

PARLIAMENT OF THE REPUBLIC OF UGANDA



**A REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC
DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL, 2021**

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**OFFICE OF THE CLERK TO PARLIAMENT
APRIL, 2021**

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1.0 INTRODUCTION

The Excise Duty (Amendment) Bill, 2021 was read for the first time on 1st April, 2021 and referred to the Committee on Finance, Planning and Economic Development in accordance with Rule 128 of the Rules of Procedure of Parliament

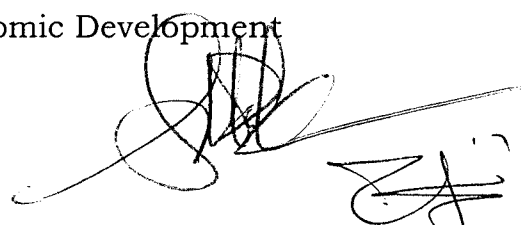
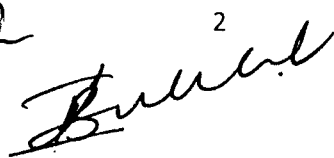
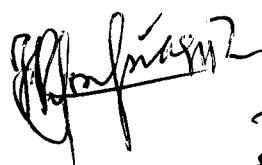
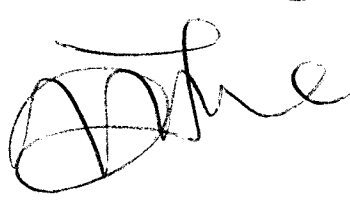
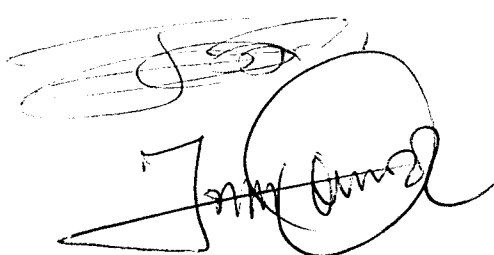
2.0 OBJECT OF THE BILL

The object of the Bill is to repeal subsections (10). (11) and (12) of Section 5 relating to the renewal of certificate of registration of manufactures, importers and providers of excisable goods and services; to provide for rebates on the excise duty paid on plastic packaging; and to amend Schedule 2 to vary the excise duty in respect of opaque beer, locally manufactured non-alcoholic beverages, plastics, airtime, value added services and internet; to provide for an incentive to a manufacturer other than a manufacturer referred to in item 21 whose investment capital is at least fifty million Unites States Dollars.

3.0 METHODOLOGY

The Committee held meetings and received memoranda from the following;

1. The Minister for Finance, Planning and Economic Development
2. Uganda Revenue Authority
3. The Civil Society Budget Advocacy Group
4. Private Sector Foundation Uganda
5. Coca Cola Beverages, Africa
6. Uganda Breweries Ltd
7. Nile Breweries Ltd
8. Tax Justice Alliance Uganda
9. SEATINI, Uganda

10. Unwanted Witness

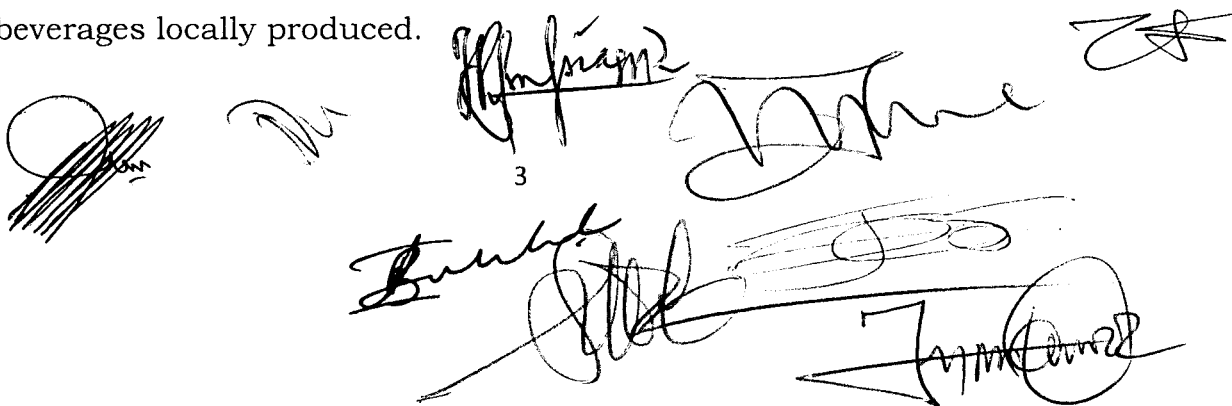
4.0 COMMITTEE OBSERVATIONS

The Committee observed that;

- I. Clause 2 proposes to amend section 5 of the Excise Duty Act, 2014 by repealing subsections (10), (11) and (12) of Section 5 which subsections provide for the renewal of an excise duty registration certificate which registration is currently monitored through the e- tax system hence rendering the subsections in the Principal Act redundant.
- II. Clause 3 proposes to amend section 10 of the Principal Act to provide that the Commissioner may, if satisfied that excise duty was paid on plastic packaging material for exported goods; for medicaments; or manufactured from recycled plastics, may remit the excise duty paid under this Act.

