in FY2022/23, higher than the revised UGX 39,161 billion registered in FY2021/22.

The performance of the agricultural sector was majorly driven by cash crops and livestock which grew by 4.7 percent and 8.9 percent respectively. Food crops grew by 4.7 percent, agricultural support services grew by 2.2 percent, forestry grew by 3.1 percent while fishing grew by 7.7 percent from 0.3 percent recorded in the previous year. The agricultural sector contributed 24 percent to the country's GDP in FY2022/23 the same as in FY2021/22.

5.0%
Sector growth in FY 2022/23

For FY 2023/24, the government has allocated **UGX 2.2 trillion** to the agricultural sector, which is an increase of 52% from **UGX 1.45 trillion** in FY 2022/23.

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

i. Support agricultural research for the development of climate resilient crops and animal species.

ii. Promote environmental conservation, restoration and protection of degraded water catchment areas and forest cover.

iii. Construct small, medium and large-scale irrigation schemes in water stressed areas. These will include the construction of earth dams at Unyama in Gulu, Namalu in Nakapiripirit, Sipi in Bulambuli, Kabuyanda in Isingiro, among others.

iv. Implement large-scale mechanization and irrigation.

v. Improve farmer mobilization, education and partnerships with large commercial farmers for the production of strategic commodities, such as coffee maize and tea to meet national and international demand.

Government also intends to increase production and productivity through pillar one of the PDM which will cover 6 components: community mobilization, business development services and extension services, provision of advisory services at every node of the value chain in every parish, provision of inputs, storage and agricultural processing among others. Farmers at parish level will be coordinated through area-based commodity clusters in order to increase production and productivity.

UGX 2.2 tn
FY 2023/24 allocation to Agriculture

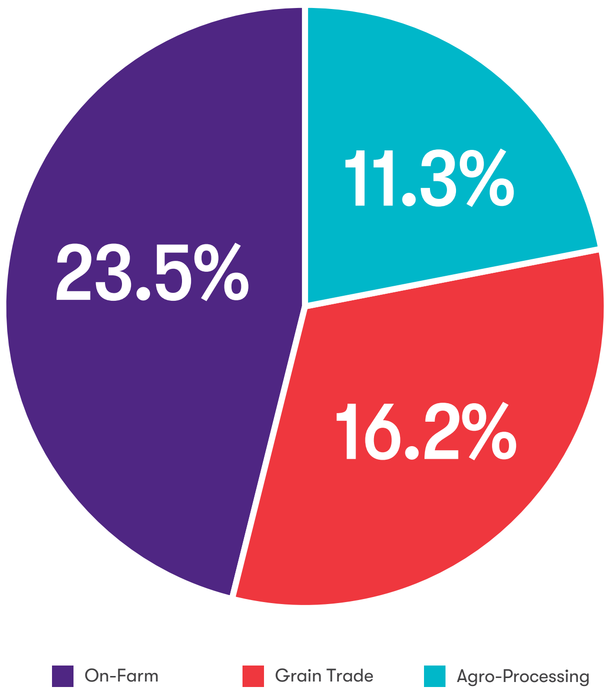
The Agricultural Credit Facility (ACF) at Bank of Uganda also continues to provide targeted funding for agriculture. 62.5% of the projects funded by ACF comprise of micro, small and medium-sized enterprises (MSMEs), which constitute the majority of the agriculture sector in Uganda.

The ACF cumulative loan book stood at UGX 6.58 billion, extended to 586 eligible projects across the country with the central region registering the highest uptake at 75 percent while the remainder was covered by commercial banks.

During the year, more funding was extended to on-farm activities/primary production, working capital for grain trade and agro-processing, utilizing 23.5 percent, 16.18 percent, and 11.27 percent respectively.

On-farm activities constituted the highest-funded category during the year in terms of the value of loans disbursed and the number of beneficiaries with 1,372 more borrowers (114 percent) accessing funding under this category.

Areas Funded (Agricultural Credit Facility)



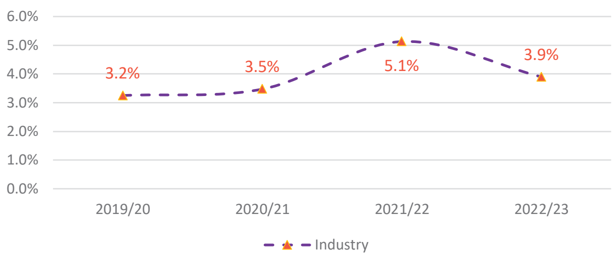
The majority of small-holder farmers and agro-processors fall under on-farm activities/primary production which resonates with the commitment of the ACF to commercialize the smallholder farmers by enabling them to access affordable credit to acquire agricultural machinery for mechanisation, quality agro-inputs for better yields as well as value-addition so that they can move up the value chain and improve their income.

The Agricultural Credit Facility (ACF) has maintained positive growth since its establishment in 2009 with a portfolio standing at UGX 751.33 billion as at December 31, 2022. Loans extended to farmers and agro-processors increased by UGX 90.83 billion during the year with 1,447 more beneficiaries accessing affordable credit under the ACF during the year.

Trade and Industry

The value added for the industry sector activities include mining and quarrying, manufacturing, water and waste management activities, electricity generation and supply, and construction activities. The overall industry activities grew by 3.9 percent in the FY 2022/23, compared to 5.1 percent in the FY 2021/22. In nominal terms, the sector recorded a gross value added of UGX 48,144 billion in FY 2022/23 compared to UGX 43,562 billion recorded in FY 2021/22, contributing 26.1 percent to GDP in FY 2022/23 compared to 26.7 percent in FY 2021/22.

Sector growth FY 2019/20- 2022/23



Source: UBOS

The manufacturing activity recorded the highest contribution of value added in the industry sector contributing 60.1 percent of the sector's GDP and 15.7 percent to the total GDP. The public sector investments have continued to be dominated by civil construction of dams and roads & bridges. The mining & quarrying activities recorded the highest growth in the industry sector of 7.5 percent in FY 2022/23. The growth is attributed to increase in activities including extraction of crude petroleum and natural gas, mining of metal ores and mining support activities.

Some of the achievements registered in the trade and industry sector in FY 2022/23 include:

i) Signed an Agreement with Tangshan Mbale IBP through Uganda Investment Authority (UIA) to facilitate commencement of infrastructure works.

ii) As of January 2023, physical progress of construction works at KIBP, Namanve stood at 33 percent against the planned 62 percent while the financial performance stood at 52.5 percent (EUR 86.91 million)

iii) Declared and gazette 5 locations as Private Free Zones, as of February 2023, bringing the total number of Free Zones to 37. Uganda Free Zones Authority (UFZA) renewed eleven (11) Operator Licenses in the same period.

iv) The preparation of the Regulatory Impact Assessment (RIA) of Free Zones in Uganda is in the final stages. The RIA intends to inform the review of the Free Zones Act, 2014 for purposes of amending specific clauses to promote export-oriented investments and competitiveness by widening the scope of Free Zones. The amendments will expand the scope by, adopting the Special Economic Zones and providing for clear exclusive incentives for Free Zone operators and developers within the Free Zones Law.

v) The Free Zones invested USD 37.63 million and created 1,056 new jobs. They also contributed UGX 66.36 billion in local purchases and sub-contracting expenses between July 2022 and March 2023.

vi) The Uganda Electricity Transmission Company Limited commissioned the 120 MVA, 132/33 kV Luzira Industrial Park Substation which is expected to boost the supply of reliable power to industrial consumers. The substation has a total transformation capacity of 120 MVA, comprising three power transformers stepping down high voltage power from 132 kV to 33 kV.

vii) Electricity Regulatory Authority (ERA) has been conducting a pilot project since January 2022, to assess whether the USD 5 cents per kilowatt hour electricity tariff is viable. The pilot project was conducted in Liao Shen Industrial Park, Kapeeka and MMP Industrial Park in Buikwe. This followed a Presidential directive to reduce the cost of electricity to manufacturers to USD 5 cents per kilowatt hour.

UGX 242 bn

UGX 242.2 bn
FY 2023/24 allocation to the manufacturing sector

In FY 2023/24, Government has earmarked UGX 242.2 billion for the manufacturing programme to undertake the following priorities.

i) Fast track implementation of the industrialization policy by developing industrial parks.

ii) Support local industries to acquire appropriate technologies and product certification.

iii) Support local industries to access cheap and affordable electricity.

Financial Sector

Financial and Insurance services

The financial and insurance services sector declined by 1.5 percent in FY 2022/23, from 4.5 percent growth registered in FY 2021/22. In nominal prices, the activity recorded a value addition of UGX 5,069 billion in FY 2022/23, compared to UGX 4,659 billion in FY 2021/22 with an overall contribution to GDP of 2.8 percent in FY 2022/23, down from 2.9 percent in FY 2021/22.

In the year to March 2023, the banking sector registered a growth of 8.1 percent in total assets from UGX 42.5 trillion in March 2022 to UGX 45.92 trillion in March 2023. Over the same period, the deposit base grew by UGX 2.5 trillion (8.4 percent) from UGX 29.5 trillion to UGX 32 trillion. The level of intermediation remained strong exhibited by growth in total advances, which shot up by UGX 2.1 trillion between March 2022 and March 2023. This increase surpassed the growth of UGX 1.9 trillion registered in the prior twelve-month period to March 2022.

