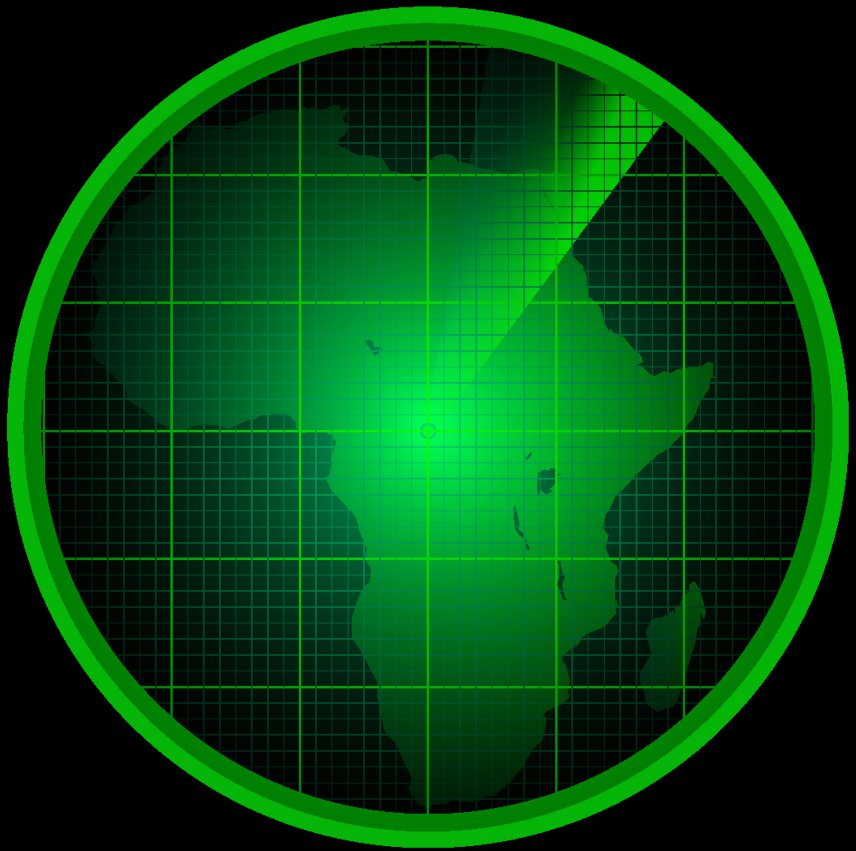
Deloitte.



# Uganda Budget Insights 2017

Navigating headwinds

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

# Introduction

The 2017 budget reading marks the third year since the budget process cycle was changed by the Public Finance Management Act, which required that Parliament approves the budget before the same is read to the public. It is also the third year of implementation of the Second National Development Plan (NDPII). While on the one hand the process seems to have matured, with the Acts already approved and passed into Law before the budget reading, the flip side seems to be that there is still not enough transparency, participation by the public and oversight in the budgeting process.

The Finance Minister Matia Kasaija presented a budget of UGX 28.9 trillion which is supposed to steer Uganda to becoming a middle income economy (MIC) by 2020. This is perhaps pegged to the expectation that by that year, Uganda will have first oil and all its dreams will perhaps come true. As at 2016, Uganda's per capita income is $ 637. To be an MIC by 2020, Uganda needs to have a per capita income of between $1,036 and $12,615. Kenya, which has the largest economy in East Africa and is one of the top ten economies in Sub Saharan Africa has a capita income of just $1,160 and they seem to have been doing better than we have. For Uganda to move itself towards such a goal, it needs to deal with the endemic corruption, look at diversification of its exports, industrialization and value addition as well as creation of jobs and not just the unskilled kind of employment that we seem to content ourselves with.

So let's turn to the budget allocation itself and the priority sectors that should ideally move us towards this almost impossible dream.

The theme for this year's budget was "Industrialization for Job Creation and Shared Prosperity" and the priority areas include:

- Industrialization through Value Addition;
- Increasing production and productivity in the key primary growth sectors of Agriculture, Tourism and Oil, Gas and Minerals;
- Enhanced Private Sector Development; and
- Increased Public Sector Efficiency.

Of the UGX 29 trillion budget, the lion's share has gone to the infrastructure sector at close to 16% of the budget allocated to transport and works. This is not surprising given that despite the current slowdown in economic growth, projections are that the economy will rebound to a growth rate of 5.5% in FY 2017/18 and eventually to at least 7% in the medium term based on investments in infrastructure and the Oil sector.

