

## PARLIAMENT OF UGANDA

# REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE FINANCE BILL, 2016

OFFICE OF THE CLERK TO PARLIAMENT  
APRIL 2016

# REPORT OF COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE FINANCE BILL, 2016

## 1.0 Introduction

The Finance Bill, 2016 was read for the first time on 10<sup>th</sup> March, 2016 and referred to the Committee on Finance, Planning and Economic Development in accordance with Rule 118 of the Rules of Procedure of Parliament.

## 2.0 Object of the Bill

The Object of the Bill is to provide for the alteration of certain taxes and duties; to vary the rate of the environmental levy charged on used clothing, used shoes and other used articles; to provide for the Uganda Revenue Authority to issue certificates of origin; to waive arrears of tax accruing from SACCOs; to revise the non-tax revenue relating to services and documents under the Traffic and Road Safety Act, 1998; to repeal fees in respect to the mining Act, 2003 under the Finance Act, 2013, Act No. 18 of 2013 and Finance Act, 2014 Act No.10 of 2014, 2003 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) Ministry of Works and Transport
- (iii) Uganda Revenue Authority
- (iv) Price Waterhouse Coopers
- (v) Civil Society Budget Advocacy Group

## 4.0 Observations by members

The Committee observed that:

- (i) Member States in the COMESA region are allowed to derogate from the tariffs set under the protocol if the full application of the tariffs will

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negatively affect their economies. In order to protect our industries from an upsurge of imports of lubricants, un-denatured alcohol, steel and steel products, electronics, paper and paper products and diapers, a 6% duty should be imposed on these products which actually existed before Uganda joined the COMESA Free Trade Area.

(ii) The Bill proposes to increase the rate of the environmental levy imposed on used clothing, used shoes and other related used articles from 15% to 20% of the CIF value. According to Parliamentary Budget Office analysis, indirect taxes from this initiative increase by 0.9%, despite a marginal decline in aggregate employment by 0.02% in the short run, relative to current levels. This measure will send a signal to the market that Uganda is promoting its textile industry and deter the use of second hand clothing. However, more incentives should be given to increase local textile manufacturing to provide market for cotton and provide employment in the textile sector.

(iii) The current period for notifying a licensing officer to change the ownership of a motor vehicle is fourteen days. This has caused operation challenges and has made compliance difficult and discouraged people from transferring ownership. The proposed amendment of three months will ensure that URA data base is up to date in regard to ownership of vehicles and penalties for the delay will help raise revenue and improve accountability and decision making.

(iv) SACCOs like all other persons who derive income from business and investment undertaking, must comply with their tax obligations. Many SACCOs have not complied with their obligations largely because of ignorance of the tax laws and institutional weakness. As a result, they have incurred tax arrears which they are unable to pay. The proposed waiver of taxes will promote SACCOs as a vehicle

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through which more Ugandans can participate in the mainstream financial sector and for provision of affordable credit. It removes the arrears which may impede them from offering affordable financial services. This is a one-time waiver of the arrears as up to 31<sup>st</sup> December 2015

(v) Under the Mining Act, 2003, the Minister of Energy is authorized to issue regulations to revise the fee. The revision of the fees will be done by the Minister of Energy and Mineral Development. However, it was observed that several fees are still being provided for under the Finance Act despite the fact that, there are other responsible Ministers who should be issuing and revising these fees under other laws. In future, all the fees should be issued by the relevant Ministers that implement those Acts.

(vi) Clause 5 seeks to amend section 42 of the Traffic and Road safety Act to introduce a five year permit, however, the Committee notes that section 42(4) provides that “ where a driving permit has for any reason not been renewed within a period of five years or more form the date of issue or renewal of the permit, it shall lapse, but the holder of the permit shall be eligible, on application , to be issued with a learners ‘driving permit in accordance with section 39”.

The effect of this proposed five year permit is that the holder shall have to undergo a fresh process of acquiring a new driving permit unless they renew before the lapse of the five years.

Similarly, several substantive provisions in the Act need consequential amendments to accommodate the provision of five years permit, yet this cannot be done under the Finance Bill.

It is also important to note that the Attorney General has opined against such a matter where substantive provisions (**not fees**) of an Act of Parliament are amended under the Finance Bill. Indeed it’s on the strength of that opinion that Government has proposed under clauses 9 and 10 to repeal the provisions of the Finance Acts of 2013 and 2014 in as much as they relate to the Mining Act, 2003.