2.8%
Financial and Insurance services contribution to GDP in FY 2022/23

Private Sector Credit (PSC)

The average yearly increase of PSC remained relatively stable at 10.1 percent during the 9-month period ending March 2023, compared to the 9.4 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 12.2 percent and contributed 8.5 percentage to the overall PSC growth. In contrast, the previous fiscal year saw an average growth of 9.4 percent with a contribution of 7.6 percent to PSC growth. On the other hand, the growth rate of foreign currency loans decreased to 5.3 percent during the 9-month period ending March 2023, down from 6.2 percent in the previous fiscal year.

The amount of non-performing loans (NPLs) increased by UGX 103.4 billion, or 10.0 percent. However, the ratio of non-performing loans to total loans and advances slightly improved from 5.8 percent to 5.7 percent. This improvement was due to a larger increase in total loans and advances compared to the increase in non-performing loans.

5.7%
Non-Performing Loans

Except for personal loans and manufacturing, the growth of PSC was sluggish in most major sectors. The agriculture sector has been experiencing a decline in credit since November 2022, while the building, mortgage, construction, and business services sectors have witnessed a significant slowdown in credit growth. 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

According to data released by the Insurance Regulatory Authority (IRA), the insurance industry maintained its growth trend by the end of December 2022. The industry's total value increased from UGX 1,183.86 billion in 2021 to UGX 1,438.79 billion in 2022, reflecting a growth rate of 21.5 percent during the reporting period. Non-life insurance business experienced a growth of approximately 21.8 percent, generating UGX 896.55 billion in 2022 compared to UGX 736.09 billion in 2021. On the other hand, life insurance business generated UGX 501.74 billion, increasing from UGX 351.3 billion in the third quarter of 2022, which represents a growth rate of 26.3 percent for that segment in the full year when compared to 2021.

21.8%
Growth in Non-life insurance businesses

Health Management Organizations (HMOs) generated UGX 39.93 billion growing from UGX 33.04 billion in Q3 of 2022, representing a decline of 17.26 percent when compared to the corresponding period in 2021, during which UGX 48.26 billion was underwritten. The significant decline was a combined effect of the acquisition of one of the biggest HMOs, IAA Healthcare by Prudential Life Assurance and the suspension of International Medical Link (IML).

Micro insurance business generated UGX 573.98 million growing from UGX 468 million in Q3 of 2022 which represents a reduction in growth by 14.51 percent from UGX 657.26 million registered in a corresponding period in 2021. This is attributed to the increased cost of living.

In terms of market concentration/composition, non-life business accounted for 62.31 percent of the aggregate industry while Life business accounted for 34.87 percent of the aggregate industry written premiums in the report period. Locally, the insurance industry will continue to face pressure from high inflation, natural catastrophe losses and volatile financial markets. The sector is nevertheless expected to remain on a positive trend.

Despite the signs of strengthening economic activity in the year 2022/23, the global economy remains fragile with the looming threat of recession in key markets. Locally, the insurance industry will continue to face pressure from high inflation, natural catastrophe losses and volatile financial markets. The sector is nevertheless expected to remain on a positive trend.

Private Sector Development

To facilitate the Private Sector Development (PSD) programme towards achieving the intended results, Government has allocated UGX 1,849 billion (5.9 percent of the total budget) for the FY 2023/24 of which UGX 1,059.40 billion (42.7 percent) will be allocated to fund the implementation of the Parish Development Model (PDM). The FY 2023/24 budget allocation increased from UGX 1,653.91 billion appropriated in FY 2022/23 representing a growth of 12 percent. In the same regard, UGX 2.83 billion has been allocated to local governments in form of non-wage conditional grant to facilitate implementation of PSD trade and industry activities at those levels.

The Government through the Private Sector Development programme aims to achieve the following objectives:

i) Lowering the cost of doing business.

ii) Promote local content in public programmes.

iii) Strengthen the enabling environment and enforcement of standards.

iv) Strengthen the role of government in unlocking investment in strategic economic sectors.

v) Strengthen the organizational and institutional capacity of the private sector to drive growth.

In FY 2023/24, Government will facilitate implementation of interventions, including:

i) Continued support and promotion of local content through conducting an inventory of domestically produced goods, services and works that can be purchased by Government, implementation of the existing Local Content Policy.

ii) Other related legal and institutional framework, building capacity of local service providers to compete favorably in public procurement and enforcing the Implementation of the Guidelines on Preference and Reservation Schemes.

iii) Implementation of the NPSDS II and the National BDS Framework.

iv) Expand the existing scope for accreditation to ensure recognition of UNBS certification services, testing and metrology services, as well as inclusion of Imports Inspection, market surveillance and Legal Metrology.

v) Capitalization of Uganda Development Bank and other financing schemes to provide affordable long-term capital at affordable interest rates to agriculture, ago-processing and manufacturing for Private Sector growth.

vi) Establishing a National Business Development Services (BDS) Centre of Excellence and structure the BDS delivery mechanism, including building capacity and coordination of BDS providers in all districts.

vii) Further development of the public Free Zone at Entebbe International Airport.

viii) The Financial Sector Development Strategy (FSDS) will be implemented in addition to monitoring of the EMYOOGA Program. To implement this better, other policies will be developed including the Development Finance Institutions Policy and Agricultural Finance Policy.

ix) Execution of PDM beyond the Financial Inclusion Pillar by maintaining disbursement of UGX 100 million per parish and ensuring effective implementation of BDS to support enterprise creation, growth, survival and profitability at household level.

x) Implement activities of National Export Development Strategy with key MDAs with the view to increase exports (Enterprise development, promotion of value addition and quality assurance and building the export mindset).

Works and Transport

Government allocated UGX 4.5 trillion in FY 2023/24 to the programme to construct, upgrade, maintain and improve transport infrastructure and services. A total of UGX 2.6 trillion was allocated to Uganda National Roads Authority to upgrade, maintain and rehabilitate national roads in the country with the view of improving national and regional connectivity. A total of UGX 506.42 billion was earmarked for road maintenance at national and district level in FY 2023/24.

UGX 4.5 tn
FY 2023/24 allocation to Works and Transport

Achievements in FY 2022/23

a) Optimized investment in transport infrastructure and services

Road Transport in the provision of National Services, Government in FY 2022/23:

i) Continued with the upgrade and construction of 18 road projects totalling 966.2 km. By end of March 2023, one oil road totalling 93 km was substantially completed and construction of 116.07vkm had been achieved against a target of 415 km. This brings the total paved road network in Uganda 5,875 km, which represents 29 percent of the national road network.

ii) By March 2023, 18 road projects totalling to 1,007.5 km including bridges and drainages were under procurement. An additional 40 road projects were under design stage.

iii) By end of December 2022, 4,868km of paved national roads had been maintained through routine manual maintenance and a further 355.9 km through mechanized routine maintenance.

iv) A further 14,557 km of unpaved national roads had been periodically maintained by December 2022.

Road Maintenance

In FY 2022/23, the Government allocated UGX 178.5 billion for improvement of District, Urban and Community Access roads (DUCAR). A further UGX 33.717 billion and UGX 153.13 billion were allocated to Local Governments and KCCA respectively. In the provision of higher Local Government Services:

By December 2022, the share of district roads in fair to good condition was recorded at 70 percent. Whereas this is a marked improvement, there is need to further improve the conditions of both district and community access roads. Motorability and passability of district and community access roads continues to be critical in ensuring the successful implementation of the PDM.

i) 27,278km of district roads were routinely maintained through manual means and 6,216km mechanically maintained. On the other hand, 527km of roads in Municipal Councils were routinely maintained manually and 500.6km equivalent were mechanically maintained.

ii) In addition, 59km of CAR were rehabilitated, including 2km of roads in the pilot districts for the PDM. 25km equivalent of roads using Force Account in the districts of Adjumani, Kibale, Rakai, Moroto, Kamuli, Jinja, Buyende, Mbale, Kapchorwa, Sironko, Nebbi, and Pakwach was rehabilitated.

Air Transport

The aviation industry was allocated UGX 350.926 billion in FY 2022/23 to improve air transport services. The move aimed at supporting Ugandan exports, tourism products and services, and to penetrate new international passenger markets. Hereunder:

i) The rehabilitation of the Entebbe International Airport progressed steadily and is now at 75 percent completion stage. The New Passenger Terminal Complex is at 5.8 percent of civil works while the rehabilitation of Apron 1 is at 85 percent progress.

ii) International passenger traffic at Entebbe International Airport grew by 67.2 percent from 941,688 passengers in 2021 to 1,574,405 passengers in 2022.

iii) Cargo handling at Entebbe International Airport grew by 2.97 percent, from 64,172 tonnes in 2021 to 66,080 tonnes in 2022.

iv) The construction of the Kabaale International Airport progressed steadily, currently standing at 88 percent completion rate by December 2022.