<< Previous | Next >>

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

The general sentiment in the public domain is that perhaps the biggest losers in the budget when all is said and done are agriculture and tourism. That the Government acknowledges their importance is not in doubt. What has left most people confused is that only about 2.84% and 0.34% of the budget has been set aside for agricultural and tourism respectively.

The Government hopes to raise UGX 14.6 trillion in revenues and the balance of UGX 14.3 will be raised through internal and external borrowing which is 49.5% of the budget. This has led to comments like this year's budget is all about paying debts.

At only 13% of GDP, the tax revenue is inadequate to fund critical development programmes and projects. Major projects especially in transport, energy and ICT are therefore financed through borrowing, both externally and domestically. Uganda's external and domestic Public debt amounted to USD 8.7 billion. In nominal terms this is equivalent to 34% of GDP. When future debt payment obligations are discounted to today's value, our Public Debt to GDP ratio stands at 27%, much lower than the threshold of 50% beyond which public debt becomes unsustainable. Uganda's public debt is therefore sustainable over the medium to long term.

Private sector activity which is a key driver for economic growth has slowed down in the two to three years partly due to insufficient local content especially in major infrastructural projects; high cost of transport; and high costs of electricity that make manufacturing unprofitable.

Upon closer examination, the general trend in budget allocations and the measures to be taken to spur growth have largely remained the same, year or year. But for the individual Ugandan whose business is under threat of closure or who has to deal with escalating commodity prices, lack of cheap financing or generally unemployment, the budget process and reading is of little consequence and all they want to know is what it will take for things to look up.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

Value Added Tax

Miscellaneous

Contacts

# Sectorial Analysis

## Inflation

Although inflation has remained stable and single digit, it has been on an upward trend.This has been driven by a number of factors, including; the uncertain global environment, geo-political conditions (civil strife in South Sudan), lower international commodity prices and the prolonged drought experienced in the country. It is estimated to be at about 4.9% currently.

The general public has not gone unscathed as the effects have been felt through the ever increasing price of food stuffs and other goods like sugar and even worse still businesses having to close down. The Uganda Revenue Authority has been at the receiving end of this disenchantment with a number of strikes by traders against tax assessments made and efforts to collect the same and more recently a sit down strike by traders in Kampala protesting competition from Chinese businesses.

## Interest rates

Lending rates by commercial banks have declined in line with Bank of Uganda's reduction of the Central Bank rate (CBR) since the start of the financial year. However these are still high due to a reduction in yields on Government treasury bills and bonds. Lending to the Private sector will always be affected by the ability by commercial banks to obtain cheap funding and Government borrowing is one of the factors.

Government will capitalise Uganda Development Bank (UDB) to enable it mobilise additional funding for priority and strategic private sector investments in the country. Next financial year Government will provide UGX 50 billion to UDB, and another UGX 50 billion for the Innovation Fund. The Government also expects to provide long term capital by mobilising private savings in the country through reforming the pension sector, modernising the insurance industry and supporting development of a vibrant capital market.

## Insurance

This is an industry with a lot of potential but which as yet has not obtained the traction it should have. As a country a lot more education need to happen for Ugandans to appreciate the various insurance products outside of traditional ones. Further reforms are expected in the sector.

The industry is however, weary of the tax measures in relation to VAT which is believed to have slowed down its growth.

## Oil and Gas

Since the discovery of commercial oil reserves in 2006, everyone has been eagerly waiting first oil. During his budget speech, the Finance Minister re-iterated that first oil is still projected for 2020. The question is whether the refinery or pipeline will be ready to take delivery of the first oil. The pipeline is expected to be a private-public partnership with Government yet to select a lead investor although plans are underway. The pipeline route was however already agreed to lead to Tanga port in Tanzania. Negotiations with the selected lead investor for the refinery, fell through but Government is in the process of selecting a new partner.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts



## Infrastructure

Development expenditures continued to take the lion's share in the budget allocation. However corruption and inefficient implementation of Government projects and programmes has continued to plague the sector resulting in delays and negatively impacting overall service delivery.

## Works and Transport infrastructure

The works and transport sector has been allocated UGX 4,631bn (an increase of UGX 807.2 billion from FY2015/16), representing 21% of budget allocation. This has been prioritized to Oil and Gas transport infrastructure with some allocation to continued growth in national paved roads network.

