

PARLIAMENT OF UGANDA

REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE TRAFFIC AND ROAD SAFETY ACT 1998 (AMENDMENT) BILL, 2018

OFFICE OF THE CLERK TO PARLIAMENT
May 2018

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REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE TRAFFIC AND ROAD SAFETY ACT 1998 (AMENDMENT) BILL, 2018

1.0 Introduction

The Traffic and Road Safety Act, 1998 (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 Traffic and Road Safety Act, cap. 316, to vary the motor vehicle registration fees provided for in the Finance Act, 2013; to vary the environmental levy on motor vehicles provided for in the Finance Act, 2006; and to ban the importation of motor vehicles that are eight years old or more from the date of manufacture.

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) The East African Business Council engaged EAC partner states through Council of Ministers (EAC/CM14/Decision 38 of April 2007) and decided to harmonize the age limit of vehicles imported into the region by April 2009. Currently, there is no harmonization on the age of motor vehicles in the EAC states and the Used Motor Vehicles industry is regulated by each member state independently. Kenya restricts the importation of used cars to 8 years while Tanzania and Rwanda have no importation restrictions but tax imported used motor vehicles above 10 years highly as is the practice in Uganda. Similarly, Burundi and South Sudan have no formal age limits for used cars.
- (ii) The used motor vehicle industry comprises of car importers, clearing and forwarding agents, freight forwarders, car bond operators, brokers, spare parts dealers and is interlinked to other sectors like energy, insurance, banking, transport both directly and indirectly employing people. The total number of people employed in this industry is 11,139. The implementation of the ban on vehicles of 8 years and above will render over 11,000 direct beneficiaries of the industry unemployed.
- (iii) Importation of old vehicles has exposed Uganda to high pollution levels which poses a high risk to both health and environment. The cost of disposing of junk cars is also a huge burden to the country. The quality of cars has also been linked to the high incident of motor

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accidents in Uganda. There is also a huge hemorrhage of foreign exchange because it is very convenient to import these relatively cheap but poor quality cars, which have very high maintenance costs. However, environmental pollution is not only caused by emissions from cars. There are other factors like cutting trees, swamp reclamation, emissions from factories and industries. These factors should be addressed alongside the ban on importation of used motor vehicles.

(iv) A high prevalence of cheap used cars is a disincentive to investment in the motor vehicle assembly industry which has wider economic benefits to the country. Kenya and Ethiopia where the ban was enforced much earlier have been able to attract credible investors in the motor vehicle assembly. The ban on importation of vehicles of 8 years and above will help reduce on the traffic congestion in the city and also reduce on the cost of maintenance of roads.

(v) A high tax regime imposed on new vehicles in Uganda makes new vehicles unaffordable. New vehicles in Uganda pay import duty (25%), VAT (18%), infrastructure levy (2%), withholding tax (6%) and registration fees while cars above 5 years pay environment levy (35%/50%) as well. No alternative has been provided in the tax proposals to discourage Ugandans from buying used vehicles or to make new vehicles affordable. Government should remove environmental levy from imported cars of 0 - 8 years to make the cars cheaper and implement the ban in a phased manner.

(vi) Government is projected to loose shs. 182bn from the ban of motor vehicles above 8 years. Government needs to attract investors into the motor vehicle assembling industry but this should be done with gradual phasing out of used vehicles while encouraging purchase of new vehicles. Considering the current funding gaps in the budget, the ban should start from 20 years. This will save the government from the loss of revenue to the tune of shs.182bn and also support the