Railway and Water Transport

In FY 2022/23, UGX 200.443 billion was allocated for development of Uganda's water and railway transport. Government has committed to improving rail and water transport to facilitate cross-border trade by reducing the cost of transporting cargo from partner states to Uganda and reduce transit time. Hereunder, Government:

i) Commenced the rehabilitation of the meter gauge railway from Malaba to Kampala (243 km) in January 2022. By December 2022, 10 percent of the construction works had been carried out on the Kampala-Namanve, Port-Bell-Kampala, Kampala-Nalukolongo-Kyengera sections.

ii) Rehabilitated 15percent of the Tororo – Gulu rail line. The Tororo – Gulu railway connects to the Gulu Logistics Hub, which will improve connectivity to the Northern region as well as facilitate trade between Uganda; South Sudan and DRC.

iii) Development of the Bukasa Port is ongoing. By December 2022, 38 Project Affected Persons (PAPs) were compensated to pave way for the port development. The port will provide an alternative route from Mwanza in Tanzania to Kampala and will reduce dependence on the northern corridor.

iv) UNRA continued to operate ferry services on major water bodies that link to national roads and islands.

v) Carried out inspection of 140 of Inter Water Transport (IWT) out of the targeted 400 IWT. In addition, licensing of 106 IWT was undertaken.

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

In FY 2022/23, UGX 67.996 billion was allocated for Transport Regulation, leading to the development, approval and adoption of following reforms:

i) The Inland Water Transport Act, 2021 which came into force in October 2021. It seeks to regulate, coordinate and oversee maritime safety, security, training, search and rescue and to prevent marine pollution on inland water bodies.

ii) Principles to review the Uganda Railways Corporation Act, Cap. 331 of 1992 were finalized and the drafting of the URC Amendment Bill, 2022 commenced.

iii) The Draft National Transport and Logistics Policy, 2020 which was approved by Cabinet in November 2021; and

iv) The Integrated National Transport Master Plan (2021-2040) was drafted along with the National Expressway Master Plan.

Implementation of the Programme was beset by a myriad of challenges, such as:

i) Protracted procurement process leading to delays;

ii) Petitions against the Presidential directives for the UPDF to undertake public construction works, in a bid to reduce costs; and

iii) Difficulties in land acquisition, which affected commencement of road projects

This FY, government has allocated UGX 4.5 trillion to the works and transport sector to be used to achieve the following key objectives;

i) Acquire Right of Way for Standard Gauge Railway and Meter Gauge Railway.

ii) Complete work for Entebbe Airport phase I.

iii) Construct 230km equivalent of roads of ongoing road projects.

iv) Complete 278km equivalent of roads projects in advanced stages to be added on the stock of paved road network.

v) Launch the National Integrated Transport Masterplan (2021-2040).

vi) Undertake feasibility studies and detailed engineering designs of six road upgrading projects.

vii) Undertake feasibility studies and detailed engineering designs of three road rehabilitation projects.

viii) Undertake feasibility studies and detailed engineering designs of three bridges.

ix) Maintain 13 aerodromes.

x) Continue with the rehabilitation of DUCAR roads and 413 km of five national road projects.

Tourism and Hospitality

Uganda has increasingly been recognized as a tourism destination and is ranked by CNN as one of the top 10 best tourist destinations in the World. The tourism and hospitality sector has recovered tremendously since the lifting of travel restrictions with 814,508 tourists (representing USD 1,014 million) in 2022 from 500,000 tourists (registering revenue of US$ 530 million) in 2021. The government has projected full recovery of the sector by 2025.

In FY 2022/23, tourism and hospitality sector contributed 6.7% to GDP. The budget allocation to the tourism sector has increased to UGX 249 billion in FY 2023/24 from UGX 194.7 billion in FY 2022/23.

UGX 249 bn
FY 2023/24 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) Uganda was listed as one of the best tourism destinations in the world in CNN's travel article published on 1st January 2023, and was recommended for its audience to explore in 2023. CNN's recommendation was a big endorsement for #ExploreUganda – The Pearl of Africa.

ii) UTB unveiled the 6th Pearl of Africa Tourism Expo (POATE) 2023. This was a hybrid exposition involving Business to Business and Business to Consumer activities into both physical and virtual form. It was estimated to draw in more than 1,500 local consumers.

iii) Government officially started operationalization of the Wildlife Fund to compensate victims of human-wildlife conflict. Uganda Wildlife Authority (UWA) put aside 2 percent of its revenue collections amounting to UGX 900 million which constitutes part of the fund to support the compensation scheme;

iv) UTB launched a sensitization drive of stakeholders on the tourism regulatory mandate and minimum standards for accommodation facilities in Uganda. The training was the launch pad for the country-wide rollout starting with Entebbe, Nansana, Mukono, Jinja, Tororo, Gulu, Arua, Kalangala, Hoima, Masindi, Mbale, Soroti, among others.

b) **Develop, conserve and diversify tourism products:**

i) Parliament approved the Museum and Monuments Bill, 2022. This Bill enhances the utilisation, protection and promotion of cultural heritage resources as well as the participation by the host communities in conservation and tourism to benefit from these assets.

ii) Revenue sharing funds worth UGX 4 billion were disbursed to communities neighboring protected areas of Queen Elizabeth, Kibaale and L. Mburo National parks.

iii) To tackle human-wildlife conflict, Government maintained 58km of electric fence in Protected Areas (PAs) against a target of 61km; invasive species management continued in PAs with 178.2ha (against an annual target of 250ha) of invasive species cleared; a total of 243km (against annual target of 416kms) of PAs boundary was maintained.

iv) Developed a pool of skilled personnel along the tourism value chain.

c) **Increase the stock and quality of tourism infrastructure:**

i) Government commenced development of the Mugabe Palace cultural heritage site in Mbarara. It will be opened as a cultural heritage tourism product by end of FY2022/23 and will be a great addition on the tourism circuit.

ii) In partnership with the European Union and the National Development Finance Institution, the Uganda Development Bank launched the second tourism facility worth over UGX 62 billion as a recovery plan for tourism operators from COVID-19 devastating effects. The flexible facility offers a low interest repayable within five-year period with a twoyear grace period. Legally registered businesses that have been in operation for at least two years will be considered.

iii) With a combined area of 211,100 ha, three National Parks; Bwindi Impenetrable National Park (BINP), Rwenzori Mountains National Park (RMNP), and Kibale National Park (KNP) were certified under Forest Stewardship Council (FSC) for management by the Uganda Wildlife Authority (UWA). This exercise started in 2018 when Forest Stewardship Council (FSC) launched the National Forest Stewardship Standard of the Republic of Uganda.

During FY 2023/24 the Government of Uganda has allocated UGX 249 billion aimed to achieve the following:

i) Supporting the rolling out of the 'Explore Uganda' destination brand as well as domestic marketing promotions to increase competitiveness, attractiveness and identity of Uganda.

ii) Positioning Uganda as a global and regional centre for Meetings, Incentives, Conference and Exhibitions (MICE).

iii) Strengthening enforcement and adherence to tourism standards through licensing, grading and classification of tourism facilities.

iv) Establishing the Fort Portal Regional Museum and handcraft for addition onto tourism products along the western tourism circuit.

v) Completing the Kikorongo Equator monument.

vi) Reconstruction and equipping of the Karamoja Museum and handicraft centre. It is expected to add on the tourism products along the Karamoja tourism circuit and also enhance the handicraft and souvenir industry training facilities, workshops and market access.

vii) Government will complete the Rock Art file through research and archaeological excavations and submit it to UNESCO for consideration, in a bid to nominate Uganda's Rock art sites into the World Heritage List.

viii) Target to achieve 100 percent of wildlife import/export permit applications being processed within one week of application.

ix) Establishment of a modern pier at the Source of the Nile entailing a dock, viewing bridge, restaurant, zip line infrastructure, an access road, among others.

x) Pursuing expansion of Airport routes to boost Tourism by increasing the number of destinations to which Uganda Airlines will go. These include London, Guangzhou, Mumbai, Jeddah, Istanbul, Lagos, Accra, Goma, Lubumbashi, Harare and Lusaka.

ICT Sector Analysis

The ICT sector's contribution to GDP has increased by 0.5 percent from 3 percent in the FY 2021/22 to 3.5 percent of GDP in FY 2022/23.

The major achievements in the FY2022/23 were recognised as under:

i) Completed 66 percent of the Civil Works for the National Science, Technology, Engineering and Innovation Centre (NSTEIC) and the Technology Innovation and Business Incubation Centre (TIBIC). These centres will provide scientists and innovators with access, common user facilities, state-of-the-art testing units, training centres with multiple disciplines, quality upgradation, technical/business assistance and specialized R&D facilities.

ii) Facilitated the Kiira Vehicle Plant at the Jinja Industrial and Business Park. Construction works at the Kiira Motors Corporation (KMC) are near completion. The Plant is expected to boost the country's automotive industry value chain since it will produce 22 vehicles (buses & trucks) per day and 5,000 vehicles annually.

iii) Facilitated Mpoma Earth Station and completed all the renovation works. The Mpoma facility, where Uganda already has two antennas, will serve as the operations and communications center for satellites launched by Government and universities. The existing antennas are associated with Intelsat's Atlantic Ocean and Indian Ocean satellites.

iv) Launched its first satellite named PearlAfricaSat-1 in November 2022. The satellite was developed through the Joint Global Multi-Nation Birds Project 5, in collaboration with the Kyushu Institute of Technology in Japan.

v) Opened and digitized the STI One Stop and Innovation Exchange Centre, where talented innovators will meet and explore their skills.