In preparation for the refinery, oil production and further exploration activity, the Government is constructing an international airport in Hoima to handle air-freight and passengers associated with the industry. A number of connecting roads are also being built in the area to make the access to the oilfields easier.

Kenya recently commissioned the standard gauge railway (SGR) line section from Mombasa to Nairobi. The minister during his speech revealed that Uganda is currently in discussions with the Kenyan government regarding the Nairobi to Malaba (Uganda boarder) section which is key to the Ugandan SGR dreams.

Compensations for the right of way for the Malaba – Kampala line are almost complete at 84.5%. Government is also currently in negotiations to secure financing for the line which is estimated at UGX 8.2 trillion (USD 2.3 billion). In the meantime, the President mentioned that the existing meter railway line is going to be repaired along Tororo - Gulu – Pakwach line to enable deliveries to the oil rich region.

## Energy & Resources

Electricity access increased to 21% of households in 2016 compared to 11% in 2011. During the year, Power infrastructure development has progressed with construction works at the Karuma and Isimba hydropower projects which are at 51% and 63% respectively. In addition construction works are underway at 12 out of 17 projects, under the Global Energy Transfer Feed-in Tariff (GETFiT) Programme.

In order to reduce power tariffs, Government is engaging the financiers of the Bujagali Hydropower Project to refinance its debt and bring down tariffs from 11 cents/kwh to 8 cents/kwh.

With respect to water transport, the Interim Master Plan for the New Kampala Port at Bukasa has been completed and initial preparatory works will begin in early 2018. The design for the remodeling of the Portbell and Jinja Piers has been completed with construction due to commence in 2018/19.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

## Public Procurement and Disposal of Assets (PPDA)

The minister is his speech mentioned that the PPDA Act is going to be amended to allow local contractors to participate most especially in infrastructure and other government investment programmes. This is also in line with the tax changes that offer lower excise duty rates for locally produced products compared to the imported ones.

There is also a proposal to amend the PPDA Act to for faster government procurement of goods and services. Slow acquisition under the PPDA Act is being blamed for the low absorption rate of funds allocated for government projects.

## ICT

ICT is recognized as key for enabling the four pillars for the economic recovery strategy. In total, UGX 106 billion is allocated to ICT, this includes UGX 43 billion to establish an Innovation Fund, targeting support to innovations to build a critical mass of highly skilled ICT, science technology and engineering professionals to drive industrialization through provision of fully-serviced demarcated industrial and business parks with adequate electricity, water, telecommunications at Luzira, Jinja and Namanve/Bukasa.

## Tourism

The Government recognised the important role of tourist sector in the growth of the economy. Uganda was ranked as one of the World's top five tourist destinations in 2017 by CNN, and the best African country to visit and fourth best in the world.

UGX 98.39 billion was allocated to the tourism industry, a decrease from UGX 188.8 billion in Financial Year 2017/18. This has raised criticism from civil society organisations who expressed concerns that the allocations were not in line with the objectives of the National Development Plan (NDPII).

Despite the boast in the tourism sector Uganda's huge touristic potential has some constrains in respect to access to tourist sites because of poor infrastructure, inadequate skills in the hospitality industry and low visibility to attract national and international tourists.

In addition to touristic infrastructure development that has been done, Government will develop the necessary skills in the hospitality industry, while marketing and promoting Uganda as a world-class tourist destination with appropriate tourist products and this will translate into significant jobs for Ugandans.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

Value Added Tax

Miscellaneous

Contacts

# Tax Procedure code

### Provisional Tax Estimates

Due date of filing provisional estimates.

**The measure**

Provisional taxpayer's estimates shall be furnished to the Commissioner by the end of the first quarter (3rd month) of the year at the same time as the payment of the first instalment of provisional tax for the year of income.

**Who will be affected**

Individual taxpayers

**When**

1 July 2017

**Our view**

This has restored and specifically catered for filing of provisional estimates by individual tax payers who are required to pay provisional taxes in four instalments before the year end. This was not catered for previous in the tax procedure code. It will enable individuals to plan for the payment of their taxes in advance however, they will now be exposed to the penalty of under estimation if the criteria for avoiding this penalty is not met.

### Order of payment

Application of tax paid to a liability.

**The measure**

A payment which is less than the tax liability shall be applied first on the principal tax.

**Who will be affected**

Taxpayers in general.

