



## **PARLIAMENT OF UGANDA**

### **REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE RECONSIDERATION OF THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2018**

OFFICE OF THE CLERK TO PARLIAMENT  
November 2018

**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC  
DEVELOPMENT ON THE RECONSIDERATION OF THE TAX PROCEDURES  
CODE (AMENDMENT) BILL, 2018**

**1.0 Introduction**

The Tax Procedures Code (Amendment) Bill, 2016 was returned by His Excellency the President of the Republic of Uganda on 22<sup>nd</sup> June 2018 in accordance with Article 91 of the Constitution of the Republic of Uganda. The Bill was tabled in the House on 27<sup>th</sup> September, 2018.

H.E the President recommitted to Parliament for reconsideration of clause 3 of the Tax Procedures Code (Amendment) Bill, 2018 on self-assessment by tax payers.

The then proposed clause is herein reproduced:

(6) Where a tax payer files returns with the Authority and an assessment is not done by the Authority within a year, interest on the monies due from the period of assessment shall accrue from the date on which the assessment was raised”

The returned Bill was referred to the Committee on Finance, Planning and Economic Development in accordance with Rule 118 of the Rules of Procedure for reconsideration.

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## 2.0 Reasons for the return of the Bill by H.E the President

The President returned the Tax Procedures Code (Amendment) Bill, 2018 for reconsideration and deletion of clause 3 by Parliament for the following reasons:

- (i) Incorporating this provision in the Act will encourage non-compliance by tax payers as regards the filing of annual returns. The current system which compels tax payers to pay their taxes on time through self-assessment has been effective;
- (ii) The proposed amendment will further deter Uganda Revenue Authority from charging interest on tax arrears it would have discovered hence creating revenue leakage.

## 3.0 Methodology

The Committee held a meeting with the Ministry of Finance, Planning and Economic Development and Uganda Revenue Authority.

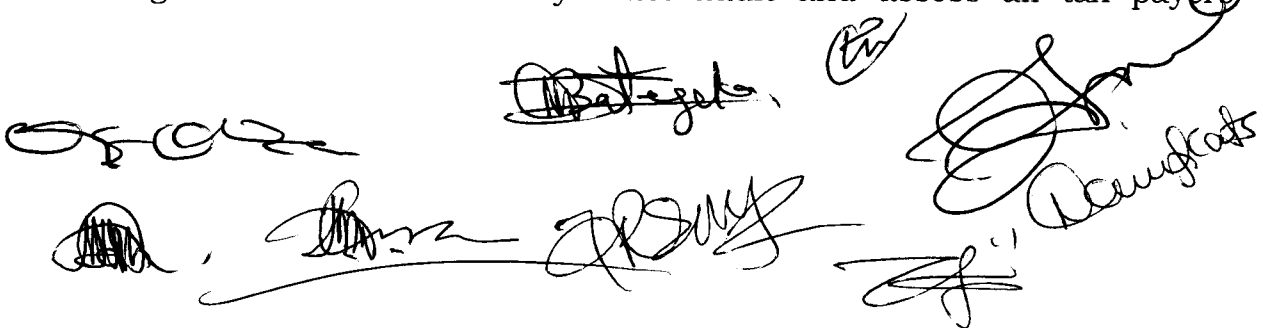
## 4.0 Observation and recommendation

The Committee observed that:

- (i) Under the current tax policy and legal framework, it is the duty of a taxpayer to file an accurate tax return based on the actual business transactions and to self-assess one's tax liability. If this is rightly done, there will be no additional assessments, interest and penalties that may accrue from defaults.

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- (ii) The provision that was passed implies that where a tax payer commits fraud or wilfully omits from their self-declarations (assessments) and URA discovers the fraud or omission, the tax payer will not be obliged to pay any interest from the date when income was derived. Tax payers will only pay interest once this fraud or willful omission is discovered by Uganda Revenue Authority.
- (iii) The provision potentially encourages and abets non-compliance because taxpayers will not have incentive to comply. They will not pay on the due date knowing that even when they pay after three or more years, no interest will be paid on the due amount. This will encourage tax payers to borrow government money interest free for years which will significantly stifle revenue collection and the finding of the budget.
- (iv) Even where an audit is carried out and an assessment is issued, URA may be availed information that requires a revision of the assessment and imposition of additional penalty. URA should not be constrained to impose interest from the due date when the taxpayer has paid the tax. This clause will encourage non-compliance with regard to filling of tax returns and declaring accurate and timely information which ultimately affects revenue collection.
- (v) The clause further limits the interest which accrues on unpaid tax, to the date on which the assessment is raised. This presupposes that Uganda Revenue Authority must audit and assess all tax payers



within the period when tax is due in a year which in most cases is not practically possible considering the current staffing levels of the Authority and the continuously growing number of tax payers. Increasing the number of staff required to audit all taxpayers in one year will make the cost of tax administration expensive as a percentage to the revenue generated.