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The Committee therefore recommends that Clause 5 should be deleted, for the introduction of five year permit necessitates consequential and substantive amendments throughout the other provisions of the Traffic and Roads safety Act. The Committee further recommends that the ongoing process of amending the Traffic and Roads safety Act should be completed before the end of the Financial Year, to enable the introduction of the five year permit in the subsequent financial Year.

- (vii) Clause 6 seeks to revise fees payable under the Traffic and Road Safety Act, to among others increase charges for driving permits from 66,000 to 150, 000 for a three year permit. It's important to note that production cost is charged separately at Face technologies, currently this is 60,000.

The Committee conducted a study within and outside the region ad found the following;

Country	Current rate	New rate
Uganda 3yr permit	36\$ (URA cost 66000+ 60,000(CoP))	59\$ (150,000+ 60,000 CoP)
Botswana (5years)	7 USD	
South Africa	15 \$	
Namibia	10\$	
Sri lanka	17\$	

The Committee notes that;

- (1) The proposed fees are the highest within the region and compared to other countries studied.
- (2) The Cost of Production charged is based on a contractual "Build, Operate and Transfer" arrangement.
- (3) The current fees are already high and encourage noncompliance thereby compromising road safety. Since 2005, only 730,000 persons have valid driving permits.

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(4) A Driving Permit is a legally accepted to evidence valid identification of a person, Government should encourage more people to apply for Driving permits, not only for driving persons, but also for capturing data on its citizens.

The Committee recommends that the current fees be maintained.

(vii) In 2014, Parliament imposed a withholding tax on the gross amount of any payments for winnings of sports betting or pool betting. However, research has shown that this measure is counterproductive and didn't not generate the anticipated revenue; rather it has encouraged the Agents to avoid regulation. It is now proposed that the measure should be redirected so that the incidence of tax falls on the operator of a casino, gaming or betting activity.

The Committee seeks to move an amendment to amend the Lotteries and Gaming Act, 2015 to increase the rate of gaming tax paid from 20% to 30% of the total amount of money staked less the pay outs (winnings) for the period of filing returns.

It is also important to note that these companies will pay a Gaming Tax is paid in addition to other taxes prescribed by law like corporation tax.

## 5.0 Recommendation

The Committee recommends that the Finance Bill, 2016 be passed into law subject to the proposed amendments.

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**PROPOSED AMENDMENTS**

**A. Clause 2. Amendment of Finance Act, 2014.**

Insert new items after (10) as follows;

*Textiles, Pharmaceutical, Dairy Products and Confectionaries*

**Justification.**

To protect the local Manufacturers.

**B. Clause 3. Amendment of Finance Act, 2009, .**

Delete the words "*and other used articles*"

**Justification.**

This phrase is ambiguous. Clarity is very important when it comes to tax provisions.

**C. Clause 5. Amendment of section 42.**

Delete clause 5

**Justification**

1. Several substantive provisions in the Act need consequential amendments to accommodate the provision of five years permit, yet this cannot be done under the Finance Bill.
2. It is also important to note that the Attorney General has opined against such a matter where substantive provisions (**not fees**) of an Act of Parliament are amended under the Finance Bill. Indeed it's on the strength of that opinion that Government has proposed under clauses 9 and 10 to repeal the provisions of the Finance Acts of 2013 and 2014 in as much as they relate to the Mining Act, 2003.
3. The Committee therefore recommends that Clause 5 should be deleted, for the introduction of five year permit necessitates consequential and substantive amendments throughout the other provisions of the Traffic and Roads safety Act.

**D. Clause 7. Uganda Revenue Authority to issue certificates of origin**

Substitute for clause 7 the following;

“(7) The Uganda Revenue Authority shall, in consultation with The Uganda Manufacturing Association, be responsible for issuing certificates of Origin required by section 111(2) of the East African Customs Management Act, 2004.

**Justification**

The Uganda Manufacturing Association is competent authority on this matter

**E. Insert a new clause as follows**

**“Clause 8. Amendment of the Lotteries and Gaming Act 2015**

The Lotteries and Gaming Act, 2015 is amended in the Schedule 4 by substituting for Schedule 4 the following

**“Rate of tax**

Thirty percent of the total amount of money staked less the pay outs (winnings) for the period of filing returns.”

