



PARLIAMENT OF THE REPUBLIC OF UGANDA

**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC
DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL, 2023**

OFFICE OF THE CLERK TO PARLIAMENT

MAY, 2023

REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL, 2023

1.0 Introduction

The Excise Duty (Amendment) Bill, 2023 was, at the 21st Sitting of the 2nd Session of the 11th Parliament of Uganda held on Thursday 30th March, 2023, presented for First Reading and referred to the Committee on Finance, Planning and Economic Development for further scrutiny.

Rt. Hon. Speaker and Colleagues, the Committee considered the Bill through consultations with different stakeholders, hence this report.

2.0 Object of the Bill

The object of this Bill is to amend the the Excise Duty Act, 2014 to provide for the definition of "fruit juice", "un-denatured spirits" and "vegetable juice"; to provide for the amendment of Schedule 2 to the Act and for related matters.

3.0 Methodology

The Committee held meetings and received memoranda from the following; -

- i) Minister of Finance, Planning and Economic Development.
- ii) The Attorney General.
- iii) Uganda Revenue Authority.
- iv) Southern and Eastern Africa Trade Information and Negotiations Institution (SEATINI-Uganda)
- v) Uganda Manufacturers Association.


4.0 Stakeholders' Views, Observations and Recommendations of the Committee

The Committee made the following observations and recommendations on the Excise Duty (Amendment) Bill, 2023, based on the stakeholders' views;

4.1 Clause 3; Amendment of Schedule 2 to the principal Act to reduce excise Duty on alcoholic or non- alcoholic beverage locally produced other than a beverage made out of fermented sugary tea solution with a combination of yeast and bacteria

MFPED proposed to amend the principal Act to reduce excise duty on opaque beer from 20% or Shs230 per litre which ever is higher, to 12% or Shs 150/= per litre which ever is higher.

The Committee however observed that there is need to protect existing local producers utilising local materials. Resultantly, it was proposed that the



reduction in excise duty for opaque beer should instead be extended only to producers of alcoholic or non- alcoholic beverage locally produced other than a beverage made out of fermented sugary tea solution with a combination of yeast and bacteria, commonly known as "kombucha".

Recommendation

The Committee recommends that

- i) excise duty on opaque beer be maintained in the principal Act;**
- ii) excise duty on alcoholic or non- alcoholic beverage locally produced other than a beverage made out of fermented sugary tea solution with a combination of yeast and bacteria be set at 12% or 250/= per litre whichever is higher;**

4.2 Construction materials of a manufacturer whose investment capital is USD 50 Million

MFPE proposed to the Committee that the principal Act be amended to provide for incentives under domestic laws available for both citizen and foreign investors who capital investment is five million USD and thirty five million USD respectively.

The Committee welcomed this proposal, further noting that the amendment should elaborate the various incentives to include those accorded to a partnership of a citizen and a foreigner where the citizen has the majority shareholding.

Recommendation

The Committee recommends that Clause 3 amending Schedule 2 of the principal Act be amended to include a partnership of a citizen and a foreigner where the citizen has the majority shareholding.

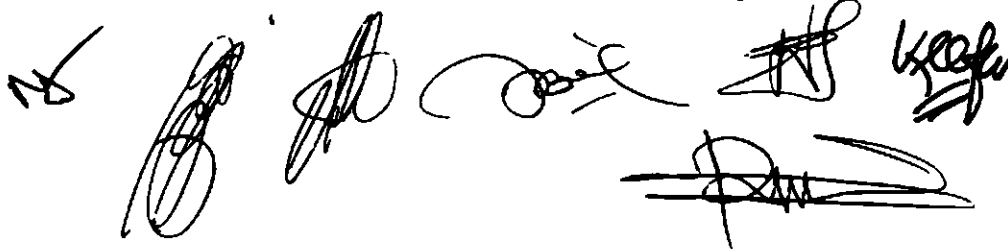
4.3 Introduction of excise duty on banking and financial services.

MFPE proposed that the application on excise duty be expanded to cover financial services as envisaged under the National Payment Systems Act 2020 at a rate of 0.5% of the value of the transaction.

