



## **CERTIFICATE OF FINANCIAL IMPLICATION**

(Made under Section 76 of the Public Finance Management Act, 2015)

**THIS IS TO CERTIFY** that the Bill entitled, the Value Added Tax (Amendment) Bill 2025, has been examined as required under Section 76 of the Public Finance Management Act, 2015 (as amended). I wish to report as follows: -

### **1) That the Bill has the following objective:**

Specific objectives of the bill are:

- (i) To introduce an anti-fragmentation rule for imported goods;
- (ii) To exempt biomass pellets and solar lanterns from Value Added Tax;
- (iii) To zero-rate the supply of aircraft;
- (iv) To designate United Nations-related agencies and specialised agencies as listed institutions.

### **2) That it is expected to achieve the following outputs:**

The introduction of the anti-fragmentation rule seeks to combat tax evasion by preventing importers from intentionally splitting consignments to remain below the VAT registration threshold. This measure is expected to enhance tax administration, improve revenue collection, and strengthen Uganda's VAT compliance framework.

The refinement of VAT exemptions for solar lanterns and textile inputs addresses previous drafting errors, ensuring the law aligns with its intended policy objectives. This correction will promote consistency and clarity in the application of tax laws.

The repeal of the VAT exemption on billets is intended to boost local production, reduce reliance on imports, and advance Uganda's industrialisation agenda. By supporting domestic manufacturing, this measure is expected to create jobs, enhance value addition, and stimulate economic growth.

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#### **Mission**

*"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"*

Exempting biomass pellets from VAT promotes environmental sustainability by encouraging the adoption of cleaner, energy-efficient cooking and heating solutions, reducing reliance on traditional biomass fuels.

Collectively, these amendments are designed to improve tax compliance, stimulate local industry, enhance revenue generation, and align Uganda's tax framework with its broader economic, environmental, and industrialisation objectives.

### **3) Impact on the economy**

The revenue yield from the Bill will be allocated to areas that generate economic output, which will contribute to sustainable economic growth from 6.4% in FY 2024/2025 to 7.0% in FY 2025/2026 and to at least 7.0% over the medium term.

In nominal terms, the size of the economy will increase from Shs. 222.50 trillion by end of FY 2024/25, to Shs. 250.00 trillion (USD 60 billion) by the end of FY 2025/26.

The impact of the proposed changes in the Value Added Tax (Amendment) Bill on business, consumption and welfare will be negligible.

### **4) That the expenditure plan by major components for the next two years.**

Since these are amendments to the existing tax provisions, there is no expenditure plan specifically different from the overall allocation of Shs 732.55 Billion for FY 2024/25 and Shs. 764.40 billion for FY 2025/26 to Uganda Revenue Authority.

### **5) That the funding and budgetary implications are the following:**

Funding is going to be through overall Government budgetary allocations to Uganda Revenue Authority.

### **6) Expected savings and/or revenue to Government:**

Revenue loss expected from the Bill is estimated to be **Shs 38.00 billion** annually.

Submitted under my hand this **25<sup>th</sup> March, 2025**

  
Matia Kasaija (MP)

**MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT.**

Received by .....

Date.....