- (vi) Further Parliament in FY 2017/18 amended the Tax Procedures Code to limit the interest which is payable on the principal amount not to exceed the principal sum. This amendment addresses the concerns that the interest charged may exceed the principal amount without encouraging taxpayers to be non-compliant.

### 5.0 Recommendation

The Committee recommends that the Tax Procedures Code (Amendment) Bill, 2018 be passed into law subject to the proposed amendment.



A collection of handwritten signatures and initials in black ink, scattered across the lower half of the page. The signatures vary in style, including cursive and stylized forms. Some are written over horizontal lines, suggesting they were added to a document. The names are not clearly legible but appear to include 'Bull', 'M. S. S.', 'K. S.', 'K. S.', 'K. S.', 'K. S.', and 'K. S.'.

**Proposed Amendment**

**Clause 3**

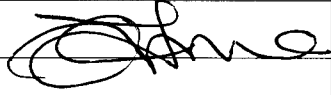
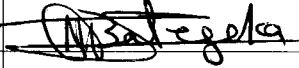
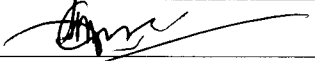
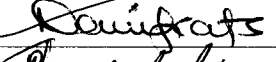
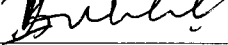
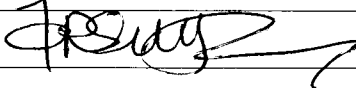



Clause 3 should be deleted

**Justification**

- (i) Incorporating this provision in the Act will encourage non-compliance by tax payers in regard to the filing of annual returns. The current system which compels tax payers to pay their taxes on time through self-assessment has been effective; and
- (ii) The proposed amendment will further deter Uganda Revenue Authority from charging interest on tax arrears it would have discovered hence creating revenue leakage.

The bottom half of the page contains several handwritten signatures and initials in black ink. On the left side, there is a large, dense scribble. In the center, there are several distinct signatures, including one that appears to be 'Mbatya' and another that looks like 'Ji'. On the right side, there is a signature that looks like 'Dennis' and another that is more stylized. There are also some smaller initials and marks scattered throughout the area.

**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC  
DEVELOPMENT THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2018**

No	NAME	CONSTITUENCY	SIGNATURE
1	Hon. Musasizi Henry, CP	Rubanda East	
2	Hon. Avur Jane Pacuto	DWR Pakwach	
3	Hon. Lugolobi Amos	Ntenjeru North	
4	Hon. Asiku Elly Elias	Koboko North	
5	Hon. Bategeka Lawrence N	Hoima Municipality	
6	Hon. Kamateeka Jovah	DWR Mitooma	
7	Hon. Katoto Hatwib	Katerera County	
8	Hon. Opolot Isiagi Patrick	Kachumbala County	
9	Hon. Tumuranye Genensio	Kashongi County	
10	Hon. Naigaga Mariam	DWR Namutumba	
11	Hon. Ilukor Charles	Kumi county	
12	Hon. Okello Anthony	Kioga County	
13	Hon. Walyomu Muwanika Moses	Kagoma County	
14	Hon. Mulindwa Isaac Ssozi	Lugazi Municipality	
15	Hon. Odur Jack Lutanywa	Kibanda South	
16	Hon. Achia Remigio	Pian County	
17	Hon. Mukula Francis	Agule Pallisa	
18	Hon. Kakooza James	Kabule County	
19	Hon. Bagoole John Ngobi	Luuka County	
20	Hon. Nathan Nandala-Mafabi	Budadiri West	
21	Hon. Akol Anthony	Kilak North	
22	Hon. Mukoda Julie Zabwe	DWR Mayuge	
23	Hon. Luttamaguzi Semakula	Nakaseke South	
24	Hon. Akello Judith Franca	Agago District	
25	Hon. Ochana Patrick		
26	Hon. Susan Lakot	UPDF	