

REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL, 2018

1.0 Introduction

The Excise Duty (Amendment) Bill, 2018 was read for the first time on the 3rd April 2018 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 Excise Duty Act, 2014, to raise the point of accounting on telecommunication services; to introduce interest for unpaid duty and limit the interest payable to the amount of the unpaid principal tax; to enhance excise duty in respect of certain excisable goods; to amend the excise duty on telecommunications services; and to introduce excise duty on cooking oil and on motorcycles at first registration.

3.0 Methodology

The Committee held meetings and received memoranda from the following:

- (i) Minister of Finance, Planning and Economic Development
- (ii) Ministry of Education and Sports
- (iii) Uganda Revenue Authority
- (iv) Uganda Law Society
- (v) Uganda Manufacturers Association
- (vi) Uganda Breweries Limited
- (vii) Uganda Bookman and Gaming Association
- (viii) Association of Soft Drink Manufacturers
- (ix) Price Waterhouse Coopers
- (x) Uganda Bankers Association
- (xi) Uganda Tax Alliance

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- (xii) Buganda Kingdom
- (xiii) MTN Uganda
- (xiv) REEV Consult
- (xv) Uganda Forex Bureau and Money Lenders Association
- (xvi) Uganda Cooperative Alliance

4.0 Observations by the Committee

The Committee observed that:

- (i) A person providing an excisable service becomes liable to pay excise duty on that service on the date of the provision of the service. This is meant to clarify when a person providing an excisable service becomes liable to pay excise duty, which is: the date on which payment is made or the date on which the invoice is made whichever is earlier. This will ensure that when the performance of the service is completed or paid for or the invoice is issued, excise duty is due and payable irrespective of whether the service is used.
- (ii) An obligation is imposed on telecommunications service operators providing data for accessing over the top services to account for and pay excise duty on access of “over the top services”. Currently, voice and messaging traffic has migrated from conventional voice calls and messaging to voice over the internet and online messaging, through applications like WhatsApp, Viber and Skype referred to as over the top (OTT) service. OTT services do not attract excise duty, unlike voice calls that attract VAT and excise duty. This is unfair and inequitable for consumers who buy airtime and use it to make voice calls compared to those who buy internet data and make VoIP calls. This is also intended to clarify who is liable to account for excise duty on over the top services.
- (iii) The bill proposes to impose excise duty of 1% on the value of mobile money transactions, of receiving, payments and withdraws. Use of

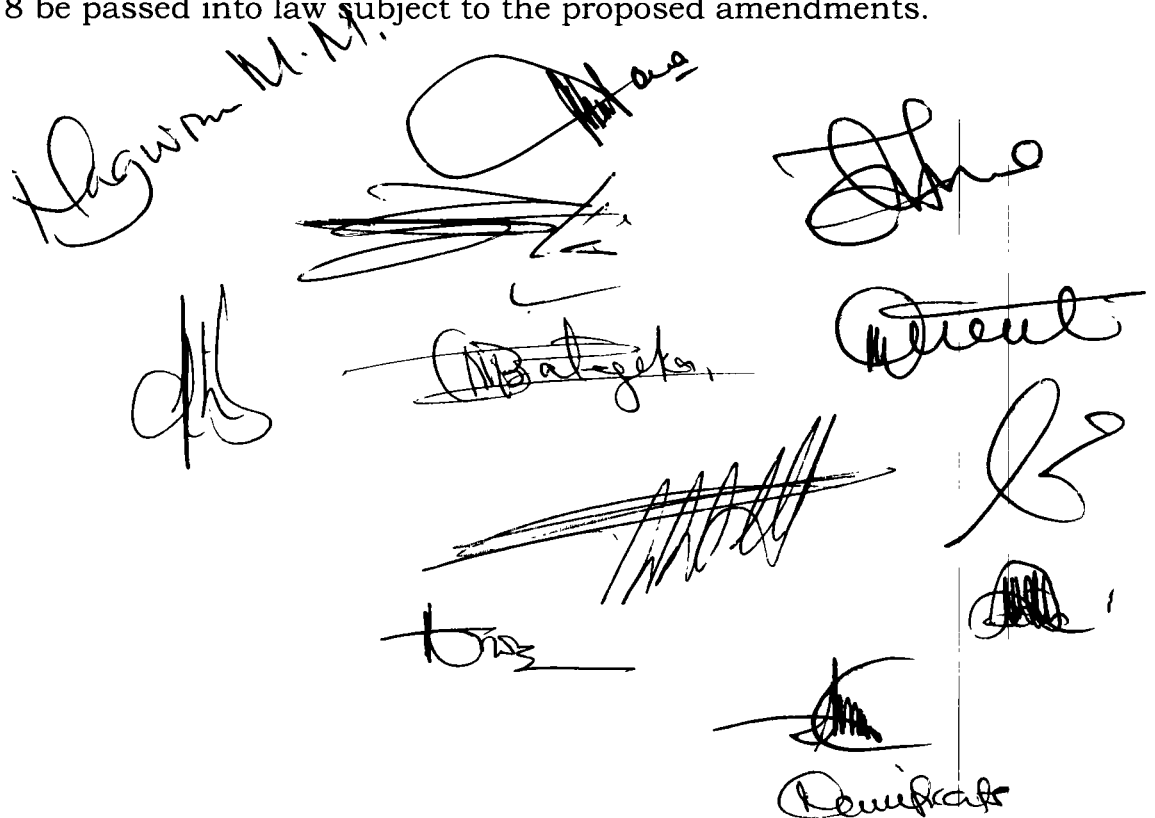
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- A signature that appears to be 'Hagwin M. M.'
- A signature that appears to be 'David Kab' with 'David Kab' written below it.
- A signature that appears to be 'John' with 'John' written below it.
- A signature that appears to be 'Jane' with 'Jane' written below it.
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mobile money is an efficiency gain and should be taxed. Money has migrated from the traditional payment systems like banks to the digital platforms. It is therefore important that taxes be levied on such platforms. Using mobile money is a choice as there are other methods of payment which are already attracting taxes. This proposed tax will generate more revenue and broaden the tax base.

