



**PARLIAMENT OF UGANDA**

**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND  
ECONOMIC DEVELOPMENT ON THE STAMP DUTY (AMENDMENT)  
BILL, 2020**

OFFICE OF THE CLERK TO PARLIAMENT  
April 2020

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# **REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE STAMP DUTY (AMENDMENT) BILL, 2020**

## **1.0 Introduction**

The Stamp Duty (Amendment) Bill, 2020 was read for the first time on the 31<sup>st</sup> March, 2020 and referred to the Committee on Finance, Planning and Economic Development in accordance with Rule 128 of the Rules of Procedure of Parliament.

## **2.0 Object of the Bill**

The object of the bill is to amend the Stamp Duty Act 2014, to provide for the payment of stamp duty on a professional licence or certificate and to clarify on the requirements for incentives on strategic investment projects.

## **3.0 Methodology**

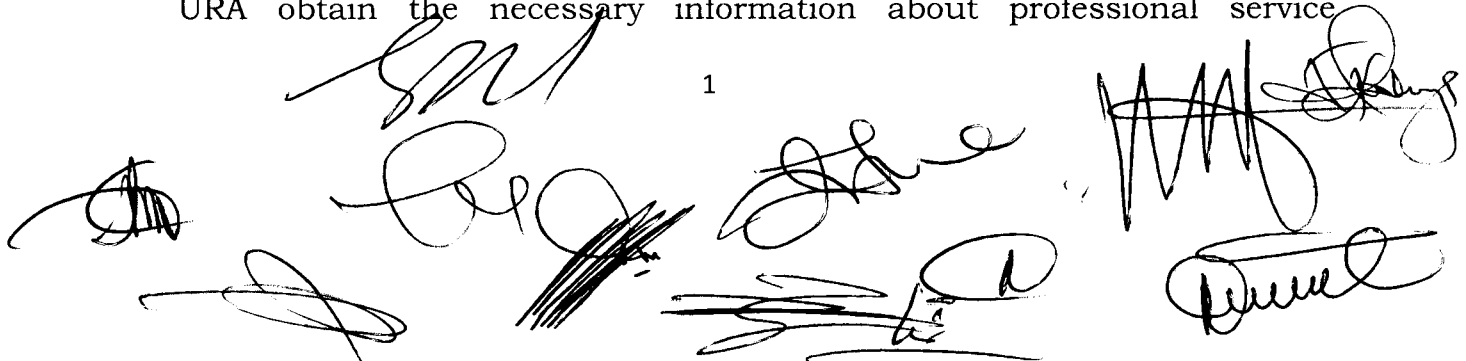
The Committee received submissions from the following:

1. The Minister of Finance, Planning and Economic Development;
2. The Uganda Revenue Authority;
3. The Civil Society Budget Advocacy Group (CSBAG);
4. The Tax Justice Alliance Uganda (TJAU);
5. The Uganda Law Society;
6. PricewaterhouseCoopers; and
7. Mr. Dunstan Sendiwala

## **4.0 Observations by the Committee**

The Committee observed that:

- (1) The Stamp Duty (Amendment) Bill, 2020 proposes to amend Schedule 2 of the Stamp Duty Act, 2014 by imposing Stamp Duty of shs. 100,000 on payment of a professional licence or certificate. This is intended to enable URA obtain the necessary information about professional service



1

providers for purposes of enhancing their tax compliance and supports S.135 (3) of the Income Tax Act which requires a Taxpayer Identification Number before a license is issued.

(2) Currently, there is NIL stamp duty chargeable in respect of an instrument executed by an operator who carries on business in agro processing, food processing, medical appliances, building materials, light industry, automobile manufacturing and assembly, household appliances, furniture, logistics and warehousing, information technology or commercial farming and meets the following requirements, among others;

(a) invests USD 1m in case of citizens (*includes all East Africans*) and USD 10m in case of foreigners;

(b) seventy percent of the raw materials used are locally sourced, subject to their availability;