**When**

1 July 2017.

**Our view**

This is a clarification of the order for utilising payment made by a taxpayer which is less than the liability. Liability includes both penal tax and interest. The previous order was liability, penal tax and balance on interest due. The priority of application of tax has now been clarified to be **principal tax**, penal tax and the balance on interest due.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

## Tax Stamps

Introduction of tax stamps.

**The measure**

A person dealing in certain types of goods, whether locally manufactured or imported shall affix a tax stamp on those goods as may be prescribed by the Minister.

**Who will be affected**

Manufacturers and importer.

**When**

1 July 2017.

**Our view**

Manufactures and traders will have to comply with the new stamp regulations when issued by the minister. The Minister will prescribe the manner and the manufactured or imported goods on which tax stamps shall be affixed. Penal taxes for non-compliance includes:

- Penalty for not affixing tax stamp – Higher of UGX 50m or double the tax due on goods;
- Penalty for printing over or defacing tax stamp – Higher of UGX 20m or double the tax due on goods;
- Penalty for possession of goods without a tax stamp affixed – Higher of UGX 50m or double the tax due on goods; and
- Penalty for unauthorised possession or use of tax stamp – on conviction, Higher of UGX 10m or double the tax due on goods.

This is a good initiative in that it is expected to reduce on the illicit transactions by being able to track goods that are not properly imported and those locally manufactured by compliant taxpayers. The tax authority should also be able to reduce on the tax revenue losses by bringing to the tax net those traders who have been operating below the radar.

<< Previous | Next >>

Introduction
Sectorial Analysis
Tax Procedure code
Income Tax
Excise Duty
Value Added Tax
Miscellaneous
Contacts

## Provision of Information

Introduction of penal tax for failure to provide information.

**The measure**

- Failure to provide records in respect of transfer pricing (TP) within 30 days after request – penalty is UGX 50 million; and
- Failure to provide information other than TP above upon request – penalty is UGX 20 million.

**Who will be affected**

All registered Taxpayers.

**When**

1 July 2017.

**Our view**

Taxpayers should expedite responses to URA information requests or face harsh penalties for delays in furnishing information requested for. Taxpayers must prepare transfer pricing documents immediately if so required to avoid the rush when a policy is demanded by the tax authority. Transfer pricing documentation is an extra compliance cost which taxpayers have to bear which is now a requirement where applicable. You are required to have a transfer pricing policy if you have transactions with related parties across the border and if you have transactions with related parties onshore with a value above UGX 500 million.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

Value Added Tax

Miscellaneous

Contacts

# Income Tax

## Definition of Exempt Organisation

Amended to include professional bodies.

**The measure**

Exempt organisation means any company, institution, or irrevocable trust which is ... *a body established by law for the purpose of regulating the conduct of professionals.*

**Who will be affected**

Professional bodies like ICPAU, ULS, ERB, UIPE.

**When**

1 July 2017.

**Our view**

Broadened the definition of exempt organisations to include professional bodies such as those regulating accountants, lawyers, pharmacists, engineers etc. Previously these bodies have had to pay tax on their income which is mainly sourced from subscriptions of the members. The question though is, will they need written permission from the Commissioner in order to confirm their exempt organisation status as is the case with the exempt organisations?

## Income Tax Exemption for Bujagali Hydro Project

Amended provision of exempt income.

**The measure**

Exemption from tax on the income of Bujagali Hydro Power Project up to 30 June 2022.

**Who will be affected**

Bujagali Hydro Power Project.

**When**

1 July 2017.

**Our view**

This amendment seeks to reduce the price of electricity produced. This has been a major pain point for the manufacturing sector. The Government is keen on reducing cost to boost production and with the anticipated activity in the oil and gas sector, the expectation is to have more investors and thus development.

<< Previous | Next >>

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

## Exemption from income tax of SACCO Income

Amended provision of exempt income.

**The measure**

Exemption from tax of the income of Savings and Credit Cooperative Society up to 30 June 2027.

**Who will be affected**

Savings and Credit Cooperative Societies.

**When**

1 July 2017.

**Our view**

This measure is aimed at promoting further growth of SACCOs which have become the major source of internally generated funds for the members. SACCOs give loans to its members at affordable rates as compared to the financial institutions and also give out returns on members savings. This has bettered people's lives.

## Rental Income

Introduction of estimates for rental income and agreements in Uganda shillings.