UGX 185.1 bn
FY 2023/24 allocation

The Government has set aside UGX 185.1 billion in FY 2023/24 for the ICT sector marking a 49 percent increase from the UGX 124 billion allocated in FY 2022/23. The following objectives have been defined for sector in FY 2023/24;

i) Roll out of Unified messaging and collaboration services to additional 5 MDAs.

ii) Rolling out all-of-Government integration and sharing platform to additional 5 MDAs.

iii) Upgrade the metropolitan area network to monitor service provision over the NBI.

iv) Conduct a last mile connectivity study for 50 MDAs and Refugee hosting communities and parishes.

v) Deploy Wireless Fidelity (WiFi) to 820 locations (targeting schools, hospitals, markets) in the selected sub-regions.

vi) Upgrade the National Data Centre and Disaster Recovery Sites to host additional Government applications.

vii) Continue facilitating scientific research and innovation.

viii) Develop scientifically accredited indigenous medicines.

viii) Fast-track virus research and domestic production of human and animal vaccines.

ix) Develop detailed designs for the construction of the National Automotive Park and initiate its construction.

Sustainable Energy Development

Public investment in the Energy Development Program is targeted to increase access and utilization of electricity, increase adoption of and use of clean energy and promote industrialization, in accordance with the objectives laid out in NDPIII. The Program aims to increase access and consumption of clean energy through the sustainable use of alternative renewable energy.

In FY 2022/23, the Program was allocated UGX 1,577.881 billion 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. By the end of March 2023:

   i) Uganda's installed generation capacity stood at 1,346 MW. This signified an improvement in the energy mix, whereby hydro power's contribution to the installed capacity is 1,072.9MW (79.7percent) followed by Thermal and Bagasse (combined at 15.7percent) while solar energy contributed the rest. The full commissioning of the Karuma Hydro Power Plant (HPP) later this year and the completion of other pipeline power dams will eventually result in higher generation capacity, estimated at 1,925.9 MW.

   ii) The Karuma HPP was successfully tested, adding 40MW to the current generation capacity.

   iii) Construction progress of Karuma HPP is at 99.7percent, Nyagak III (6.6MW) is at 88percent and expected to be commissioned by June 2023 while procurement of a civil contractor for the development of ORIO HPP is at contract award stage.

   iv) Nalubaale Power Plant was handed back to the Government from Eskom, following the expiry of the concession period.

   v) Government 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.

b) Increased access and utilization of electricity with reports from the Uganda National Household Survey (UNHS) 2019/20 indicating that the share of the population with access to grid electricity increased to 24 percent from 22 percent recorded in FY 2016/17.

c) The share of the population with access to both grid and off grid electricity currently stands at 57 percent. This has been possible due to the promotion of alternative energy sources for lighting. To further consolidate the above gains and in provision of national public services:

   i) The government introduced a cooking tariff in December 2022 as a strategy to displace use of charcoal and other biomass sources. The cooking tariff allows differentiated tariff levels based on the amount of energy consumed.

   ii) Government investments in the electricity transmission and distribution networks progressed at varying completion stages. Thus far, construction of 18 transmission lines and substation projects is ongoing. By March 2023, a total of 398 km of transmission line network was added on the national grid, increasing the total transmission line network to 3,784 km as illustrated in Table 6.1. The electricity distribution network also expanded to 59,633 km, of which 30,958 km are Low Voltage (LV), 7,758 km are medium voltage (11kv) and 20,917km are high voltage (33kv). These are envisaged to support industrial growth and job creation.

   iii) Following the resumption of the Electricity Connection Policy (ECP), 79,262 households were connected to the national grid under the Policy and 53,562 households connected through self-financing bringing the total connections to 125,744 by December 2022. Consequently, the cumulative number of households connected to the national grid has grown to 1,830,000.

   iv) By December 2022, electricity demand had grown by 11.5 percent for domestic users, 11.6 percent for commercial users, 10.3percent for medium industrial users on low voltage, and 10.8 percent for large industrial users and 0.7 percent for extra-large industrial users. Energy demand is expected to increase following Government's reinstatement of the Electricity Connections Policy at discounted connection rates.

v) Energy losses continued to reduce in 2022. According to UMEME's Annual Report 2022, energy losses reduced from 18 percent in 2021 to 16.8 percent in 2022. These losses will continue to be lowered further as the implementation of the amended Electricity Act 2022 takes its due course. The Act provides stringent penalties for electricity thefts and vandalism.

For FY 2023/24, the government has allocated UGX 1.3 trillion aimed to achieve the following:

i) Expand the national grid by constructing 1,686 km of MV and 2,747km of LV.

ii) Expand the transmission network by constructing Kabaale, Mbale, Kapeeka, Njeru and Sukulu substations to service Industrial Parks.

iii) Conduct market development and awareness campaigns on efficient energy use.

iv) Develop a harmonized framework and standard for electric vehicle charging infrastructure.

v) Develop complementary policy tools to promote electric mobility.

vi) Increase the proportion of households using improved and efficient cooking technologies.

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

Petroleum

Government's target for FY 2022/23 was to ensure commencement of oil exploration and construction of the East African Crude Oil Pipeline (EACOP). To this effect, Government allocated UGX 904.1 billion to enable the Program implement and achieve the following:

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 the oil and gas industry.

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

v) To ensure sustainable production and utilisation of oil and gas resources.

vi) To improve security of supply of refined petroleum products.

The EAC Vision 2050 seeks to ensure sustainable, adequate, affordable, competitive, secure, and reliable supply of energy to meet regional needs at the least cost. The region will emphasize access, capacity, efficiency, and sustainability of energy in the region.

The EAC has a target of transforming by 2050 the energy landscape to be characterized by efficient distribution of petroleum products with sufficient strategies reserves, among other things.

In FY 2023/24, the government has allocated UGX 447 billion to fast track the development of petroleum and aims to achieve the following:

i) Implement the International Conference on the Great Lakes Region (ICGLR) Regional Certification Mechanism (RCM).

ii) Develop, finalise, and commence implementation of the development of the agricultural development strategy of farmers along the EACOP.

iii) Complete development of the National Petroleum Policy (NPP). Relatedly, proceed with Background to the Budget development of the NPP implementation plan, NPP M&E Framework, and conduct NPP Strategic Environment Assessment.

iv) Conclude and implement the pending refinery agreements that include the Implementation Agreement, Crude Supply Agreement, and shareholder's agreement.

v) Develop five (5) standards and codes for upstream petroleum.

vi) Identify an investment partner for the natural gas pipeline and conclude Host Government Agreements and other commercial agreements with the partner.

vii) Enact the law establishing the Local Content Fund Development of online system to monitor disbursements and beneficiaries.

viii) Establish and operationalize the Industry Enhancement Centre.

ix) Fast track finalization of the Geo-science laboratory.

x) Establish the National Petroleum Data Repository.

xi) Register a target of 400 local companies on the National Supplier Database.

xii) Conclude the Inter-Government Agreement between Uganda and Tanzania.

The Income Tax (Amendment) Act, 2023

The Parliament approved the Income Tax Amendments for the financial year 2023-24. These amendments are pending assent by H.E The President of Uganda and would come into force effective July 01, 2023. (subject to reconsideration by H.E and Parliament).

Executive summary of key amendments:

Section/ schedule	Amended/ Inserted/ Repealed	Summary of the Amendments
2(n)	Amended	The definition of "Company" is amended to exclude unit trust (Collective Investment Schemes) and thus extend the benefit of income tax exemption to the participants of the scheme.
2(yya)	Repealed	The definition of the term "Petroleum agreement", as defined under Section 2 (yya) will be repealed, since same is already defined under Section 89A.
118C, Section 20 and Third Schedule	Amended	Amendment to exclude gaming from withholding tax, thereby limiting withholding tax implications to betting.
21(1)(qb)	Inserted	The employment income of a prosecutor in the Office of the Director of Public Prosecution will be exempt from income tax.
25	Amended	Non applicability of interest capping provisions to micro-finance deposit taking institution, tier 4 micro- finance institution.
27A and 29	Repealed	Repeal of Initial allowance on Plant and Machinery and Industrial Building.
136(8)	Repealed	Harmonizing waiver and capping of interest in excess of principal and penal tax under the Tax Procedures Code (Amendment) Act, 2023.
First Schedule	Amended	The Income of "ZEP-RE (PTA Reinsurance Company)" will be exempt from income tax.

Analysis of the amendments with their commentary and significance.

1. Amendment of section 2 of principal Act

- *The definition of "Company" is amended in Section 2(n).*

Commentary:

Under the current law, the definition of the company included Unit Trust (Collective Investment Scheme-CIS). The income of a CIS, to the extent distributed to its participants, is exempt from Income Tax as per Section 21(1)(t). Because the definition of a company includes a unit trust, the exemption is limited to the income of the unit trust and does not extend to the income distributed by CIS to its participants. With this amendment, the income distributed by CIS will now be exempt in the hands of participants.