This is meant to reduce the cost by manufacturers of plastics for exceptional categories, including plastics for use in exports, medicaments, as well as, recycled plastics, to encourage recycling to protect the environment. The remission on recycled plastics will specifically apply, where the recycled plastics used in the manufacture of the plastic packaging material is at least fifty percent of raw materials used.

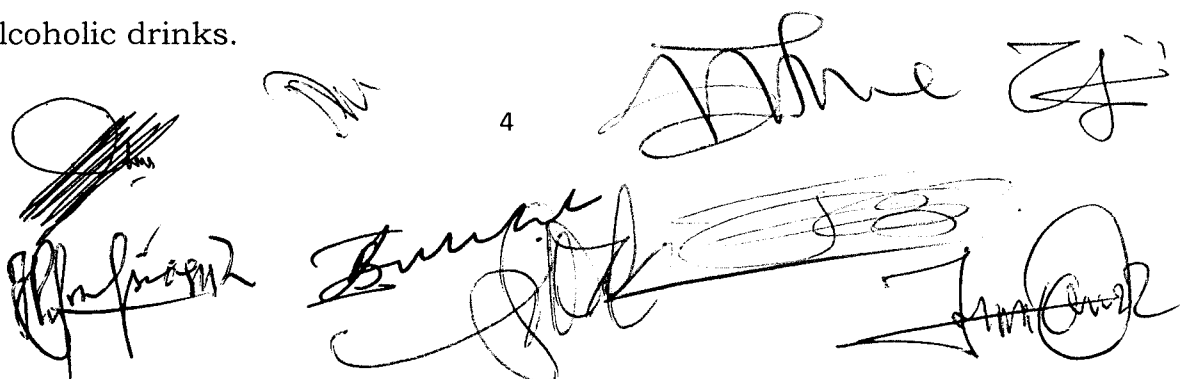
- III. Clause 4a (d) of the Bill proposes to reduce excise duty applicable on opaque beer from 30% or shs. 650 per litre; whichever is higher, to 30% or shs 230 per litre; whichever is higher. This will encourage value addition of locally produced raw materials and also support the emerging local industrial sector that has created employment to many Ugandans. The Committee however noted the need to align the ad valorem tax and the specific tax rates imposed on opaque beer and other alcoholic beverages locally produced.



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- IV. Clause 4c (d) proposes to introduce an excise duty of 12% or shs. 250 per litre; whichever is higher; on non- alcoholic beverages locally produced other than the beverage referred to in sub- paragraph (a) made out of sugary tea solution with a combination of yeast or bacteria. This tax is meant to promote equity among other non- alcoholic beverages that are locally produced with a combination of yeast and bacteria.
- V. Clause 4d (11) proposes to provide an excise duty rate of 5% or USD 150 per tonne whichever is higher for plastic packaging and 5% or USD 100 per tonne whichever is higher for granules with the intent to expand the scope of plastics used for packaging and plastic granules.
This provision is intended to expand the scope of plastics to cover plastics used for packaging and plastic granules.
- VI. Clause 4e seeks to repeal item 13(b) of Schedule 2 to the Excise Duty Act which provides for a shs. 200 daily excise duty rate for Over the Top Services (OTT) while Clause 4(f) proposes to introduce an excise duty rate of 12% of the fee charged for internet data except for the provision of medical and educational services. This is meant to protect the revenue from the taxed services including airtime, value added services which are shrinking and hence pose a risk of revenue loss.
- VII. Clause 4g (e) proposes to reduce the excise duty rate for Value Added Services from 20% to 12% of the fee charged, this is intended to overhaul the telecommunications sector excise duty rates to eliminate the complex multiple rates on various telecommunication services which poses administrative as well as compliance challenges for taxpayers.
- VIII. Clause 4h (25)proposes to provide for an excise duty rate of 60% or shs 950 per litre; whichever is higher for any other fermented beverages including cider, perry, mead, spears or near beer due to the fact that there has been an increase in production and importation of these alcoholic drinks.