The Committee observed that the purpose of the proposed amendment is to introduce excise duty on services and products of service providers that use advanced digital and online technologies in the provision of banking and financial services.

Recommendation

The Committee recommends that the principal Act be amended to include excise duty on withdrawal of cash through financial technology



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services provided through digital and online technologies at a rate of 0.5% of the value of the transaction.

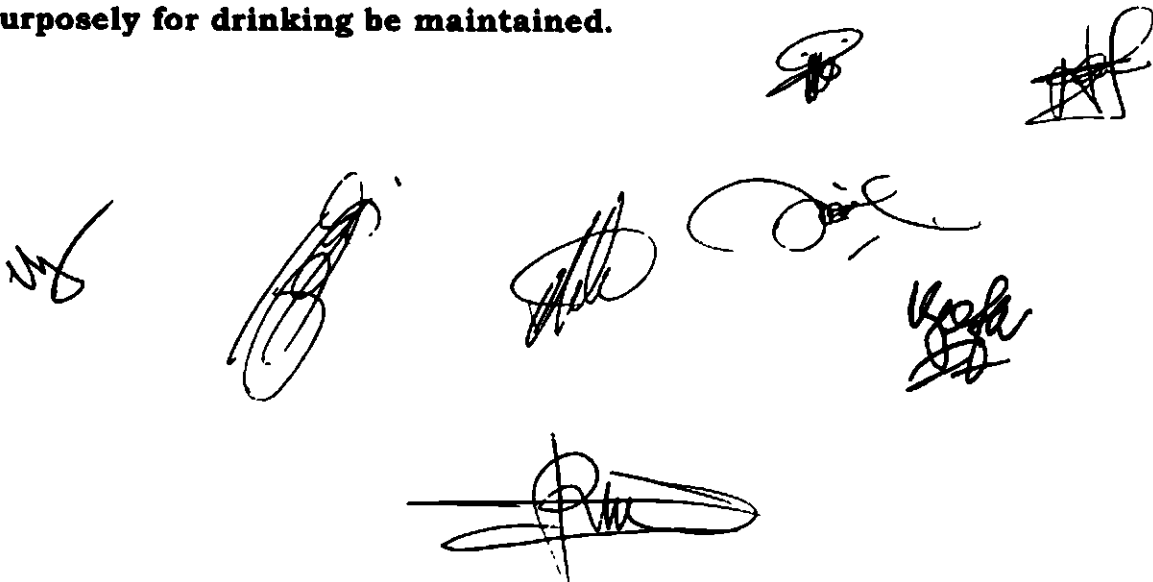
4.4 Mineral water, bottled water and other purposely for drinking

MFPED proposed that excise duty on mineral water, bottled water and other purposely for drinking be charged at 10% or Shs. 75 per litre whichever is higher

The Committee observed that there is need to introduce a specific rate per litre of production on mineral water, bottled water and other water for drinking purposes and create uniformity for the industry.

Recommendation

The Committee recommends the proposal to introduce an ad valorem rate of Shs 75 per litre on Mineral water, bottled water and other purposely for drinking be maintained.

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PROPOSED AMENDMENTS TO THE EXCISE DUTY (AMENDMENT) BILL, 2023

Clause 3: Amendment of Schedule 2 to the principal Act

Clause 3 is amended-

(a) by deleting paragraph (a)

(b) In paragraph (c) by substituting for item (d) the following-

d	Any other alcoholic or non- alcoholic beverage locally produced other than a beverage referred to in paragraph (a) made out of fermented sugary tea solution with a combination of yeast and bacteria	12% or Shs. 250 per litre whichever is higher
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(c) in paragraph (f) by substituting for item 26 the following-

26	Construction materials of a manufacturer other than a manufacturer referred to in item 21 whose investment capital is at least 50 million United States Dollars in the case of a foreigner or one million United States Dollars in the case of a citizen or thirty five million United states Dollars in the case of a partnership of a citizen and a foreigner where the citizen has the majority shareholding	Nil
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Justification

To offer protection to the local manufacturers utilizing local raw materials.