Significance:

The income derived from the CIS by its participants, will be exempt from income tax.

- *The definition of "petroleum agreement" as mentioned in Section 2(yya) is repealed.*

Commentary:

Repealing this definition removes the duplication in the law as the term Petroleum Agreement is also defined under Part IXA in Section 89A (1) of the ITA.

Significance:

The amendment brings clarity to the taxation of petroleum operations in Uganda.

2. Amendment of Section 20, 118C and Third Schedule of Principal Act

- *The applicability of withholding tax is now restricted to only betting.*

Commentary:

The current law had practical implementation challenges on computation of gaming income subject to withholding tax. This practical challenges were also highlighted in the Tax Appeals Tribunal case of Fortuna Limited v URA TAT 132 of 2020. The amendment will limit the application of the withholding tax to betting.

Significance:

The purpose of this amendment is to ease administrative burden by removing the withholding tax under Section 118C of the Income Tax Act from gaming in the Casinos and instead increasing the tax rate on gaming from 20% to 30% under the Lotteries and Gaming Act.

3. Amendment of section 21 of the principal Act

- *Section 21 of the principal Act is amended by inserting Section 21(qb) -*

Commentary:

The employment income of a prosecutor in the Office of the Director of Public Prosecution will be exempt from income tax.

4. Amendment of section 25 of principal Act

- *Non applicability of interest capping provisions to micro-finance deposit taking institution, tier 4 micro- finance institution.*

Commentary:

Section 25 currently limits the amount of deductible interest in respect of all debts owed by a taxpayer who is a member of a group, other than a financial institution or person carrying on insurance business, to 30% of the tax earnings before interest, tax, depreciation and amortisation.

Significance:

The amendment now keeps, micro-finance deposit taking institution, tier 4 micro-finance institution outside the ambit of the provisions of Section 25.

5. Repeal of section 27A and Section 29 of principal Act

- *Initial allowance on Plant and Machinery and Industrial Building will be scrapped.*

Commentary:

The initial allowance currently available to the taxpayers, making investments in Plant and Machineries and Industrial buildings, will not be available.

Significance:

There appears to be a shift in government policy on tax incentives offered to investors and their rationalization as part of the domestic revenue mobilisation strategy.

6. Repealing of section 136(8) of principal Act

- *Capping of accumulation of interest on principal tax.*

Commentary:

This is to harmonize the waiver and capping of interest in excess of principal and penal tax under the Tax Procedures Code (Amendment) Act, 2023.

7. Amendment of First Schedule of principal Act

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

“ZEP-RE (PTA Reinsurance Company)”

Commentary:

The Income of “ZEP-RE (PTA Reinsurance Company)” will be exempt from income tax.

The Value Added Tax (Amendment) Act, 2023

The Parliament approved the Value Added Tax Amendments for the financial year 2023-24. These amendments are pending assent by H.E The President of Uganda and would come into force effective July 01, 2023 (subject to reconsideration by H.E and Parliament).

Executive summary of key amendments:

Section/ schedule	Amended/ Inserted/ Repealed	Summary of the Amendments
10	Amended	Obligation of the auctioneers to account for VAT on the sale of auctioned goods.
16(2)	Amended	Obligation to account for VAT will be on the following resident taxpayers in case of import of electronic services; • Non-taxable resident person whose gross turnover is above the VAT registration threshold (Annually UGX 150 Million); E.g.: Banks, Schools, Insurance Companies etc. • Government Entity whether it is VAT registered or not registered. • Taxable Person (as per Section 5 of VATA).
16(5)	Amended	Electronic services in nature of Advertising platforms, streaming platforms and subscription-based services; cab-hailing services; cloud storage; data warehousing are added to the definition of electronic services.
28	Amended	• VAT input tax credit will not be allowed on non-business-related entertainment expenses. • No input tax credit available to non-residents supplying services that are deemed to be supplied in Uganda under Section 16(2) of the VAT Act. • Input tax is only allowed in relation to the output tax of the same business stream.
65A(2)	Repealed	Harmonizing waiver and capping of interest in excess of principal and penal tax under the Tax Procedures Code (Amendment) Act, 2023.
73	Amended	Permission to be granted to non-resident service providers to make payments in United States dollars.
First Schedule	Amended	PTA Reinsurance Company will be added in the list of exempt entities. Thus, the above company will be eligible to claim the input VAT incurred albeit not being registered for VAT.
Second Schedule	Amended	Following are the amendments in the Second schedule (Exempt Supplies); • Withdrawal of The exemption of Supply of diapers; • Extension of VAT exemption to premixes, concentrates, seed cake, eggshells, feed additives, wheat bran and maize bran; • Elimination of VAT exemption on Supply of all production inputs necessary for processing of hides and skins into finished leather products; • Elimination of VAT exemption on supply of leather products wholly made in Uganda; • Exemption to the supply of liquefied gas and denatured fuel ethanol (even if it is not made from cassava).

Analysis of the amendments with their commentary and significance.

1. Amendment of Section 10

- *Sale of goods by auction.*

Commentary:

Under the current law, Section 13(2) obliges the auctioneer to account for VAT on the auctioneer services offered but does not provide for charging VAT on auctioned items by auctioneers. The amendment will introduce an obligation for auctioneers to account for VAT on sale of auctioned items. This amendment is likely to bring practical challenges as ownership of auctioned items is not changing and hence the same items would be appearing as stock in the records of auctioneer's client (if it is VAT registered) in EFRIS system.

Significance:

Taxpayers operating as an auction institutions should account for VAT on auctioned vatable items.

2. Amendment of Section 16(2)

- *Obligations to account for VAT on Electronic Services.*

Commentary:

This amendment provides that when the electronic services are imported from a non-resident person, the obligation to account for VAT will be on the following resident taxpayers;

1. Non-taxable resident person whose gross turnover is above the VAT registration threshold (i.e. Annually UGX 150 Million); Eg: Banks, Schools, Insurance Companies etc.
2. Government Entity whether it is VAT registered or not registered;
3. Taxable Person (as per Section 5 of VATA);

This amendment also seeks to clarify when electronic services are considered to be delivered in Uganda. This is currently a subject of contention and has given rise to jurisprudence in the Tax Appeals Tribunal such as Ernst and Young v URA TAT Application No. 30 of 2020.

Significance:

Non-resident persons providing electronic services to Ugandan final consumers (other then mentioned in Point 1 to 3 above) should ensure that they pay VAT and file returns quarterly.

3. Amendment of Section 16(5)(a)

- *Expansion in the scope of electronic services.*

Commentary:

This provision adds the following services to the definition of electronic services;

Advertising platforms, streaming platforms and subscription-based services; cab-hailing services; cloud storage; data warehousing.

Significance:

Its important to note that the addition of the streaming services shall alleviate any ambiguity regarding the VAT treatment of services provided by entities such as Netflix, Amazon.

4. Amendment of Section 28

- *Restrictions on claiming input tax credit on non-business-related entertainment expenses.*
- *No Input tax credit to be allowed to non-residents supplying services that are deemed to be supplied in Uganda under Section 16(2) of the VAT Act.*
- *Allowability of Input tax credit only in relation to the output tax of the same business stream.*

Commentary:

- Input Tax credit on payment of memberships in sporting clubs, social or recreational clubs by taxable person will not be allowed.
- The amendment denies input tax to non-residents supplying services that are deemed to be supplied in Uganda under Section 16(2) of the VAT Act.
- This amendment appears to be attempting to limit the claim of input tax to the output of a business stream in which the input was used. Thus, where a taxpayer has multiple business streams, input VAT can only be claimed in relation to the specific business stream in which it was used. This amendment appears to be a reaction to interpretations of the current law and the recent decision in Chestnut Uganda Limited v URA TAT No. 94 of 2019 (decided on March 31, 2021) where, the Tax Appeals Tribunal held in favor of Chestnut stating that there is nothing in the VAT Act that requires a taxpayer to restrict credit of input tax to only one business.

Significance:

This amendment will further boost revenue collections for Uganda Revenue Authority. However, there will likely be disputes regarding claiming of input credits when a taxpayer has more than one business under the same TIN. Challenges of apportionment of input VAT on common expenses between business streams will also arise. The VAT return template in its current form may present implementation challenges of this amendment.

5. Amendment of Section 65A

- *Capping of accumulation of interest on principal tax.*

Commentary:

In 2017 the capping of interest was introduced in the different tax legislations. The purpose of this repeal is to have the capping of interest harmonized under the amendment to the Tax Procedures Code Act(TPCA).

Significance:

The original intent of the TPCA was to refine the principal tax statutes by repealing all procedural related provisions. Interest capping being a procedural provision, has now been included in the TPCA.

6. Amendment of Section 73

- *Section 73 of principal Act is amended to enable non-resident service providers to make payments in United States (US) dollars.*

Commentary:

This amendment permits non-resident providers of services who are required to register for VAT to make payment in US dollars.

Significance:

This shall ease compliance for such taxpayers whose primary currency of operation is the US Dollar.

7. Amendment of First Schedule to principal Act

The First Schedule to the principal Act is amended by inserting ZEP-RE (PTA Reinsurance Company)" in its appropriate alphabetical position.

Commentary:

This amendment exempts ZEP-RE (PTA Reinsurance Company) from VAT.