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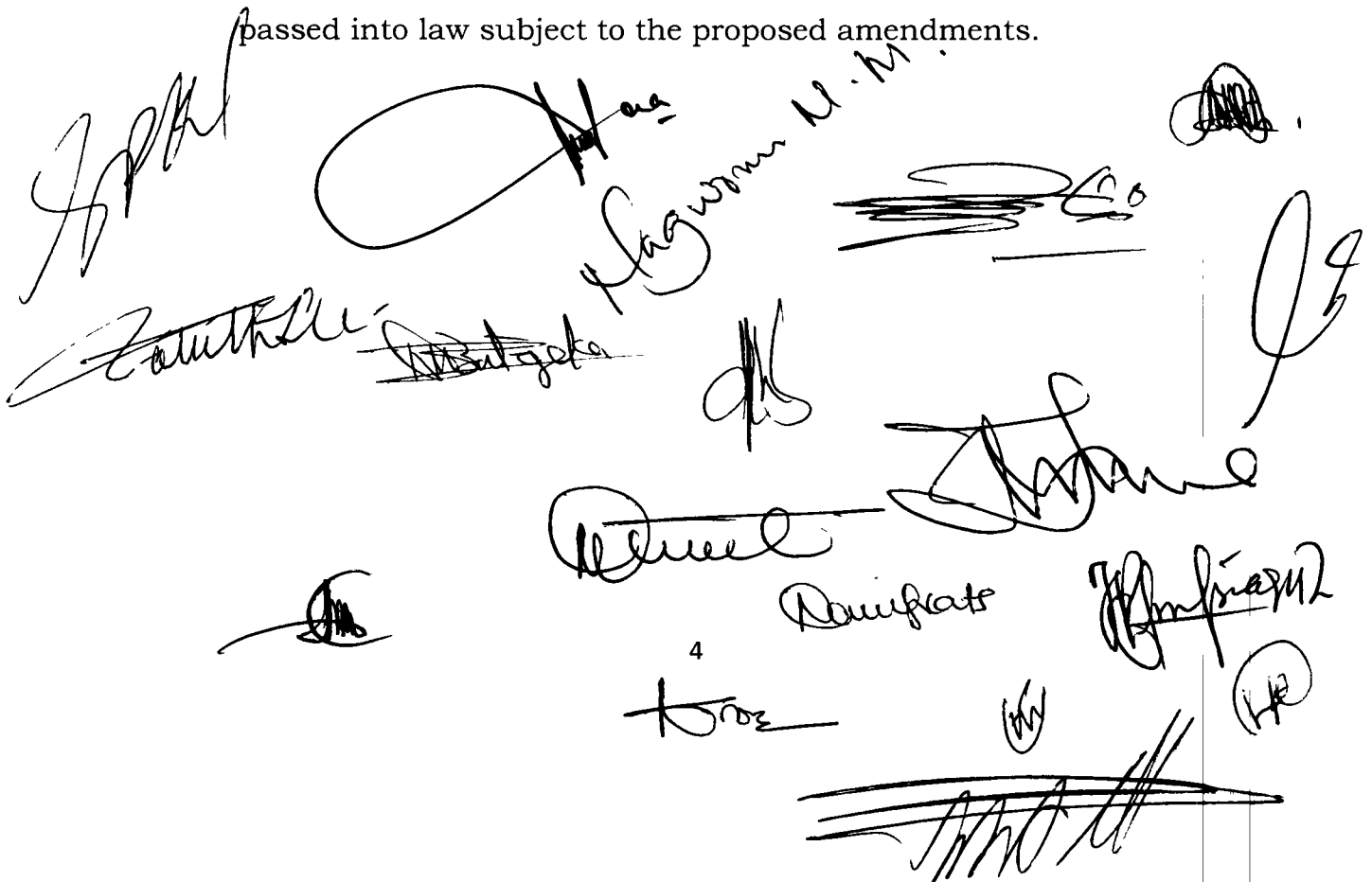
proposed revenue to be raised from imposition of shs.100 on petrol and diesel for road maintenance under the Excise Duty (Amendment) Bill, 2018.

- (vii) The East African Customs Treaty puts import duty on motor vehicles at 25% of cost insurance and freight. This makes tax on purchase new motor vehicles prohibitive. Government should engage with the partner states of East African Community to reduce import duty on new motor vehicles to 10% of the Cost Insurance and Freight. This will encourage people to purchase new vehicles and save the environment.

5.0 Recommendation

The Committee recommends that:

- (i) The ban on importation of used motor vehicles be phased from 20 years by reducing the date of manufacture by 3 years every subsequent year;
- (ii) A comprehensive study be conducted by government on the impact of motor vehicle emissions on the environment;
- (iii) the traffic and Road Safety Act 1998 (Amendment) Bill, 2018 be passed into law subject to the proposed amendments.