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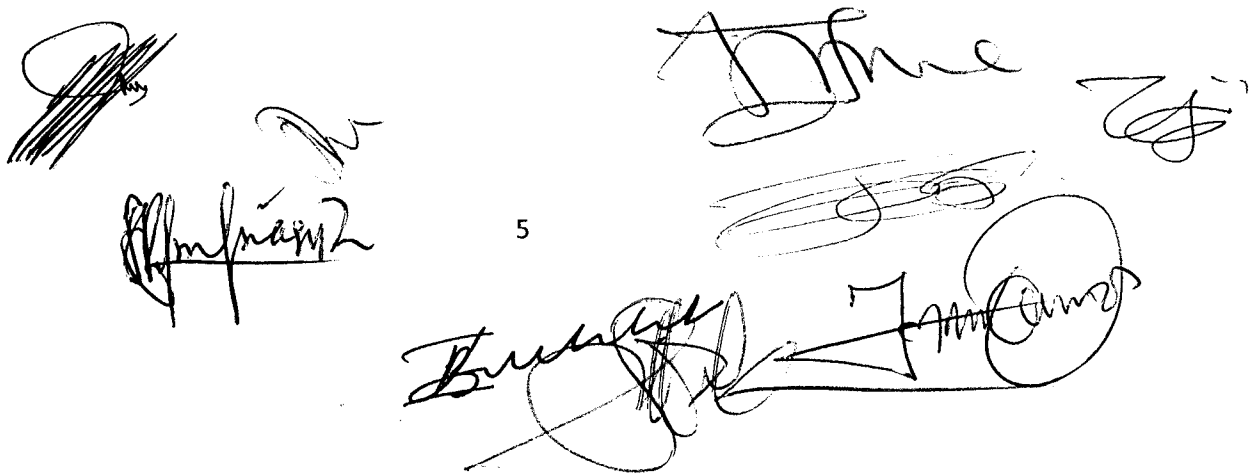
The industry has also moved to invest in the production of these products locally in order to add value on fruits for instance, pineapples, apples, oranges, passion fruits and mangoes although the proposed tax regime does not differentiate between locally produced raw materials and imported materials hence the need for a tax regime that will protect the local investors.

Clause 4(h) also proposes to provide for a NIL excise duty rate for construction materials of a manufacturer, other than a manufacturer referred to under item 21, whose investment capital is, at least fifty million United States Dollars or in the case of an existing manufacturer, who makes an additional investment equivalent to fifty million United States Dollars. This is meant as an incentive for manufacturers.

Clause 4(h) also proposes to introduce an excise duty rate of UGX 100 per kilogram for wheat. This is meant to protect local production and generate revenue given the rising volume of imported wheat grain.

5.0 COMMITTEE RECOMMENDATIONS

- I. The Committee recommends that Government considers review of tax legislation from annually to at least three.
- II. The Committee recommends that Government considers reducing the cost of Digital Tax Stamps whose cost are high and a deterrent to businesses.
- III. The Committee recommends that The Excise Duty (Amendment) Bill, 2021 be passed into law subject to the proposed amendments.



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**PROPOSED AMENDMENTS TO THE EXCISE DUTY (AMENDMENT) BILL,
2021**

Clause 3: Amendment of section 10 of principal Act

Clause 3 is amended-

(a) by substituting for the proposed subsection (3b), the following-

“(3b) The Commissioner may, if satisfied that a plastic product-

(a) is for use in packaging of products for export;

(b) is for use in packaging medicaments; or

(c) is manufactured from recycled plastics,

remit or refund the excise duty paid under this Act.”

(b) by substituting for the proposed subsection (3c), the following-

“(3c) The Commissioner shall not remit the excise duty paid on a plastic product manufactured from recycled plastic referred to in subsection (3b)(c), unless the recycled plastic used in the manufacture of the plastic product is equivalent to at least twenty percent of the raw material used.”