**Justification**

Since Government has faced compliance challenges with withholding tax under the income tax, the rate of gaming tax for the companies should be increased ., Gaming tax is easily administered and collected.

**F. SCHEDULE**

Replace the Schedule as follows;

	<b>Item</b>	<b>Fees</b>
1	Registration fees for personalized number plate for a motor vehicle	Shs. 20,000,000
2	<b>Driving permit (original)</b>	

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	(a) One year	Shs. 56,000
	(b) Three years	Shs. 66,000
<b>3</b>	<b>Driving permit (renewal)</b>	
	a) One year	Shs. 46,000
	b) Three years	Shs. 56,000
<b>4.</b>	<b>Driving permit exchange</b>	
	a) One year	Shs. 56,000
	(b) Three years	Shs. 66,000
<b>5.</b>	<b>Learner's Driving Permit</b>	
	(a) One year	Shs. 24,000
	(b) Three years	Shs. 24,000

**Justification**

- (1) The current fees are already high and encourage noncompliance thereby compromising road safety. Since 2005, only 730,000 persons have valid driving permits.
- (2) A Driving Permit is a legally accepted to evidence valid identification of a person, Government should encourage more people to apply for Driving permits, not only for driving persons, but also for capturing data on its citizens.
- (3) Section 51 of the Act provides for Issuance of duplicate permits, however, fees for this type of permit have not been imposed.
- (4) The nomenclature "*driving Permit Provisional*" is not provided for , what the Act provides for is a "*Learners driving permit*"

**Additional amendments to the Schedule to the Finance Bill**

Insert immediately after item 5 the following.

<b>6</b>	<b>Fees for Goods Vehicles (Capacity in Tons)</b>	<b>Fee (UGX)</b>
	(a) Exceeding 2 and up to 5 tons	400,000
	(b) Exceeding 5 tons and up to 10 tons	600,000
	(c) Exceeding 10 tons and up to 30 tons	700,000
	(d) Exceeding 30 tons	1,500,000











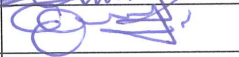
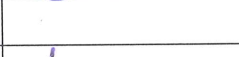




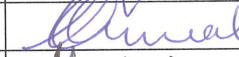


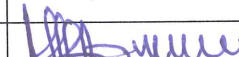
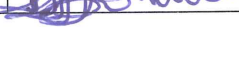


**Justification**

With an estimated 70,000 commercial vehicles in the country, this measure would generate approximately UGX 35 Billion. However, this can be enhanced further by revising the fees on goods vehicles since they cause more damage to the road network.

In addition, the above measure would greatly improve the road safety situation in the country due to the regulatory mechanisms already in place. When Transport Licensing Board, initiated accreditation of bus drivers through issuance of driver badges, road crashes involving buses were reduced by 40.8%.

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**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE FINANCE BILL, 2016**

	NAME	CONSTITUENCY	SIGNATURE
1	Hon. Kasule Robert	Kyadondo North	
2	Hon. Okello Anthony	Kioga County	
3	Hon. Musasizi Henry	Rubanda East County	
4	Hon. Kyooma Xavier	Ibanda North County	
5	Hon. Sejjoba Isaac	Bukoto Mid-West	
6	Hon. Lwanga Timothy	Kyamuswa County	
7	Hon. Adong Lilly	Nwoya District	
8	Hon. Katoto Hatwib	Katerera County	
9	Hon. Amos Lugoloobi	Ntenjeru South	
10	Hon. Emma Boona	Mbarara District	
11	Hon. Ayepa Micheal	Labwor County	
12	Hon. Mugabi M. Martin	Buzaaya County	
13	Hon. Geoffrey Ekanya	Tororo County	
14	Hon. Nathan N Mafabi	Budadiri West County	
15	Hon. Odo Tayebwa	Bushenyi-Ishaka Mun	
16	Hon. Mathias Nsubuga	Bukoto South County	
17	Hon. Judith Franca Akello	Agago District	
18	Hon. Maxwell Akora	Maruzi County	
19	Hon. Ssasaga Isaiah	Budadiri East County	
20	Hon. Kevinah Taaka	Busia Municipality	
21	Hon. Jack Sabiiti	Rukiiga County	
22	Hon. Bagoole John	Luuka County	
23	Hon. Capt. Lakot Susan	UPDF	
24	Hon. Ochwa David	Agule County	