Significance:

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

8. Amendment of Second Schedule to principal Act

- The Second Schedule (Exempt Supplies) to the principal Act is amended as below;

Name of the Product	Current Legislation	New Legislation	Price Impact
Diapers	Exempt	Standard Rated	▲
Concentrates, seed cake, eggshells, feed additives, wheat bran and maize bran	Standard Rated	Exempt	▼
Supply of all production inputs necessary for processing of hides and skins into finished leather products	Exempt	Standard Rated	▲
Supply of leather products wholly made in Uganda	Exempt	Standard Rated	▲
*Cotton Seed Cake	Exempt	Exempt	-
Supply of liquefied gas and denatured fuel ethanol from cassava	Exempt	Exempt	-
Supply of liquefied gas and denatured fuel ethanol (even if not made from cassava	Standard Rated	Exempt	▼

**While the exemption to Cotton seed cake has been withdrawn, this is catered by the exemption to seed cake under the same second schedule.*

The Excise Duty (Amendment) Bill, 2023

The Hon. Minister of Finance, Planning & Economic Development tabled the Excise Duty Amendment Bills 2023. The bill was debated and passed by Parliament on May 04, 2023. The bill is pending assent by H.E The President of Uganda.

Please find ahead a brief of what is contained in the Excise Duty Amendment Bill 2023 including our analysis of the amendments.

Analysis of the amendments with their commentary and significance.

1. Amendment of section 2 –

Inserting of Definition of "Fruit Juice", "Un-denatured Spirits" 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" and "Vegetable juice" have been mentioned but these terms were never defined in the Act. The proposed amendment is intended to make clarity by defining the terms "fruit juice", "un-denatured spirits" and "vegetable juice".

This will attempt to create more clarity 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 proposed to be changed as follows:

Sr. No.	Excisable item	Category	Current legislation	Nature of proposal	Proposed legislation	Price Impact
1	Any other non-alcoholic beverage locally produced other than the beverage referred to in subparagraph (a) 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 fixed amount per litre	12% or UGX 230 per litre whichever is higher	▼
2	Mineral water, bottled water and other water purposely for drinking	Non-alcoholic	10%	Change in the fixed amount per litre	10% or UGX 75 per litre whichever is higher	▲

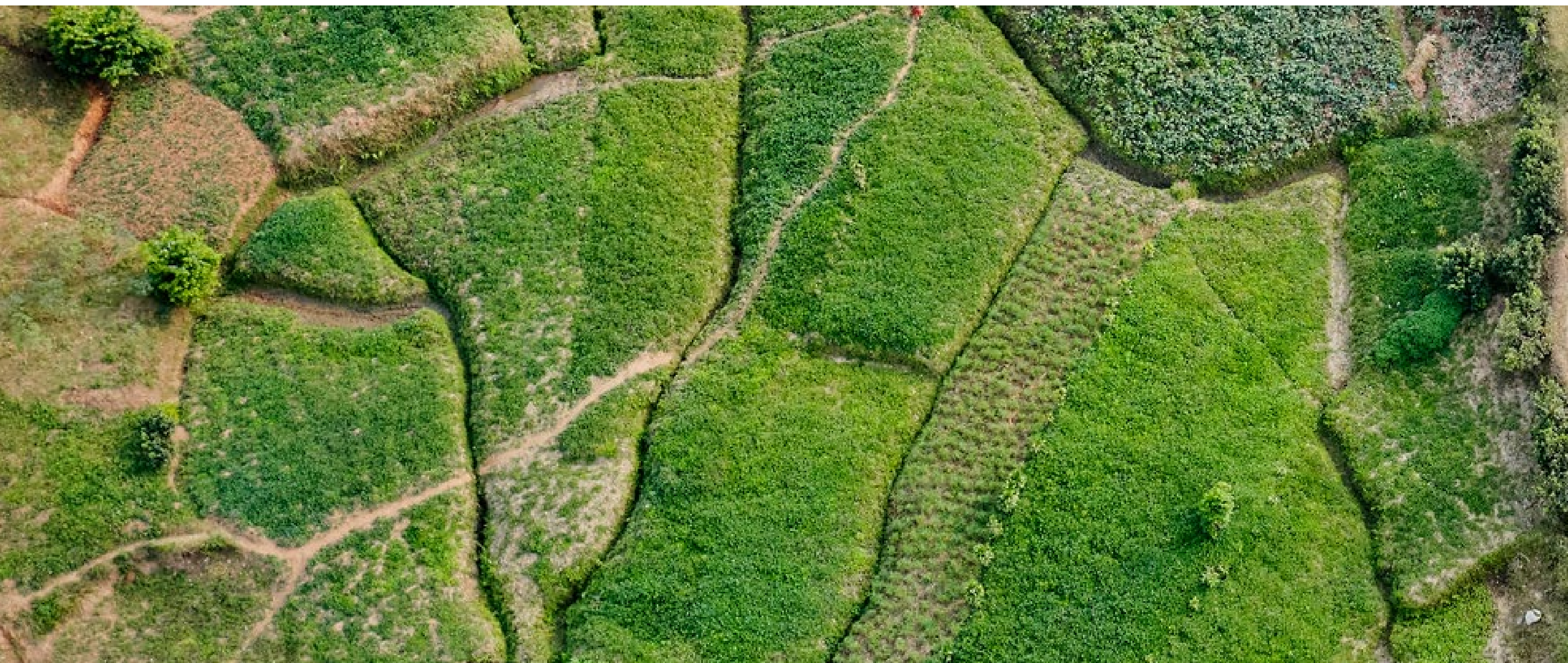
3. **Amendment of Schedule 2: The excise duty on the below-mentioned excisable good or services is proposed to kept unchanged but the specific requirements/criteria for the goods or service in question are proposed to be changed as follows:**

Sr. No.	Item	Excisable item as per Current Legislation	Excisable item as per proposed amendment	Significance of proposed Amendment	Rate of Excise duty
1	SPIRITS	Un-denatured spirits made from locally produced raw materials	Un-denatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw material	Specification of the proportion of Alcohol content	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 material		100% or UGX 2500/= per litre, whichever is higher
3		NA	Any other un-denatured spirits that are locally produced of alcoholic strength by volume of less than 80% or		80% or UGX 1700/= per litre whichever is higher
4		NA	Any other un-denatured spirits that is imported of alcoholic strength by volume of less than 80%.		100% or UGX 2500/= per litre whichever is higher

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

Sr. No.	Item	Excisable item as per Current Legislation	Excisable item as per proposed amendment	Significance of proposed Amendment	Rate of Excise duty
1	Spirits	N/A	un-denatured spirits made from locally produced raw materials that are used in the production of disinfectants and sanitizers for the prevention of the spread of COVID-19 of alcoholic content by volume not less than 70%	Introduced in 2021 in a statue which was not widely available.	NIL
2	Tele-communication Services	Incoming international calls, except calls from the Republic of Kenya, the Republic of Rwanda and the Republic of South Sudan.	Incoming international calls, except calls from the Republic of Kenya, United Republic of Tanzania, the Republic of Rwanda and the Republic of South Sudan.	To include the Republic of Tanzania in the list of countries, where inbound international calls are exempt from duty.	USD 0.09 per minute

Sr. No.	Item	Excisable item as per Current Legislation	Excisable item as per proposed amendment	Significance of proposed Amendment	Rate of Excise duty
3	Fermented Beverages	Any other fermented beverages made from locally grown cider, perry, mead, spears or near beer	any other fermented beverages including cider, perry, mead or near beer produced from locally grown or produced raw materials	Change in description	30% or UGX 550 per litre whichever is higher
4	Investment-linked exemption	Construction materials of a manufacturer, other than a manufacturer referred to in item 21, whose investment capital is, at least fifty million United States Dollars or, in the case of any other manufacturer, who makes an additional investment equivalent to fifty million United States Dollars	construction materials of a manufacturer, other than a manufacturer referred to in item 21, whose investment capital is, at least fifty million United States Dollars in case of a foreigner or one million United States Dollars in the case of a citizen or thirty-five million dollars in the case of a partnership of a citizen and a foreigner, where the citizen has the majority shareholding	Harmonizing investment-linked exemption threshold limit with Income Tax, VAT and Stamp Duty Act	NIL



Tax Procedures Code (Amendment) Act, 2023

The Parliament approved the Tax Procedures Code Act Amendments for the financial year 2023-24. These amendments are pending assent by H.E The President of Uganda and would come into force effective July 01, 2023. (subject to reconsideration by H.E and Parliament).

Executive summary of key amendments:

Section/ schedule	Amended/ Inserted/ Repealed	Summary of the Amendments
5	Amended	No registration of documents on which stamp duty is payable unless the person declaring the instrument has a TIN.
19B	Amended	Penalty for manufacturers of gazetted products who temper with DTS machines.
3B	Amended	Clarification of payment allocation rules- Any amount paid by the taxpayer will first be applied to the outstanding principal tax on the date of payment. The balance after applying to the outstanding principal should be applied to penal tax and interest.
40D	Inserted	Waiver of interest and penalty outstanding as on June 30, 2023 for the taxpayers who pay their outstanding principal taxes by December 31, 2023.
42	Amended	• Taxpayer not allowed to provide information during objections/Alternative Dispute Resolution proceedings, which was requested for but not provided during an audit/investigation. • The above should not be applicable in cases where information requested is more than three years from the date of request of document or beyond the past three financial years.
621	Inserted	Penalty for taxpayers who fix and activate tax stamps wrongly.

