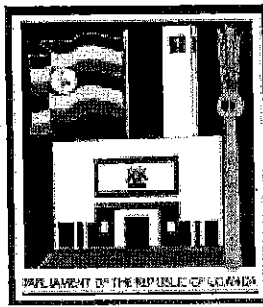


CLERK



PARLIAMENT OF UGANDA

**REPORT OF THE COMMITTEE ON FINANCE, PLANNING
AND ECONOMIC DEVELOPMENT ON THE VALUE ADDED
TAX (AMENDMENT) BILL, 2011**

OFFICE OF THE CLERK TO PARLIAMENT
PARLIAMENTARY BUILDINGS
KAMPALA - UGANDA

SEPTEMBER 2011

REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE VALUE ADDED TAX (AMENDMENT) BILL, 2011.

1.0. Introduction

The Value Added Tax (Amendment) Bill, 2011 was committed to the Committee on Finance, Planning and Economic Development under rules 113 and 161 (c) of the Rules of Procedure for consideration. In accordance with Article 90 of the Constitution and Rules 133, and 161 of the Parliamentary Rules of Procedure, the Committee has considered the Bill in detail; I hereby present the report of the Committee on the Bill.

1.1 Method of Work

The Committee held consultative discussions with the Minister for Finance, Planning and Economic Development and the Uganda Revenue Authority. Their submissions informed the content of this report.

1.2 Object of the Bill

The object of this bill to amend Value Added Tax Cap. 349; to provide for place of supply of goods in Uganda; to provide for place of supply of services including telecommunications services and electronic services; to provide for VAT representatives of non-resident persons; and for other related matters.

2.0 OBSERVATIONS BY THE COMMITTEE

The Committee makes the following observations;

2.1 VAT on biodegradable packaging materials

Clause 12 paragraph (e), seeks to reinstate VAT on the supply of biodegradable packaging materials. The Committee notes that there is need to promote the use of biodegradable materials, since Government has put a ban on the use of polythene bags commonly known as "*buveera*". It is therefore not wise to reinstate VAT on

biodegradable materials just after one year of exemption, yet we are still promoting their usage as an alternative to "buveera". The Committee therefore recommends VAT the supply of biodegradable packaging materials should not be reinstated.

2.2 VAT on gaming, betting and games of chance

The Committee observes that gaming, betting and other games of chance has increasingly become very lucrative in Uganda and urges Government to look at this sector as a potential source of increased revenue and therefore recommends that VAT be reinstated on these activities.

2.3 VAT on sale of immovable property

Clause 12, paragraph (a) seeks to reinstate VAT on the sale of immovable property. The Committee however notes that this measure will make properties very expensive since VAT is borne by the final consumer and make property buyers subject to manipulation by property developers, since prices on the Market are determined by market forces of demand and supply.

3.0 AMENDMENTS

The Committee recommends that the Bill be passed with the following amendments.

Clause 12. (Amendment of Second Schedule to the VAT Act.)¹

- 1) Delete paragraph (a)

Justification. Reinstating VAT on sale of immovable property will subject property buyers to manipulation by property developers, since prices on the Market are determined by market forces of demand and supply.

- 2) Insert a new paragraph immediately after paragraph (c) as follows

¹ The Second Schedule provides for Supplies exempt from VAT

"by repealing paragraph (j)"²

Justification. Gaming and betting activities are a lucrative source of increased revenue for Government, since the consumers of these activities are high and voluntary spenders, therefore VAT on the supply of these services should be reinstated.

3) Delete paragraph (e)³

Justification. There is need to promote the use of biodegradable materials as an alternative to the use of polythene bags, since Government has put a ban on the use of "buveera".

4) Insert a new clause immediately after Clause 12 as follows-

"13. Amendment of the third Schedule to the VAT Act.⁴

The Principal Act, is amended in the third Schedule-

"by inserting immediately after paragraph (h) the following-

(ha) the supply of water, excluding mineral water and aerated waters containing sweetening matter or flavoured"

Justification. Basic water for consumption supplied to an average person including a rural person for domestic use should be zero rated.

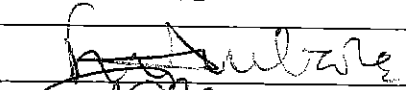

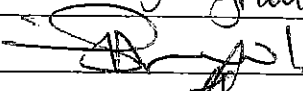

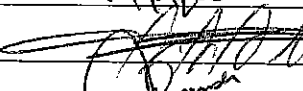

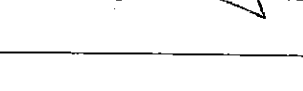
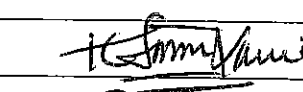


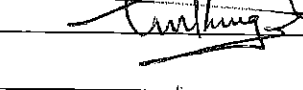
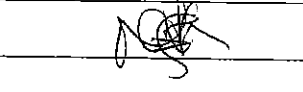
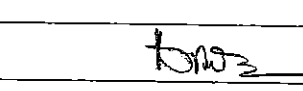

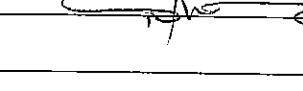

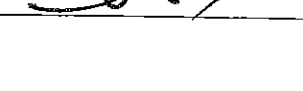



I beg to move.

² Para(j) provides for the supply of betting, lotteries, and games of chance and is currently exempt from VAT.

³ Para (jj) provides for the supply of biodegradable packaging materials.

⁴ The Third Schedule provides for taxable supplies which attract a VAT rate of Zero.

**SIGNATURES FOR MEMBERS OF THE COMMITTEE ON FINANCE,
PLANNING AND ECONOMIC DEVELOPMENT ON THE VALUE ADDED
TAX (AMENDMENT) BILL, 2011.**

S/N	NAME	SIGNATURE
1.	Hon. Tumwebaze Frank	
2.	Hon. Kasule Robert Sebunya	
3.	Hon. Adong Lilly	
4.	Hon. Akol Rose Okullu	
5.	Hon. Akora Maxwell Ebong Patrick	
6.	Hon. Arinaitwe Rwakajara.K	
7.	Hon. Bagoole John	
8.	Hon. Basajjabalaba Nasser	
9.	Hon. Ekanya Godfrey	
10.	Hon. Karuhanga Gerald Kafureeka	
11.	Hon. Kikungwe Issa	
12.	Hon. Kyooma Xavier .A	
13.	Hon. Lokeris Samson	
14.	Hon. Lwanga Timothy Mutekanga	
15.	Hon. Mawanda Michael Maranga	
16.	Hon. Mugabi Muzaale Martin	
17.	Hon. Musasizi Henry	
18.	Hon. Nakawunde Sarah Temulanda	
19.	Hon. Ochwa David	
20.	Hon. Okello Anthony	
21.	Hon. Okupa Elijah	
22.	Hon. Oromait Michael	
23.	Hon. Sejjoba Isaac	
24.	Hon. Ssasaga Isaiah	
25.	Hon. Todwong Richard	