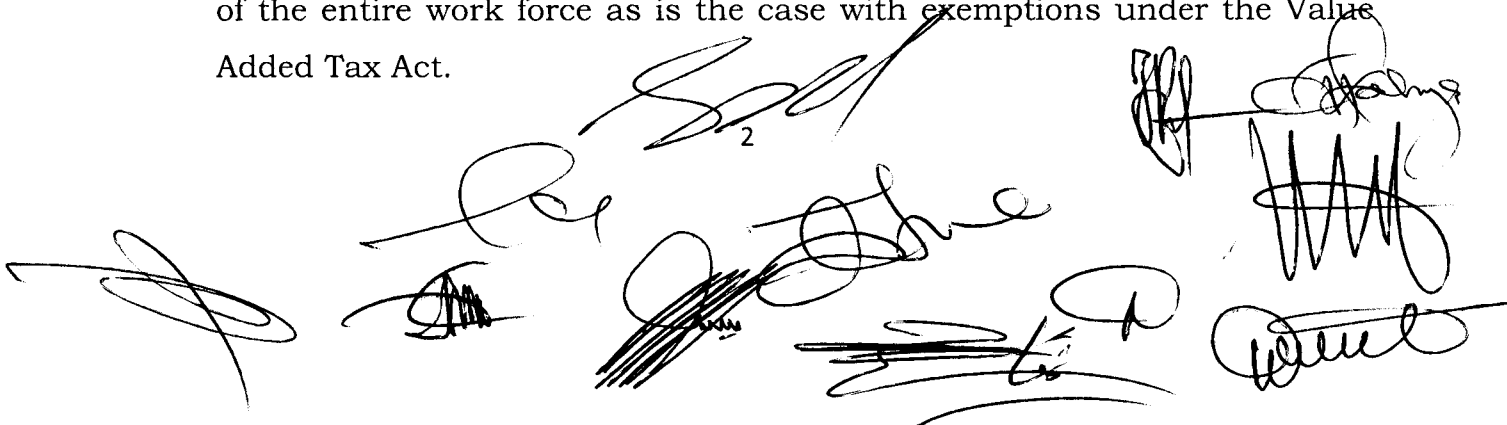
(c) directly employs a minimum of one hundred citizens;

(3) Clause 2 under paragraphs (b) and (c) seek to extend the exemption and clarify that such incentives should also be enjoyed by companies with;

(a) capacity to at least source **fifty** percent of the locally produced raw materials, subject to availability; and

(b) capacity to employ a minimum of 100 citizens.

(4) The requirement to employ at least 100 citizens is superficial, if it's not well qualified. For example, some companies need not employ 100 employees yet their contribution to Uganda's GDP is much higher than the companies employing 100 or more citizens in least paying jobs and reserving the top well-paying jobs to the foreigners. This defeats the purpose of this incentive which is intended to promote employment of citizens. The number of 100 citizens should be expressed as a percentage of the entire work force as is the case with exemptions under the Value Added Tax Act.



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- (5) The exemption should only apply to those companies ready to reserve seventy percent of the total wage bill for citizens. This will ensure that more citizens are employed in skilled labour.
- (6) Stamp duty of 0.5% of the amount of the loan is charged on mortgages and debentures. Thereby making the cost of doing business high and discouraging investments. It is unfair for a person borrowing to lose 0.5% of the loan value to stamp duty yet they already have financial difficulties.

### **5.0 Recommendation by the Committee**

The Committee recommends that;

- (1) for any investor to enjoy the proposed incentives, the additional following requirements must be met;
  - (a) A percentage rate of 70% citizens be used to replace the current number of 100 citizens;
  - (b) Citizens employed by the company should earn 70% of the total salary budget for a particular financial year;
- (2) The Stamp Duty Act be amended to stop charging stamp duty on mortgages;
- (3) The Stamp Duty (Amendment) Bill, 2020 be passed into law subject to the proposed amendments



**PROPOSED AMENDMENTS.**

**CLAUSE 2.**

**1. Insert new paragraphs immediately after paragraph (a) as follows',**

**(a)** “ by substituting for ‘item 60A(b)(i)’ the following;

“(i) a minimum investment capital of ten million United States Dollars in the case of a foreigner or three hundred thousand United States Dollars in case of a citizen; or one hundred thousand United States Dollars, for a citizen whose investment is placed up country”

**Justification**

- To ensure that this benefits a larger proportion of the local economy. This can also be instrumental in enhancing and strengthening forward and background linkages between the free zones and or industrial parks and Uganda’s farmers, who comprise 80% of the local economy.
- Encourage development and investment in the rural areas as opposed to concentration of investments in the towns

**(b)** in 60A(b)(ii), by inserting immediately after the words “*commercial farming*” the words, “*tyres, footwear, mattress or toothpaste.*”

**Justification.**

This is to extend incentives already under other tax laws to manufacturers of *tyres, footwear, mattress or toothpaste* as part of the drive to industrialize the country and replace imports.

**2. delete paragraph (b),**

**Justification.** The current requirement for “seventy” percent of local sourced raw materials should not be reduced to “fifty”.