Insertion of new clauses

The Bill is amended by inserting a new clause immediately after paragraph (f) as follows-

27	Withdrawal of cash through financial technology services provided through digital or online technologies	0.5% of the value of the transaction
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Justification

To introduce excise duty on services and products of service providers that use developed digital and online technologies in the provision of financial technology services.

Insertion of new clause

6	Mineral water, bottled water and other water purposely for drinking	10% or Shs. 75 per litre whichever is higher
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Justification

To introduce a specific rate per litre of production on mineral water, bottled water and other water for drinking purposes and create uniformity for the industry.

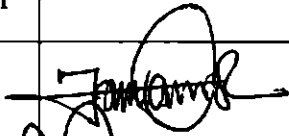
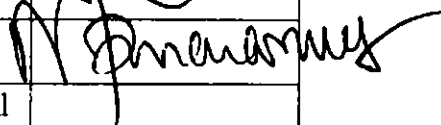
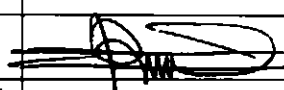
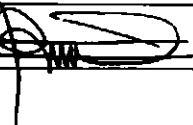
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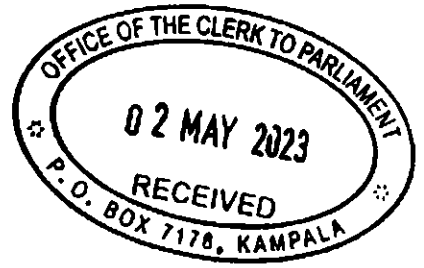
MEMBERS OF THE COMMITTEE FINANCE, PLANNING AND ECONOMIC DEVELOPMENT; THE EXCISE DUTY (AMENDMENT) BILL OF 2023

NO	NAME	CONSTITUENCY	SIGNATURE
1	Dr. Keefa Kiwanuka C/P	Kiboga East County	
2	Hon. Avur Jane Pacuto D/CP	DWR Pakwach	
3	Hon. Wamakuyu Ignatious Mudimi	Elgon County	
4	Hon. Kankunda Amos Kibwika	Rwampara County	
5	Hon. Atima Jackson	Arua Central	
6	Hon. Bataringaya Basil	Kashari North County	
7	Hon. Asimwe K Enosi	Kabula County	
8	Hon. Aleper Moses	Chekwii County	
9	Hon. Ssejoba Isaac	Bukoto County Mid West	
10	Hon. Tayebwa Herbert Musasizi	Kashongi County	
11	Hon. Lematia John	Ayivu West County	
12	Hon. Kyooma Xavier Akampurira	Ibanda County North	
13	Hon. Nakut Faith Loru	DWR Napak	
14	Hon Nangoli Gerald	Elgon North County	
15	Hon. Katali Loy	DWR Jinja	
16	Hon Ochai Maximus	West Budama County North	
17	Hon. Opolot Patrick Isagi	Kachumbala County	

18 Hon. Wanda Richard

Bungoma Central

19	Hon. Okwir Samuel	Moroto County	
20	Hon. Nabukeera Hanifa	DWR Mukono	
21	Hon. Muwanga Kivumbi	Butambala County	
22	Hon. Ssenyonyi Joel	Nakawa West	
23	Hon Nandala Mafabi	Budadiri West County	
24	Hon. Kalule Flavia	Jinja West County	
25	Hon. Akol Anthony	Kilak North	
26	Hon. Luttamaguzu Semakula P K	Nakaseke South	
27	Hon. Ocan Patrick	Apac Municipality	
28	Hon. Omara Paul	Otuke County	
29	Hon. Muhammad Nsereko	Kampala Central Division	
30	Hon. Aciro Paska Menya	DWR Pader	
31	Hon. Masaba Karim	Mbale, Industrial Division	



PARLIAMENT OF UGANDA

**MINORITY REPORT ON THE EXCISE DUTY (AMENDMENT) BILL,
2023**

MAY, 2023

1.0 INTRODUCTION

On 30th March 2023, the Minister of Finance, Planning and Economic Development laid the Excise Duty (Amendment) Bill 2023 before Parliament and referred it to the Committee on Finance, Planning and Economic Development for scrutiny.