**The measure**

By statutory Instrument (which shall come into force after approval by Parliament):

The Minister for the purpose of assessing rental tax, prescribe estimates of rent based on the rating of the rental property in a specific area; and

The above shall only apply to a person who fails to file a return, whose return is misleading on the face of it and has been contested by the Commissioner

Notwithstanding the above provisions, all rental **agreements** shall be executed and effected in **Uganda Shillings.**

**Who will be affected**

Land lords with rental income.

**When**

1 July 2017.

**Our view**

This measure must have been borne out of a number of strikes in down town Kampala after traders protested the increase in rental charges by their land lords. The challenge though is that some of the owners of the properties borrowed in foreign currency to finance the construction of buildings and have to pay back in the same currency. They will be exposed by having to pay back foreign currency loans from Uganda shillings rental collections which will probably compound the issue of non performing loans that a number of banks are facing. We have not had a steady rate and the movement in the foreign exchange rates is always on the upward trend. The transition period will also need to be catered for in respect of the agreements which are in another currency and are still in force.

Introduction
Sectorial Analysis
Tax Procedure code
Income Tax
Excise Duty
Value Added Tax
Miscellaneous
Contacts

## Re-introduction of Initial Allowance

Amended the provision to allow for initial allowance.

**The measure**
A person who places an item of **eligible property** into service for the first time outside a radius of 50 kms from the boundaries of Kampala, during a year of income is allowed a deduction for that year for an amount equal to 50% of the cost base of the property at the time it was placed into service.

Eligible property is plant and machinery wholly used in the production of income but does not include goods and passenger transport vehicles; appliances of a kind ordinarily used for household purposes; or office or household furniture, fixtures and fittings.

A person who places a new **industrial building** in service for the first time during the year of income is allowed a deduction for that year of an amount equal to 20% of the cost base of the industrial building at the time it was placed in service.

**Who will be affected**
All taxpayers, manufacturers, property owners other than commercial buildings.

**When**
1 July 2017.

**Our view**
This was repealed in 2014 and has now been reintroduction with limited applicability to businesses outside Kampala or its suburbs. These retain the same definitions as before.

## Sports and Pool Betting

Withholding tax on payments.

**The measure**
A person who makes payments for winnings of sports betting or pool betting shall withhold tax on the gross amount of the payment, at the rate of 15%.

**Who will be affected**
Persons involved in sports betting.

**When**
1 July 2017.

**Our view**
Sports and pool betting houses are on the increase. The government is therefore wants to tap into this in terms of revenue collection and as a means of regulating these activities. This is a reintroduction of the same tax which had been repealed in 2015.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

## Transactions between Associates

Amended the wording of the provision.

**The measure**

In any transaction between associates or persons who are in an employment relationship, the Commissioner may distribute, apportion or allocate income, deductions or credits between the associates or persons who are in an employment relationship, as the case may be, as is necessary to reflect the chargeable income realised by the taxpayer in an arm's length transaction."

**Who will be affected**

Employer/Employee relationship.

**When**

1 July 2017.

**Our view**

This is more of a clarification to reflect arm's length transactions between persons and associates in an employment relationship. This is bound to be problematic especially where one looks at the nature of transactions that would ordinarily occur between a company and its employees. These are usually in respect to benefits provided by an employer to their employees.

## Transport services

Advance payment.

**The measure**

A taxpayer who provides a passenger transport service or a freight transport service where the goods vehicle used has a loading capacity of at least two tones shall pay an advance tax at the rate of UGX 50,000 per ton per year for goods vehicles and UGX 20,000 per seat for PSVs.

**Who will be affected**

Persons in the transport industry.

**When**

1 July 2017.

**Our view**

This is an introduction of specific rates for tax payers in the transport industry which has to date failed to contribute to Government revenue. The intention is to widen the tax base. We await how this will be enforced in practice which may potentially be challenging based on the history of the regular strikes which have taken place after collection proposals by the local authorities.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

## Interest on unpaid Tax

Interest on late payment of tax.

**The measure**

- The interest due and payable which exceeds the aggregate of the principal tax and the penal tax shall be waived; and
- For the avoidance of doubt, where interest due and payable as at 30 June 2017 exceeds the aggregate of the principal tax and the penal tax, the interest in excess of the aggregate shall be waived.

**Who will be affected**

All taxpayers exposed to late payment interest.

**When**

1 July 2017.

**Our view**

This is an introduction of capping interest on late payment. It is a welcome provision which will contribute to compliance especially for taxpayers with tax arrears and are exposed to this kind of situation.

