



Uganda Budget Highlights 2017

Navigating headwinds

Preamble

Income Tax

VAT

Excise Duty

Other tax measures

Financial sector

Agriculture & Environmental
conservation

Energy and Resources

Public sector

Education

Tourism

Health sector

Infrastructure

Contacts

Preamble

Our publication incorporates changes based on the 2017 Budget speech and the Amendment Acts, 2017.

This publication constitutes only a brief guide and is not intended to be a comprehensive summary of the tax law and practice. While all reasonable care has been taken in the preparation of this guide, Deloitte and its associates accept no responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however caused or sustained by any person that relies on it.

Preamble

Income Tax

VAT

Excise Duty

Other tax measures

Financial sector

Agriculture & Environmental
conservation

Energy and Resources

Public sector

Education

Tourism

Health sector

Infrastructure

Contacts

Tax Measures

Income Tax

PAYE

- Valuation of motor vehicle benefit to staff changed to allow for depreciation at a rate of 35% per annum.

Corporate Tax

- Exemption of SACCO Income from tax for 10 years effective 1 July 2017;
- Exemption of Bujagali Hydro Power Project from income tax for a 5-year period effective 1 July 2017;
- Extension of definition of exempt organisation to include a body established by law for purposes of regulating the conduct of professionals;
- Minister of Finance empowered to issue estimates of rent for purposes of assessing rental tax in a specific area for persons failing to file a return or filing a misleading return;
- Re-instatement of initial allowance at 50% and 20% on eligible property and industrial buildings respectively outside a 50km radius from Kampala;
- Related party transactions for Transfer Pricing purposes extended to include employment relationships;

- Re-introduction of withholding tax at 15% on winnings of sports or pool betting; and
- Advance tax at the rate of UGX 50,000 per ton per year for goods vehicles and UGX 20,000 per seat for PSVs payable by providers of passenger or freight transport services.

VAT

- Aid funded project for VAT paid deeming purposes defined;
- Extension of VAT being deemed as paid extended to taxable supplies by contractors to Government ministries and agencies;
- Wheat grain now standard rated; and
- Expansion of exempt supplies to include: animal feeds and premixes, crop extension services, irrigation works, sprinklers and ready to use drip lines, deep cycle batteries and composite lanterns, menstrual cups and agriculture insurance premium or policy.

Preamble

Income Tax

VAT

Excise Duty

Other tax measures

Financial sector

Agriculture & Environmental
conservation

Energy and Resources

Public sector

Education

Tourism

Health sector

Infrastructure

Contacts

Excise Duty

- Application of variable rate based on higher of specific and advalorem rate for some excisable goods as follows:
 - Malt beer: higher of 60% or UGX 1,860 per litre;
 - Beer with at least 75% local raw material by weight; higher of 30% or UGX 700 per litre;
 - Beer produced from barley grown and malted in Uganda: higher of 30% or UGX 950 per litre;
 - Spirits made from locally produced raw materials: higher of 60% or UGX 5,000 per litre;
 - Other wines: revised from 80% to higher of 60% or UGX 6,000;
 - Fruit juice and vegetable juice, except juice made from at least 30% of pulp from fruit juice and vegetables grown in Uganda: higher of 13% or UGX 300 per litre; and
 - Non-alcoholic beverages not including fruit or vegetable juices: higher of 13% or UGX 240 per litre, whichever is higher.
- Increase in duty on other spirits from 70% to 80%;
- Increase in duty on assembled and imported furniture from 10% to 20%; and
- Increase in duty of locally manufactured soft cap from UGX 50,000/= to UGX 55,000/= per 1000 sticks.

Other tax measures

- Introduction of interest capping so as not to exceed the aggregate of the principal and penal tax including waiver of any such outstanding interest due and payable as at 30th June 2017;
- Introduction of penal tax of UGX 50M and 20M for failure to provide records in respect of transfer pricing (TP) within 30 days and other information requested respectively;
- Individual taxpayers required to file a provisional return before the end of the first quarter (3rd month of the year) and make payments on a quarterly basis; and
- Provision for tax stamps on specified locally manufactured or imported goods with penalty for failure to do so amounting to double the tax due on the goods or UGX 50 million whichever is higher.

Sectorial Highlights

Preamble
Income Tax
VAT
Excise Duty
Other tax measures

Financial sector

Agriculture & Environmental conservation

Energy and Resources

Public sector

Education
Tourism
Health sector
Infrastructure
Contacts

Financial sector

- Inflation estimated to be at about 4.9%;
- Lending rates by commercial banks have declined in line with Bank of Uganda's reduction of the Central Bank Rate (CBR);
- Government to reform the pensions and insurance sectors to mobilize long term capital; and
- The Financial Institutions Act amended to provide for new financial products such as Islamic Banking and Agency/ Mobile Banking.

Agriculture and environmental conservation

- Allocation of UGX 863m, an increase of about 4.8% compared to FY 2016/2017;
- Decrease in agricultural output to 1.3% as a result of the unusually prolonged drought;
- Measures to be put in place to boost the agricultural sector:
 - Strengthening research;
 - Identifying and building key human resource capacity;
 - Technology adaptation at the farm level;
 - Use of modern irrigation technologies;
 - Up scaling the transfer and utilization of food-production and labour-saving;
 - Enhancing technology for women farmers;
 - Enhancing extension services; and
 - Increasing access to agricultural finance with specific attention to women.