Analysis of the amendments with their commentary and significance.

1. Amendment of Section 5

- *No registration of documents liable for payment of stamp duty to be allowed, if person lodging the instrument is not holding TIN.*

Commentary:

This amendment requires all persons declaring documents such as Affidavits, Agreements, Mortgages, Leases, Land Transfers, Share Transfers etc. to have TINs.

Significance:

This amendment will contribute to the taxpayer register expansion as persons seeking to engage in transactions which require stamp duty to be paid will have to get TINs.

2. Amendment of section 19B

- *Penalty for manufacturers of gazetted products who temper with DTS machines.*

Commentary:

The amendment imposes a penalty on the manufacturers of gazetted products implicated in tampering with DTS machines. The maximum penalty of UGX 100,000,000 or maximum imprisonment of ten years or both upon conviction.

Significance:

This is meant to support compliance with the DTS regime.

3. Amendment of section 38 and Insertion of section 40D

- *Clarity in application of the allocation rules, where any amount paid by the taxpayer will be first applied to the outstanding principal tax on the date of payment. The balance after applying to the outstanding principal should be applied to penal tax and interest .*
- *Waiver of interest and penalty outstanding as on June 30, 2023 for the taxpayers who pay their outstanding principal taxes by December 31, 2023.*

Commentary:

Under the application of Section 38 by URA up to July 2021, the taxpayer and the tax authority generally did not agree on the principal tax due. This is because the prior to July 2021, Section 38(2) required that the earliest liability including penalty and interest would be paid first. This led to disputes such as K-Files Ltd v URA TAT No 69 of 2021. This provision was repealed in July 2021. The new amendment to Section 38 now requires that all the payments are to be allocated to the outstanding principal tax before any payment is allocated to penalty or interest.

In our interpretation, the amendment in Section 38 by inserting subsection (3) is meant to have retrospective effect.

Section 40D provides that any interest or penalties outstanding as of June 30, 2023 will be waived to the extent that the taxpayer pays the related principal tax.

Significance:

The above amendments are steps in positive direction and would help in resolution of balances in the taxpayer's ledger account of various tax heads. The taxpayers should undertake reconciliation of the ledger under all the tax heads and should endeavor to clear all the outstanding principal tax (if any) by December 31, 2023 to get benefit of the waiver of interest and penalty.

Any audit/investigation resulting into tax liabilities will only trigger interest and penalties from July 2023 till the date of actual payment.

4. Amendment of section 42

- *Taxpayer not allowed to provide information during objections/Alternative dispute resolution(ADR) proceedings, which was requested for but not provided during an audit/investigation.*
- *The above will not be applicable in cases where information requested is more than three years from the date of request of document or beyond the past three financial years.*

Commentary:

This amendment will limit the taxpayer's right to provide information at objections/ADR that was not provided during an audit/investigation. However, an exception has been made in cases where information requested is for a period which is more than three years from the date of request of the document or beyond the past three financial years.

Significance:

- The amendment has not clarified on the time limit for providing of information by taxpayer at audit/investigation. This will bring significant disputes as taxpayers may not have been provided enough time to submit the information.
- This amendment raises constitutional challenges as it would deny a taxpayer a fair hearing at the stage of objections or Alternative Dispute Resolution.
- There is no parallel amendment in Tax Appeals Tribunal Act (TAT Act) and hence the additional information could be provided during TAT proceedings subject to the permission of Tribunal.

5. Insertion of section 62I

- *Penalty for taxpayers who fix and activate the tax stamp wrongly.*

Commentary:

This penalizes a taxpayer who fixes and activates a tax stamp on a wrong good, brand or volume other than the correct good, brand or volume. The maximum fine is UGX 100,000,000 or imprisonment not exceeding ten years or both upon conviction.

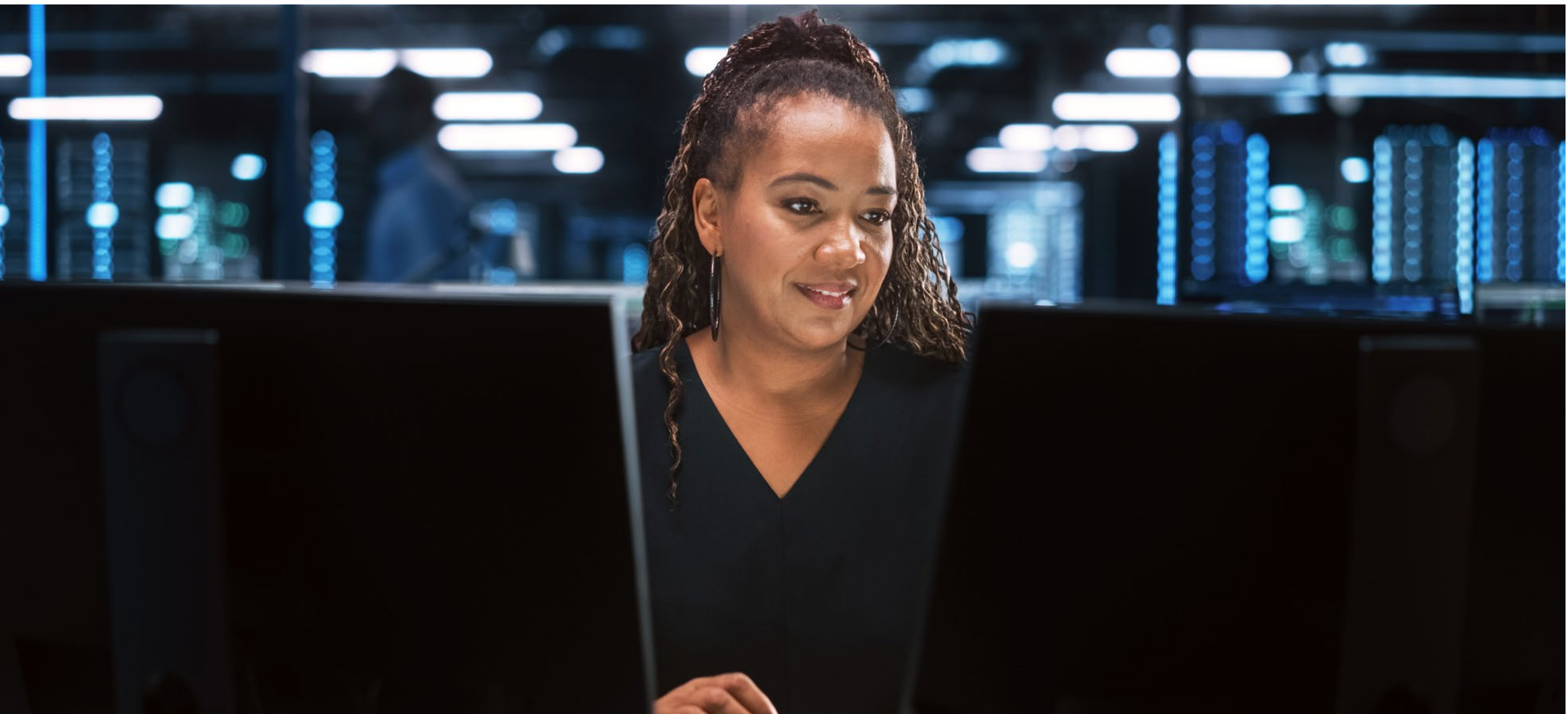
Law Revision (Miscellaneous Amendments) Act, 2023

The Law Revision (Miscellaneous Amendments) Act, 2023 was passed by Parliament on March 14, 2023, and assented to by H.E The President on May 10, 2023. The Act amends various tax statutes including the Income Tax Act (ITA) and the Tax Procedures Code Act (TPCA).

With the incorporation of these provisions in their respective Acts, it is expected that they will now be consistently applied to all taxpayers.

Executive summary of key amendments:

Section/ schedule	Amended/ Inserted/ Repealed	Law Amended	Summary of the Amendments
21(ai)	Inserted	ITA	Exemption on dividends earned from listed companies which were incorporated directly by being listed on stock exchange.
14A	Inserted	TPCA	The successor of any person in a business is liable for taxes payable if the latter fails or cannot pay the taxes.
27A	Inserted	TPCA	No statutory corporation to be exempted from tax unless it is expressly provided for in the law.
40A(1a)	Inserted	TPCA	The amendment clarifies that customs duty is imposed on goods to be used by the Government.
Title for Part XI	Amended	TPCA	The chapter heading reading as "Tax Clearance Certificate" will now be read as "Certificates".
43A	Inserted	TPCA	Uganda Revenue Authority to issue Certificate of Origin.