## Motor Vehicle Benefit

Value of motor vehicle benefit.

**The measure**

Introduction of the application of depreciation on a reducing balance method at a rate of 35% per annum on the value used for the subsequent years in computing the motor vehicle benefit.

**Who will be affected**

Employees with a motor vehicle benefit.

**When**

1 July 2017.

**Our view**

This should be a welcome provision for employees who are taxed on the value of the motor vehicle benefit. Previously depreciation was not considered irrespective of using the car for a number of years. The original base cost was a constant for as long as the car was being used by a given employee. This did not take into consideration wear and tear due to use which is a reality.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

# Excise Duty

### Rates

Revised the rates of certain duties.

**The measure**

Overall introduced a specific rate to apply side by side with the advalorem rate whichever is higher.

**Who will be affected**

Persons dealing in exercisable goods.

**When**

1 July 2017.

**Our view**

The prices of excisable goods will definitely go up with the introduction of this provision. With the exception of furniture produced locally, the rest of the excisable items which include beer, sprites, cigarettes and non-alcoholic beverages will have their prices going up which mighet lead to a reduction in consumption. There is therefore a threat of instead promoting the growth of the illicit trade in these products. This might be counterproductive in terms of generating expected increased government revenue. Below is a table summarising the revised rates.

| | Item | Previously | July 2017 Amendment Act |
|---|---|---|---|
| **1** | **Cigarettes** | | |
| | Soft cup | UGX 50,000 per 1,000 sticks | UGX 55,000 per 1,000 sticks locally manufactured, and UGX 75,000 per 1,000 sticks imported |
| | Hinge lid | UGX 80,000 per 1,000 sticks | UGX 80,000 per 1,000 sticks locally manufactured, and UGX 100,000 per 1,000 sticks imported |

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

| | | | |
|---|---|---|---|
| **2** | **Beer** | | |
| | Malt beer | 60% | 60% or UGX 1,860 per liter whichever is higher |
| | Beer whose local raw material content, excluding water ,is at least 75% by weight of its constituent | 30% | 30% or UGX 650 per liter, whichever is higher |
| | Beer produced from barley grown and malted in Uganda | 30% | 30% or UGX 950 per liter, whichever is higher |
| **3** | **Spirits** | | |
| | Made from locally produced raw materials | 60% | 60% |
| | Undenatured spirits | 100% or UGX 2,500 per liter whichever is higher | 100% or UGX 2,500 per liter whichever is higher |
| | Other spirits | 80% | 80% |
| **4** | **Non- alcoholic beverages** | | |
| | Non alcoholic beverages not including fruit or Vegetable juices | 13% | 13% or UGX 240 per liter, whichever is higher |
| | Fruit juice and vegetable juice, except juice made from at least 30% of pulp from fruit and vegetables grown in Uganda | 13% | 13% or UGX 300 per liter, whichever is higher |
| **5** | **Furniture** | | |
| | Specialised hospital furniture | Nil | Nil |
| | Furniture manufactured in Uganda using local materials but excluding furniture which is assembled in Uganda | 10% | Nil |
| | Other furniture | 10% | 20% |

Introduction
Sectorial Analysis
Tax Procedure code
Income Tax
Excise Duty
Value Added Tax
Miscellaneous
Contacts

# Value Added Tax

## Definition of Aid Funded Project

To define what is meant by aid-funded project for VAT purposes.

**The measure**

In 2016, the VAT Law was amended to provide that VAT charged to persons executing aid-funded projects was deemed to have been paid.

However, the law did not define what was meant by aid-funded project. The amendment has now defined "aid- funded project" to mean a project financed by a foreign Government or a development agency through loans, grants and donations."

In addition, while the previous provision applied to suppliers to contractors of aid funded projects, in addition the deeming is extended to circumstances where Contractors invoice Government Ministries or Departments in respect to aid-funded projects.

**Who will be affected**

Contractors and suppliers to aid funded projects.

**When**

1 July 2017.

**Our view**

The intention of this provision is two fold, first to define the meaning of aid funded projects and therefore remove any ambiguity and second to extend its application to Contractors on aid funded projects.

The challenge is that while the definition had Government aid funded projects in mind with the intention that Government projects should not give rise to a VAT debt payable by one agency to another, it opens the door for private contractors to argue that if they are receiving their funding from a DFI including instances where this is extended as a loan, then they should not have to pay VAT on the supplier invoices as this is deemed to have been paid.

