

PARLIAMENT OF UGANDA

REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE VALUE ADDED TAX (AMENDMENT) BILL, 2016

OFFICE OF THE CLERK TO PARLIAMENT
APRIL 2016

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1.0 Introduction

The Value Added Tax (Amendment) Bill, 2016 was read for the first time on 10th 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 amend the Value Added Tax Act, Cap 349 to provide for persons engaged in midstream petroleum operations to register as taxable persons under the Act; to remove compact florescent bulbs and LED lamps or bulbs from the list of exempt goods; to include other specified agricultural processing machinery on the list of exempted supplies; to provide for the tax treatment of suppliers to contractors executing Aid funded projects; to exempt from tax, the supply of goods and services to the contractors and subcontractors of hydroelectric power, solar power, geothermal power projects and to provide 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) Uganda Revenue Authority
- (iii) Price Waterhouse Coopers
- (iv) Civil Society Budget advocacy Group (CSBAG)
- (v) BioLite

4.0 Observations by Members

The Committee observed that:

(i) The amendment to the Act will include investors in midstream storage facilities like it does for the upstream, refinery and export pipeline. Currently, midstream storage facilities are left out of the VAT Act.

(ii) The current law gives different treatment to various types of bulbs. Section 20 of the VAT Act deals with items that are exempt from customs duty under the Fifth Schedule of the East African Community Customs Management Act. The amendment will exclude bulbs other than compact florescent bulbs from VAT exemption so as to create equity in treatment of all bulbs and also generate revenue.

(iii) Imported goods for donor funded projects are exempt from VAT whereas goods purchased locally attract VAT. This is because goods imported for donor funded projects are exempt from import duty under fifth schedule of the EAC Customs Management Act and under VAT Act. This discriminatory tax treatment has locked local industrialists, especially of steel, cement and cables out of the large infrastructure projects. The proposed law will adopt a remission scheme for domestic suppliers to donor-funded projects so that no VAT is paid by contractors to the domestic suppliers of goods but the suppliers can claim VAT on the inputs they used in the production of the final goods sold to the contractors. This will make local companies competitive with foreign companies. In future, government should remove VAT on all supplies to government.

(iv) The current law doesn't allow offset by persons involved in business process outsourcing to offset input VAT on services they import from output VAT on the final product. This has negatively affected their

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(viii) VAT continues to be charged on energy saving stoves in Uganda which has stifled efforts to use clean energy. Some companies which have invested in energy saving stoves pay 18% VAT which has increased the cost of production and made the products very costly. The smoke from cooking on open fires causes indoor pollution which leads to many diseases thus increasing the cost on health. Some of the stoves are used to charge phones as well as provide light to the homesteads yet they use less firewood. These also help to protect and conserve the environment with people using less wood. There is need to establish a special classification and exempt such products which can help reduce the destruction of the environment. The HomeStoves on the market which can produce light and charge phones are going for Ug. Shs. 200,000/=. With an exemption on VAT, the stoves can be sold at 165,000/= which would make them more affordable. Increase in sales would attract the companies to stop importing and manufacture from here which would reduce the cost further as they would no longer pay 25% import duty and also provide employment to our citizens.

5.0 Recommendation

The Committee recommends that the VAT (Amendment) Bill, 2016 be passed into law subject to the proposed amendments.

A collection of handwritten signatures in blue ink, some with names written above them. The signatures are scattered across the bottom half of the page. Some legible names include 'Amplari', 'Angela', 'Quake', and 'James'. There are also several illegible signatures and some scribbles.

PROPOSED AMENDMENTS

Clause 7. Amendment of Second Schedule

- **Insert a new paragraph immediately before paragraph (a) as follows;**

“(a) by substituting for paragraph (a) the following;

(a) the supply of livestock, unprocessed foodstuffs and unprocessed agricultural products

Justification

- (1) It's a constraint on the local manufacturers given that the other countries in the region do not charge VAT on Wheat Grain and other unprocessed food. This has made imports much cheaper than the locally manufactured flour, thereby constraining the local producers.
- (2) Secondly, Ugandan Manufacturers have also lost their market in South Sudan and the DRC, for these Countries now import cheaply from Kenya and Turkey.


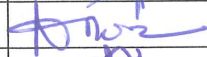

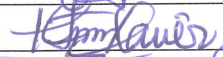
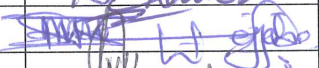
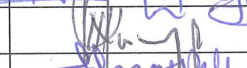
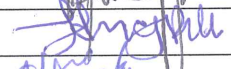
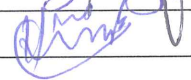

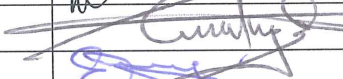

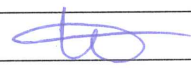


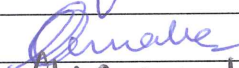
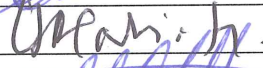

- **In paragraph (b)** insert a new paragraph immediately after paragraph (dda) as follows;

“(ddb) the supply of energy saving cook stoves that meet ISO/IWA 11:2012 tier 2-4 emissions standards and fuel efficiency, as approved by the Uganda National Bureau of Standards.

Justification

Energy saving cook stove technology increases energy efficiency of biomass cooking by 50%, and also eliminates smoke by 90%. This directly benefits the environment as well as the poor, who suffer from the smoke of cooking with biomass.

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