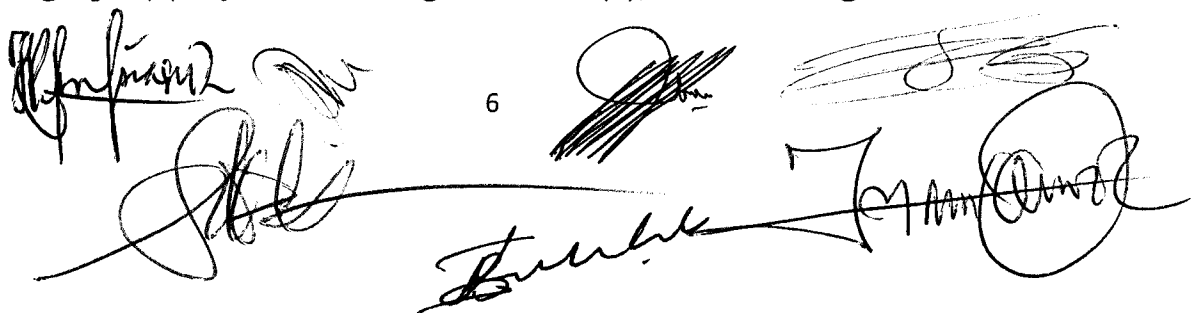
Justification

1. To reduce the cost by manufacturers of plastics used in packaging of products for export and medicaments.
2. To encourage recycling of plastics to protect the environment.

Clause 4: Amendment of Schedule 2 to Principal Act

Clause 4 is amended-

(a) in paragraph (a), by substituting for item 2(d), the following-

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“(d)	Opaque beer	20% or shs 230 per litre; whichever is higher
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(b) in paragraph (b), by substituting for the proposed item 2 (e) ,the following-

(e)	Any other alcoholic beverage locally produced	20% or shs. 230 per litre; whichever is higher
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(c) by inserting two new paragraphs immediately after paragraph (c), the following-

“by substituting for item 8(a) and (b), the following-

8.	Fuel	
	(a) Motor spirit (gasoline)	Shs 1450 per litre
	(b) Gas oil (automotive, light, amber for high speed engine	Shs.1130 per litre

“by inserting immediately after item 8(g), the following-

(h)	Ethanol made from cassava for cooking	Nil
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(d) in paragraph (d), by substituting for item 11 (a) and (b), the following-

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11.	Plastics	
	Plastic product and plastic granules	2.5% or USD 70 per ton, whichever is higher

(e) in paragraph (h)-

(i) by substituting for the proposed item 25, the following-

(a)	any other fermented beverages made from imported cider, perry, mead, spears or near beer	60% or shs 950 per litre; whichever is higher
(b)	any other fermented beverages made from locally grown cider, perry, mead, spears or near beer	30% or shs 550 per litre; whichever is higher

(ii) by deleting item 27.

Justification

1. To encourage the manufacture of fermented beverages made from the locally grown fruits.
2. The tax on wheat grain will widen the price disparity for wheat flour and will result in increased smuggling of wheat flour into Uganda and currently there is no local wheat supply in Uganda.
3. Affordable bio-ethanol from cassava is a good substitute to other cooking fuels such as charcoal or kerosene if available economically and at steady prices.

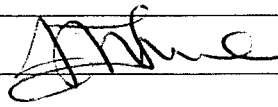

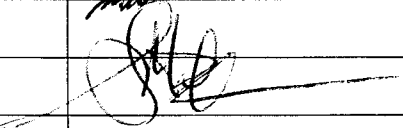
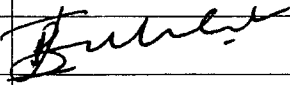
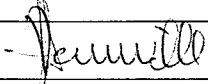

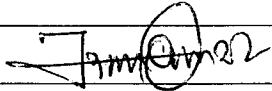
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4. The tax on fuel is intended to substitute the proposal for the licence fee under the Traffic and Road Safety (Amendment) Bill, 2021.
5. To expand the scope of plastics to cover plastics used for making plastic products and plastic granules and reduce the cost to Ugandan manufacturers.



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**A REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC
DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL, 2021**

No	NAME	SIGNATURE
1	Hon. Musasizi Henry, C/P	
2	Hon. Avur Jane Pacuto, D/CP	
3	Hon. Lugoloobi Amos	
4	Hon. Asiku Elly Elias	
5	Hon. Bategeka Lawrence N	
6	Hon. Abala David	
7	Hon. Katoto Hatwib	
8	Hon. Opolot Isiagi Patrick	
9	Hon. Tumuramy Genensio	
10	Hon. Stella Kiiza	
11	Hon. Ilukor Charles	
12	Hon. Lokii John Baptist	
13	Hon. Walyomu Muwanika Moses	
14	Hon. Mulindwa Isaac Ssozi	
15	Hon. Odur Jack Lutanywa	
16	Hon. Achia Remigio	
17	Hon. Mukula Francis	
18	Hon. Kakooza James	
19	Hon. Migadde Robert	
20	Hon. Nathan Nandala-Mafabi	
21	Hon. Akol Anthony	
22	Hon. Mukoda Julie Zabwe	
23	Hon. Luttamaguzi Semakula	
24	Hon. Akello Judith Franca	
25	Hon. Ochan Patrick	
26	Hon. Syda Bbumba	