- (iv) The Committee observed that Excise duty on soft drinks is the highest in the region. This encourages smuggling of soft drinks from the neighboring countries. Government committed to reduce excise duty on soft drinks from 13% to 10% in FY 2018/19. However, this commitment has not been honored. Excise duty on soft drinks should be reduced gradually to avoid loss of revenue. In FY 2018/19, Excise Duty on soft drinks should be reduced to 12%.

5.0 Recommendations

The Committee recommends that the Excise Duty (Amendment) Bill, 2018 be passed into law subject to the proposed amendments.



PROPOSED AMENDMENTS TO THE EXERCISE DUTY (AMENDMENT) BILL, 2018

1. Clause 2

Clause 2 is amended-

- (i) by deleting the head note and substituting the following-
“2. Amendment of section 2 of the Excise Duty Act, 2014”
- (ii) In the definition of “over the top services” delete the words “but does not include educational or research sites prescribed by the Minister by notice in the Gazette”

Justification

- (a) To correct a drafting error
- (b) It is difficult to differentiate what will be used for education and research

2. Clause 6

Clause 6 is amended-

- (i) In paragraph (a), by substituting for item (d) the following-

(d)	Opaque beer	30% or Shs. 650 per litre, whichever is higher
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Justification

To impose the same rate of tax on products which are similar, being made from the same products.

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

(c)	Ready to drink spirits	80% or Ush 1500 per litre, whichever is higher
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Justification

When computed, the equivalent of 80% should be Ushs. 1500

- (iii) by inserting a new paragraph (d) immediately after paragraph (c) to substitute for item 5 (a) the following-

Non-alcoholic beverages not including fruit or vegetable juices	12% or Ushs. 200 per litre whichever is higher
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Justification

To enhance Uganda's competitiveness in the East African region where these countries are charging 10%

- (iv) By inserting a new paragraph (h) immediately after paragraph (g) to read as follows:

16	Sugar confectionaries (chewing gum, sweets and chocolates)	Nil
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Justification

To enhance Uganda's competitiveness in the East African region where these countries have exempted confectionaries.

- (v) Paragraph (h) is amended-
 - (a) in item 20, substitute for the words "two hundred", the words "one hundred"
 - (b) by substituting for item 21(a) the following-
 - "a minimum planned investment capital of fifteen million United States Dollars in the case of a foreigner or ten million United States Dollars in case of a citizen of a Partner State of the East African Community;

- (c) by inserting a new paragraph (b) to read as follows:
 - "a bank guarantee/bank draft of the equivalent of the sums of money under item 21(a);

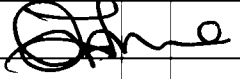
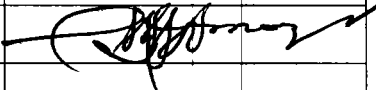
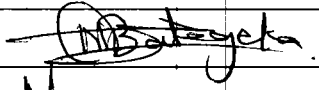
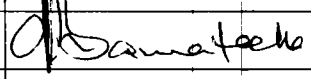
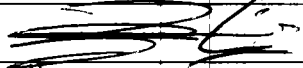
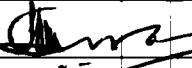
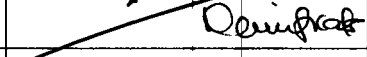
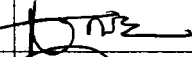
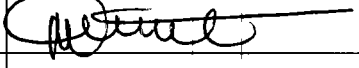
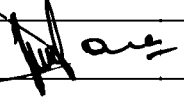
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(d) in item 22, substitute for the word "fifteen" the word "eight"

(e) in item 23, substitute for the word "ten" the word "five"

Magnum M. M.
~~Watzel~~
Shue
Wenzel
Lg
Dunford

REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL, 2018

No	NAME	CONSTITUENCY	SIGNATURE
1	Hon. Musasizi Henry, CP	Rubanda East	
2	Hon. Katali Loy, V/CP	DWR Jinja	
3	Hon. Acidri James	Maracha East	
4	Hon. Lugoloobi Amos	Ntenjeru North	
5	Hon. Asiku Elly Elias	Koboko North	
6	Hon. Bategeka Lawrence N	Hoima Municipality	
7	Hon. KaluleSengo Emmanuel	Gomba East	
8	Hon. KamateekaJovah	DWR Mitooma	
9	Hon. KatotoHatwib	Katerera County	
10	Hon. Lokii John Baptist	Matheniko County	
11	Hon. Nagwomu Moses M	Bunyole East	
12	Hon. Niringiyimana James .K.	Kinkizi West	
13	Hon. Opolot Isiagi Patrick	Kachumbala County	
14	Hon. TumuramyGenensio	Kashongi County	
15	Hon. Naigaga Mariam	DWR Namutumba	
16	Hon. Ilukor Charles	Kumi county	
17	Hon. Okello Anthony	Kioga County	
18	Hon. Ayepa Michael	Labwor County	
19	Hon. WalyomuMuwanika Moses	Kagoma County	
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23	Hon. Kakooza James	Kabule County	
24	Hon. Bagoole John Ngobi	Luuka County	
25	Hon. Nathan Nandala-Mafabi	Budadiri West	
26	Hon. Akol Anthony	Kilak North	

27	Hon. Odonga Otto	Aruu County	
28	Hon. Luttamaguzi Semakula	Nakaseke South	
29	Hon. Akello Judith Franca	Agago District	