The object of this Bill is to amend the Excise Duty Act, 2014 to provide for the definition of "fruit juice", "un-denatured spirits", and "vegetable juice"; to provide for the amendment of Schedule 2 to the Act and related matters.

The Committee on Finance, Planning and Economic Development scrutinised the Bill and prepared a report.

Pursuant to Rule 205 of the Rules of Procedure of the Parliament of Uganda, this Minority Report indicates dissenting opinions from the majority of the Committee.

2.0 AREAS OF DISSENT

Dissenting opinions regard;

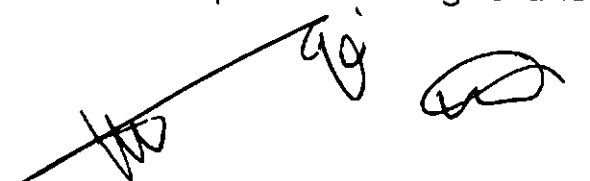
- a) Imposition of duty at a specific rate of 75/= on mineral, bottled, and other water purposely for drinking.
- b) Imposition of duty at different rates on un-denatured spirits made from locally produced raw materials

3.0 DISSENTING OBSERVATIONS

3.1 Imposition of duty at a specific rate of 75/= on mineral water, bottled water and other water purposely for drinking

The Ministry of Finance proposed a specific levy / duty on mineral, bottled, and other water purposely for drinking at a rate of Shs. 75 per litre, whichever is higher. Currently, a duty of 10% is imposed on mineral, bottled, and other water purposely for drinking as provided under Schedule 2 Part 1 Item 5 (6) of the Excise Duty Act.

The Minister submitted that the proposal was geared at creating harmony within the sector as it was observed that some industry players were declaring below the industry ex-factory prices for their stock-keeping unit. Thus, creating a specific rate per litre would solve this problem and give a level playing

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ground to all. The Committee agreed with this position and imposed the specific duty at UGX 75/=.

We vehemently disagree with the Committee in its finding and imposition of this duty since there are other ways in the Tax Procedure Code Act through which URA would have ensured that the duty is paid equitably. In any case, the Ministry did not supply sufficient information on how the provision of the law was being abused by the non-complying taxpayers.

Secondly and most importantly, certainly, this change in the rates is going to lead to an increase in the prices of drinking water, which is a necessity. This will reverse the effort to increase access to safe, clean, affordable water.

Recommendation

The proposal to introduce a specific tax at a rate of Shs 75 per litre on Mineral water, bottled water and other water purposely for drinking be rejected and deleted.

3.2 Imposition of duty at different rates on un-denatured spirits made from locally produced raw materials

Clause 3 of the Bill imposes a duty of 60% or Shs 1500 per litre, whichever is higher, on un-denatured spirits of an alcoholic strength by volume of 80% or more made from locally produced raw materials.

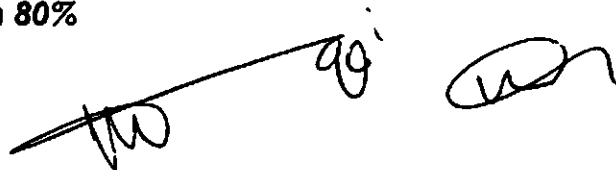
The same clause imposes duty at the rate of 80% or Shs. 1700/= per litre, whichever is higher, on undenatured spirits that are locally produced of an alcoholic strength by volume of less than 80%;

Our argument is that a uniform duty of 60% or Shs. 1500 per litre on un-denatured spirits made from locally produced raw materials regardless of alcoholic strength. This will ensure market stability and support for local producers.


Recommendation

Amendment of the Schedule 2 Item 3 (c); be allowed with an amendment as shown below;

Duty at the rate of 60% or Shs. 1500 per litre, whichever is higher, on undenatured spirits that are locally produced of an alcoholic strength by volume of less than 80%

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**SIGNATURES OF MEMBERS IN SUPPORT OF THE MINORITY REPORT
ON THE EXCISE DUTY (AMENDMENT) BILL, 2023**

NO.	NAME	CONSTITUENCY	SIGNATURE
1	MUWANGA KUMBI M	BUTAMBALA	
2	NABUKEERA HANIFA	MUKONO DISTRICT	