**3. Under paragraph (c), substitute for 'item 60A(iv)' the following;**

“(iv) employs at least seventy percent of its employees being citizens earning an aggregate wage of at least seventy percent of the total wage bill; and

**Justification.**

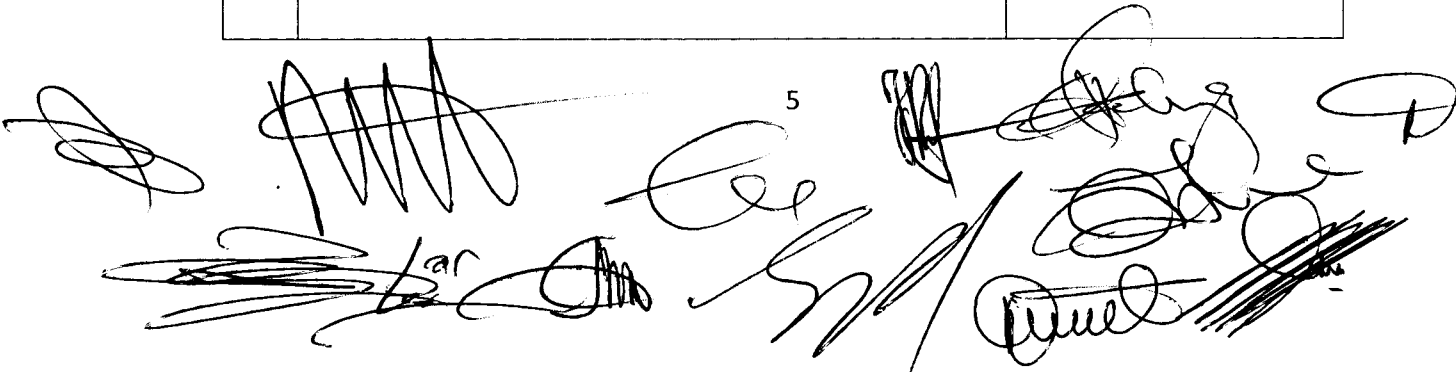
- (1) The number of 100 citizens should be expressed as a percentage of the entire work force as is the case with exemptions under the Value Added Tax Act.
- (2) The exemption should only apply to those companies ready to reserve seventy percent of the total wage bill for citizens. This will ensure that more citizens are employed in skilled positions.

**4. Insert new paragraphs as follows**

“by substituting for items 27, 30, 33 and 37 as follows;

27	DEBENTURE - whether a mortgage debenture or not, being of a marketable security - of the total value.	NIL
30	EQUITABLE MORTGAGE - of the total value	NIL
33	FURTHER CHARGE - any instrument imposing a further charge on mortgaged property - of the total value	NIL
37	INSTRUMENT- for any loan	NIL

5

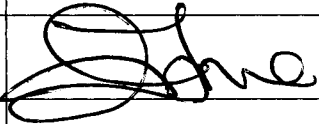
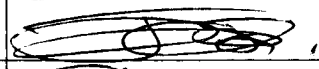




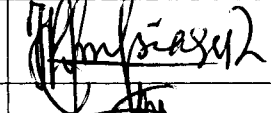


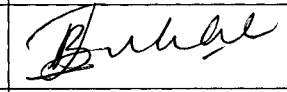
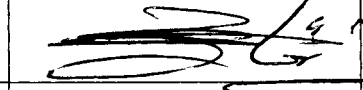
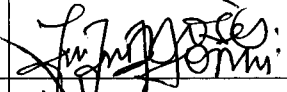

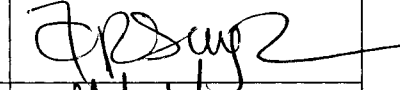
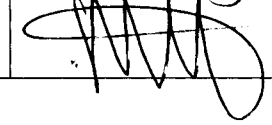


**Justification.** It is unfair for a person borrowing to lose 0.5% of the loan value to stamp duty yet they already have financial difficulties.

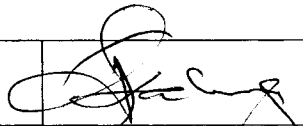
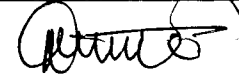

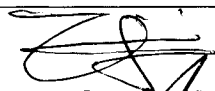




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**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC  
DEVELOPMENT ON THE STAMP DUTY (AMENDMENT) BILL, 2020**

No	NAME	CONSTITUENCY	SIGNATURE
1	Hon. Musasizi Henry, CP	Rubanda East	
2	Hon. Avur Jane Pacuto	DWR Pakwach	
3	Hon. Lugoloobi Amos	Ntenjeru North	
4	Hon. Asiku Elly Elias	Koboko North	
5	Hon. Bategeka Lawrence N	Hoima Municipality	
6	Hon. Abala David	Ngora County	
7	Hon. Katoto Hatwib	Katerera County	
8	Hon. Opolot Isiagi Patrick	Kachumbala County	
9	Hon. Tumuramyé Genensio	Kashongi County	
10	Hon. Stella Kiiza	Kyegegwa District	
11	Hon. Ilukor Charles	Kumi county	
12	Hon. Lokii John Baptist	Matheniko 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	Kabula County	
19	Hon. Ayepa Michael	Labwor 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. Ochan Patrick	Apac Municipality	