Description	Law Amended	Provision of the Law	Comments
Exemption of dividends earned from a company which came into existence through stock exchange	Income Tax Act (ITA)	Section 21(1) has been amended by inserting immediately after paragraph (ah), the following; (ai) ***dividends earned from a company which came into existence through stock exchange.***	The amendment exempts dividends earned from listed companies, but which were incorporated directly by being listed on stock exchange. This is in line with the Government policy of giving preferential tax treatment to public listed companies such as in Section 21(1)(k) which exempts gains from disposal of shares in public listed companies. However, this amendment does not seem to extend to companies that are incorporated earlier and then later listed on the stock exchange. Clarification of its application may be necessary. We note that this provision has been in existence as section 3 of the Finance Act, 1993.
Recovery of tax from successor and duty to notify discontinuance of business.	Tax Procedures Code Act (TPCA)	TPCA has been amended by inserting immediately after section 14, the following; **14A. Recovery of tax from successor and duty to notify discontinuance of business.** (1) Where a person carrying on any business liable to duty, levy or tax has been succeeded by another person, and where the duty, levy or tax due and payable by a person succeeded cannot be recovered from him or her, it shall be payable by and recoverable from the person succeeding him or her. (2) If the person succeeding fails to pay the duty, levy or tax on the date fixed by the Commissioner General, then the provisions of the law relating to the collection and recovery of duty, levy or tax shall apply to the collection and recovery of the amount due as if it were the duty or tax due and payable by the person succeeding.	The amendment provision makes the successor of another person in business liable for taxes payable by the person one succeeds where the latter fails or cannot pay the taxes.

Description	Law Amended	Provision of the Law	Comments
		(3) Any person intending to discontinue any business liable to duty or tax shall give to the Commissioner General a notice of his or her intention thirty days before the date of discontinuance, and where a person fails to give the notice required by this section, the Commissioner General may direct that a sum not exceeding ten currency points be recovered from that person by way of penalty.	We note that this provision appears to be of greater significance to individuals or partnerships. With regards to companies, the change of ownership has no impact on liabilities owed by the company as it is a separate entity from the shareholders. We note that this law was already in existence under section 6 of the Finance Act of 1994 and as such has been moved to TPCA.
The liability of statutory corporations.	Tax Procedures Code Act (TPCA)	TPCA has been amended by inserting immediately after section 27, the following; ***27A. The liability of statutory corporations.*** (1) No statutory corporation shall gain any exemption from any tax imposed generally by any written law, whether the tax is expressed as a tax, levy, duty or otherwise unless the corporation is expressed in or under the law as exempted from the tax or entitled to such remission as may be granted under the law; except that in respect of income tax any exemption purported to have been granted otherwise than in accordance with this section shall be deemed to be of no effect. (2) Any provision of any written law which is inconsistent with subsection (1) shall be deemed to be amended to the extent of the inconsistency.	The new amendment does not allow any statutory corporation to be exempted from tax that has been imposed unless it is provided expressly provided for in the law. This means that statutory corporations will not be able to benefit from general exemptions relating to Government such as the general exemption of Government under Section 21(1)(r) of the ITA. In order to benefit, the statutory corporation will either have a tax exemption expressly stated in its establishing law (e.g., section 38 of the NSSF Act) or it will be expressly provided for in a tax law (e.g., Bank of Uganda in Section 21(1)(s) of the ITA or the Deposit Protection Fund in Section 21(1)(wa) of the ITA). We note that this law was already in existence under the Finance Act of 1974 and has now been moved to TPC.

Description	Law Amended	Provision of the Law	Comments
		(3) In granting any exemption or remission under subsection (1), the authority empowered in that behalf shall distinguish between statutory corporations which are business enterprises and which shall, as far as possible, be treated as private persons, and statutory corporations which provide utility services and which shall in principle be exempted or entitled to remission.	
Imposition of Customs Duty on goods by Government	Tax Procedures Code Act (TPCA)	Section 40A. has been amended by inserting immediately after subsection (1), the following; ***(1a) For the avoidance of doubt, customs duty shall be levied on goods for use by the Government.***	The amendment clarifies that customs duty is imposed on goods to be used by the Government. This provision has been in existence as section 2 of the Finance Act, 1993
Title for Part XI	Tax Procedures Code Act (TPCA)	Part XI of the TPC has been amended by substituting the for title of Part XI, the following. ***PART XI-CERTIFICATES***	This amends the heading "Tax Clearance Certificate" to read "Certificates"
URA to Issue Certificate of Origin	Tax Procedures Code Act (TPCA)	TPC has been amended by inserting immediately after section 43, the following; ***43A. Uganda Revenue Authority to issue Certificate of Origin.*** The Uganda Revenue Authority shall be responsible for issuing Certificates Of Origin required under section 111(2) of East African Community Customs Management Act, 2004 (EACCMA).	Section 111(2) of the EACCMA provides that goods originating from the partner states shall be accorded community tariff treatment in accordance with the rules of origin under the protocol. Therefore, section 43A of the TPC now empowers URA to issue the certificate of Origin. This is in line with a directive issued by the Ministry of Finance in 2021 that the role of issuance of Certificates of Origin be moved from the Uganda Exports Promotions Board to Uganda Revenue Authority. This was done to deal with the challenge of delays in issuance of the Certificates.

The Convention on Mutual Administrative Assistance in Tax Matters (Implementation) Bill, 2023

The Parliament approved the Mutual Administrative Assistance in Tax Matters (Implementation) Bill for the financial year 2023-24 on May 16, 2023. These amendments are pending assent by H.E The President of Uganda.

Please find ahead a brief of what is contained in the proposed bill including our understanding of its implications and comments.

Background

The Convention on Mutual Administrative Assistance in Tax Matters facilitates international co-operation for a better operation of national tax laws, while respecting the fundamental rights of taxpayers. It provides for all possible forms of administrative co-operation between states in the assessment and collection of taxes. This co-operation ranges from exchange of information, including automatic exchange of information (AEoI), to the recovery of foreign tax claims. 147 jurisdictions currently participate in the Convention including India, Mauritius, Cayman Islands, Jersey, United States, United Kingdom etc. Cabinet of the Republic of Uganda ratified the Convention on Mutual Administrative Assistance in Tax Matters on May 06, 2016.

In this framework, information of persons who are in other jurisdictions but have assets or accounts in Uganda is collected by reporting financial institutions such as banks, insurance companies and other investment vehicles and shared with their respective jurisdictions. In determining whether the assets or accounts should be reported, the beneficial ownership test is used such that indirect ownership of assets in Uganda by persons in other jurisdictions will still be reported. The benefit for Uganda is that other participating jurisdictions will similarly collect information relating to persons in Uganda who hold assets in those jurisdictions based on the same beneficial ownership test and share the information with Uganda, specifically, Uganda Revenue Authority.

Analysis of the key provisions in the bill:

No	Description	Comments
1	Clause 2 : Definition of term beneficial owner	The “Beneficial Owner” definition in line with the one in Income Tax is proposed to be introduced.
2	Clause 3: Convention to have force of law in Uganda	The Bill proposes that the Convention on Mutual Administrative Assistance in Tax Matters specified in Schedule 2 to the Act shall have the force of law in Uganda.
3	Clause 4: Agreement on Automatic Exchange of Financial Account Information to have force of law in Uganda	The Bill proposes that the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information specified in Schedule 3 to the Act shall have the force of law in Uganda.

No	Description	Comments
4	Clause 6: Due diligence	This clause requires financial institutions such as banks and insurance companies and other investment vehicles to apply due diligence requirements set out in the Common Reporting Standard with effect from January 01, 2024. The lead time given to them is for purposes of familiarising themselves with these new requirements and communicating the new obligations to their clients.
5	Clause 7: Reporting obligations	Reporting Financial institutions will be required to file returns with URA for a year ending on 31st December by the 31st day of May of the following year in which they will communicate the desired information.
6	Clause 8: Offences relating to automatic exchange of information	The bill proposes the penalties for the reporting institutions which are non-compliant. These penalties are designed to replace those introduced in 2022 in Section 62H of the Tax Procedures Code Act (TPCA). However, the amendment to this effect is not made under TPCA.
7	Clause 9: Anti- avoidance provision	The bill proposes to introduce an anti-avoidance mechanism to prevent schemes for avoiding reporting by reporting financial institutions.

Lotteries and Gaming (Amendment) Bill, 2023

The Parliament approved the Lotteries and Gaming amendments for the financial year 2023-24 on May 04, 2023. These amendments are pending assent by H.E The President of Uganda.

Please find below a brief of what is contained in the Lotteries and Gaming (Amendment) Bill, 2023 including our comments and its implications:

Analysis of the Proposed Amendment:

Amendment of Schedule 4;

- *The Lotteries and Gaming Act, 2016 is amended by substituting in Schedule 4 to increase the rate of gaming tax applicable from twenty percent (20%) to thirty percent (30%) of the total amount of money staked less the pay outs (winnings) for gaming activity.*

Commentary:

This proposed amendment is linked to the amendment of Section 118C of the Income Tax Act which eliminates the 15% withholding tax from gaming. It follows from Fortuna Limited v URA TAT 132 of 2020 where the challenge of applying withholding tax on winnings in casinos was highlighted.

Significance:

The purpose of this amendment is therefore to ease administration by removing the withholding tax under Section 118C of the Income Tax Act from gaming in the Casinos and instead increasing the tax rate on gaming from 20% to 30% under the Lotteries and Gaming Act.

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