<< Previous | Next >>

Introduction
Sectorial Analysis
Tax Procedure code
Income Tax
Excise Duty
Value Added Tax
Miscellaneous
Contacts



## Deemed VAT paid

To provide guidance on determination of tax payable where company has deemed VAT paid.

**The measure**

Formulaes have been indicated in how to determine VAT payable or claimable in periods where a taxpayer has either invoiced for a supply that is deemed to have the VAT paid, or has been invoiced for such a service.

**Who will be affected**

Contractors and suppliers of contracts where VAT is deemed to have been paid.

**When**

1 July 2017.

**Our view**

This is to streamline this provision which was introduced in 2016 to provide guidance on how contractors and supplies to account for VAT that has been deemed to be paid.

## Interest on unpaid Tax

Interest on late payment of tax.

**The measure**

- The interest due and payable on unpaid tax shall not exceed the aggregate of the principal and penal tax; and
- For the avoidance of doubt, where interest due and payable as at 30 June 2017 exceeds the aggregate of the principal tax and the penal tax, the interest in excess of the aggregate shall be waived.

**Who will be affected**

All taxpayers exposed to late payment interest.

**When**

1 July 2017.

**Our view**

This is an introduction of capping interest on late payment. It is a welcome provision which will contribute to compliance especially for taxpayers with tax arrears and are exposed to this kind of situation.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts



## VAT Ammendments

To provide for VAT treatment on specific products.

**The measure**

- Wheat grain is now standard rated; and
- Expanded the exemption list to include:
  - the supply of animal feeds and premixes;
  - the supply of crop extension services;
  - the supply of irrigation works, sprinklers and ready to use drip lines;
  - the supply of deep cycle batteries and composite lanterns;
  - the supply of menstrual cups; and
  - the supply of Agriculture Insurance Premium or Policy.

**Who will be affected**

Consumers.

**When**

1 July 2017.

**Our view**

Given the fact that we are more of an agriculture based economy, this explains the bias towards giving relief to the agriculture sector as a whole for goods and services. However an exemption means that suppliers of such products need to absorb VAT they pay on inputs to be able to supply exempted supplies. This normally means that this VAT is then factored into the cost of the final product.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

# Miscellaneous

## Revenue Enhancement Measures for local Governments

Business registration and revenue collection.

**The measure**

- Introduced eelectronic business registration and revenue collection system (E-logrev) in local authorities; and
- Operationalising the one stop centre for business licensing and registration.

**Who will be affected**

Local governments and taxpayers.

**When**

1 July 2017.

**Our view**

This has been ongoing and was piloted in Entebbe, Kira and Jinja municipalities with success. The E-logrev will be rolled out to 34 other municipalities to improve local government financing and access to information on revenue collection in real time. This will strengthen accountability by the local authorities and enhance quick service delivery.

## Local content

BUBU incentive (use of local resources).

**The measure**

"Buy Uganda, Build Uganda (BUBU)" initiative to allow local contractors to participate in infrastructure projects and other key Government investment programmes.

**Who will be affected**

Ugandans as a whole.

**When**

To be advised.

**Our view**

This is something that came through in last year's budget but has gained momentum especially given that this is one of the President's initiatives. The measure is meant to grow local industry by supporting the use of Ugandan made and Ugandan owned. While the current focus seems perhaps aimed at Public Procurement, we are yet to see whether this will also extend towards the contentious issue of local content in the Oil & Gas sector.

Introduction

Sectorial Analysis

Tax Procedure code

Income Tax

Excise Duty

**Value Added Tax**

Miscellaneous

Contacts

## Enhancing tax administration

Enhancing compliance.

**The measure**

Customs data will be synchronized with domestic taxes

**Who will be affected**

Taxpayers who import goods.

**When**

1 July 2017.

**Our view**

This has been something the Revenue Authority has been moving towards for some time now and has mainly been as a result of instances where sales or cost of sales are indicated different from what would be expected based on importations made by taxpayers. This will lead to improved systems, including implementation of automated customs border posts, ICT based verification of imports, and strengthened internal control systems to prevent leakages. Throug this initiative it is expected that government revenue will be enhanced.

# Contacts

**CEO**

**Sammy Onyango**
sonyango@deloitte.co.ke

**Deputy CEO**

**Joe Eshun**
jeshun@deloitte.co.tz

**Ofiice 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**
dmlogunov@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