Energy and Resources

- First oil still projected for 2020;
- Renegotiation of the Bujagali dam debt to reduce electricity unit cost in the country; and
- Focus on registration of artisan miners as well as capacity building of small-scale miners.

Public sector

- Amendments to Public Procurement and Disposal of Public Assets Act (PPDA) for:
 - Faster Government procurement;
 - Promotion of Buy Uganda Build Uganda - BUBU (local content); and
 - Accountability and disciplinary action.
- Appraisal of projects before release of funds; and
- Electronic business registrations to be rolled out in various municipalities.

- Preamble
- Income Tax
- VAT
- Excise Duty
- Other tax measures
- Financial sector
- Agriculture & Environmental conservation
- Energy and Resources
- Public sector**
- Education**
- Tourism**
- Health sector**
- Infrastructure**
- Contacts

Education

- UGX 2.4 trillion allocated for Education and Skills Development as the third top priority sector (12% of the budget) representing an increase in percentage of budget spend 12% of budget but a decline in actual funds allocated (UGX 2.7 trillion in FY2015/2016); and
- To restore and maintain high education standards Government to:
 - Spend UGX 8.58 billion to establish 12 seed secondary schools in sub-counties which lack these schools;
 - Spend UGX 15.23 billion for rehabilitation of dilapidated primary schools and traditional secondary schools;
 - Install lightning arrestors for 140 schools in the most lightning prone districts namely – Mubende, Ssembabule, Bushenyi, Lwengo, Bukomansimbi and Lyantonde;
 - Curriculum reform with an emphasis on science, competency and life skills;
 - Improve existing learning facilities at tertiary institutions including re-construction of laboratories and workshops;
 - Certify non-formal training to enable acquisition of practical skills for youth without formal education; and
 - Use National Identification to eliminate ghost students.

Tourism

- Viewed as a key growth sector for Government. However only UGX 98.39 billion allocated representing a decrease from UGX 188.8 billion in 2017/18;
- Direct contribution of travel & tourism expected to grow by USD 1.35 bn to USD 2.7 billion by 2020;

- Tourist arrivals are expected to increase to 4 million visitors per year;
- Certification of hotels and restaurants to be concluded in 2018; and
- Government to develop skills in the hospitality industry while marketing and promoting Uganda as a world-class tourist destination.

Health sector

- Allocation of UGX 1.8 trillion being 6.2% of the total budget, and representing an increase from UGX 1.3 trillion in the previous year;
- Main focus to be on fighting malaria, improving nutrition, clean water and people's habits;
- Construction, expansion, rehabilitation and equipping of Mulago National Referral Hospital estimated at USD 47 million expected to be completed by December 2017; and
- Reconstruction and re-equipping of the Cancer Institute expected to be fully functional in July 2017.

Infrastructure

- Infrastructure and oil sector investments expected to significantly contribute to economic rebound to growth rate of 5.5% in FY 2017/18 and eventually to at least 7% in the medium term expected; and
- All Government projects to be adequately prepared and appraised with feasibility studies before funds are allocated for implementation.

Contacts



CEO

Sammy Onyango
sonyango@deloitte.co.ke

Deputy CEO

Joe Eshun
jeshun@deloitte.co.tz

Office leaders

Nobert Kagoro
Burundi and Rwanda
Managing Partner
nkagoro@deloitte.com

Solomon Gizaw

Ethiopia
Managing Partner
sgizaw@deloitte.com

Iqbal Karim

Mombasa, Kenya
Managing Partner
ikarim@deloitte.co.ke

Eshak Harunani

Tanzania
Managing Partner
eharunani@deloitte.co.tz

George Opiyo

Uganda
Managing Partner
gopiyo@deloitte.co.ug

Service line leaders

Joe Wangai
Audit leader
jwangai@deloitte.co.ke

Rodger George

Advisory leader
rogeorge@deloitte.com

Nikhil Hira

Tax leader
nhira@deloitte.co.ke

Tax leaders

Nikhil Hira
nhira@deloitte.co.ke

Fred Omondi

fomondi@deloitte.co.ke

Dmitry Logunov

dmllogunov@deloitte.co.tz

Lillian Kubebea

lkubebea@deloitte.co.ke

Getu Jemaneh

gjemaneh@deloitte.com

Offices

Burundi

42 Boulevard de la Liberté
B.P 6444, Kinindo
Bujumbura
Tel: +257 76 443 000

Ethiopia

5th Floor, Mina Building
Ethio-China Friendship
Avenue
Addis Ababa
Tel: +251 0 115 527666

Kenya

Deloitte Place
Waiyaki Way, Muthangari
Nairobi
Tel: +254 20 4230 000 or
+254 20 4441 344

10th Floor

Imaara Building, Kizingo
Opposite Pandya Memorial
Hospital
Off Nyerere Road
Mombasa
Tel: +254 41 222 5827 or
+254 41 2221 347

Rwanda

1st Floor, Umoja Building
KN3 Road
Kigali
Tel: +250 783 000 673

Tanzania

Aris House
3rd Floor, Plot 152, Haile Selassie
Road,
Oysterbay, Dar es Salaam, Tanzania
Tel: +255 (0) 22 216 9000 or
+255 699 991 000

Uganda

3rd Floor Rwenzori House
1 Lumumba Avenue
Kampala
Tel: +256 41 7 701000 or
+256 41 4 34385

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.