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TRAFFIC AND ROAD SAFETY (AMENDMENT) BILL, 2018

1. Title

The title should be deleted and substituted with the following-

“The Traffic and Road Safety (Amendment) Bill, 2018”

Justification

To correct a drafting error

2. Clause 2

Clause 2 is amended-

- (i) by deleting the headnote and substituting the following-

“Amendment of the Traffic and Road Safety Act, Cap. 361”

- (ii) by deleting the words “eight years” appearing in the proposed section 14A and substituting the words “twenty years”
- (iii) by deleting the word “six tonnes” appearing in the proposed section 14A(b) and substituting the words “half a tonne”
- (iv) by deleting the words “five years” appearing in the proposed section 14B and substituting the words “nine years”

Justification

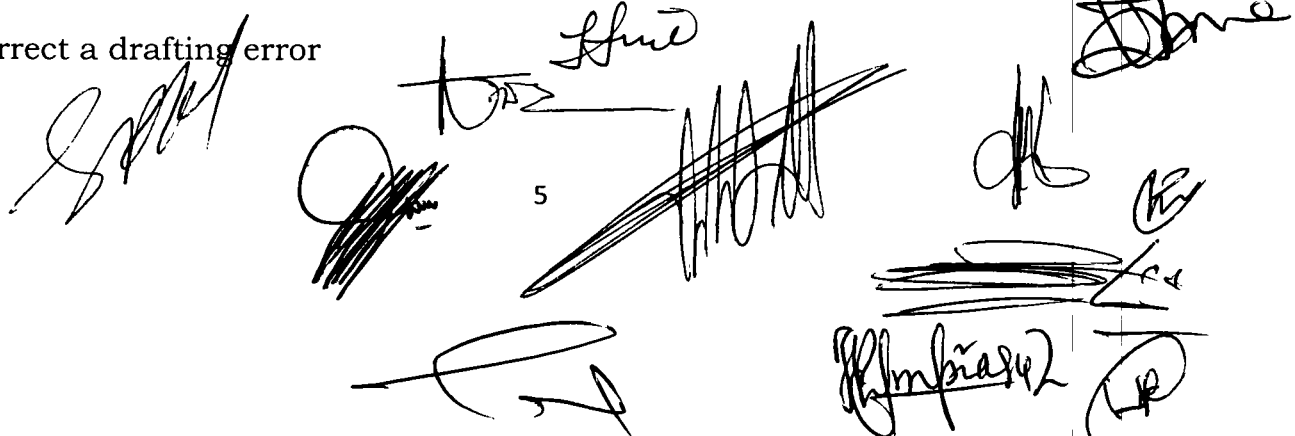
- (a) To correct a drafting error
- (b) To allow room to develop the public transport system as the age of manufacture of vehicles is gradually brought down

3. Clause 3

Clause 3 is amended by deleting the words “subsection (2) and substituting the words “section 2”

Justification

To correct a drafting error

The bottom of the page contains several handwritten signatures and scribbles. On the left, there is a large, stylized signature. In the center, there is a signature with the word "Luo" written above it. To the right, there are several other signatures, some of which are heavily scribbled over. A small number "5" is written in the center of the page, below the signature "Luo".

4. Clause 5

The proposed Fourth Schedule should be deleted and substituted with the following-

(a)	A motor vehicle which is less than eight years from the date of manufacture; excluding goods vehicles-	Nil
(b)	A motor vehicle which is nine years old but which does not exceed fourteen years from the date of manufacture; excluding goods vehicles-	35% of the CIF value
(c)	A motor vehicle which is fifteen years old but does not exceed twenty years from the date of manufacture; excluding goods vehicles-	50% of the CIF value
(d)	A motor vehicle which is less than eight years from the date of manufacture and which is principally designed to carry goods-	Nil
(e)	A motor vehicle which is nine years old but which does not exceed fourteen years from the date of manufacture and which is principally designed to carry goods-;	20% of the CIF value
(f)	A motor vehicle which is fifteen years old or more from the date of manufacture-	35% of the CIF value










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**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC
DEVELOPMENT ON THE TRAFFIC AND ROAD SAFETY ACT 1998
(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	
20	Hon. Mulindwa Isaac Ssozi	Lugazi Municipality	
21	Hon. Adong Lilly	Nwoya District	
22	Hon. Mukula Francis	Agule Pallisa	
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	