

**PARLIAMENT OF THE REPUBLIC OF UGANDA**



**A REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2021**

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

# **A REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2021**

## **1.0 INTRODUCTION**

The Tax Procedures Code (Amendment) Bill, 2021 was read for the first time on 1<sup>st</sup> April, 2021 and referred to the Committee on Finance, Planning and Economic Development in accordance with Rule 128 of the Parliamentary Rules of Procedure.

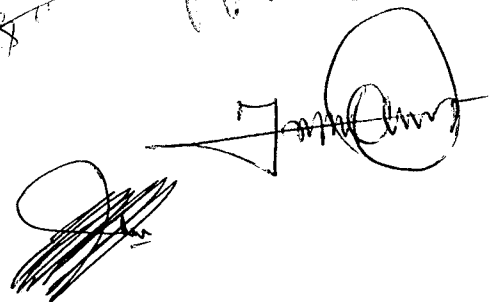
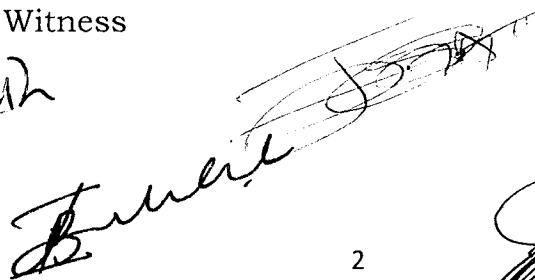
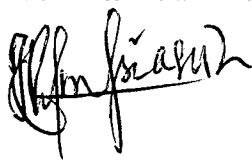
## **2.0 OBJECT OF THE BILL**

The object of the Bill is to amend the Tax Procedures Code Act, 2014, Act, 14 of 2014 to define “tax decision”; to impose an obligation on a local authority, Government institution or regulatory body to issue a license to only one person who has a tax identification number; to provide for penal tax relating to tax stamps; to provide for alternative dispute resolution mechanism for tax objections; to prescribe the powers of the Commissioner during investigations; to revise offences and penalties in the Act.

## **3.0 METHODOLOGY**

The Committee held meetings with 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 introduce a definition of a “tax decision”. This proposal is meant to expound on the exclusions to the definition of a taxation decision.
- II. Clause 3 of the Principal Act proposes to amend section 5 to introduce a provision barring a local authority, government institution or regulatory body from issuing a license or any form of authorization necessary for purposes of conducting any business in Uganda to any person who does not have a taxpayer identification number.

There is need to put a cap of a reasonable amount of startup funds to a tune of Ushs. five million in order not to discourage new businesses and entrepreneurs.

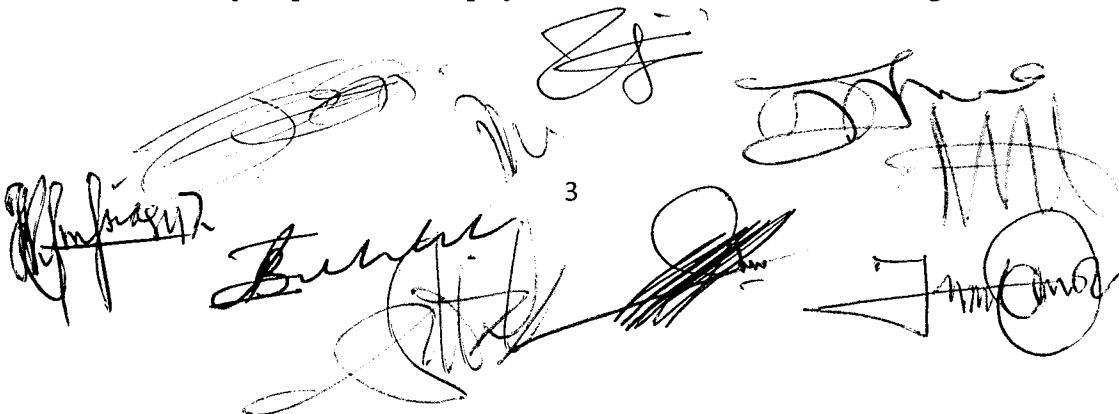
This proposal is also being moved from Section 135(3) of the Income Tax Act to the Tax Procedures Code Act which is a procedural law.

- III. Clause 4 proposes to amend section 9 of the Principal Act to provide that a person who is not registered as a tax agent shall not act as a tax agent.

This proposal is meant bar anyone not registered as a tax agent from acting as an agent and ensure that only persons who have met the basic criteria of tax agents can act as tax agents.

The provision excludes advocates from its prohibition when they prepare requests for ruling, petitions for reinvestigation, protests, objections, requests for refund or tax certificates, compromise settlements and/or abatement of tax liabilities and other official papers and correspondences with the Authority.

Advocates are also excluded from the prohibition when they attend meetings and hearings on behalf of the taxpayer in all matters relating to a taxpayer rights, privileges or liabilities under the laws or regulations administered by the Authority. Advocates are excluded from this prohibition because they already have proper training in tax matters and because they represent taxpayers in all matters including tax.



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- IV. Clause 5 proposes to substitute the word “agents” for the word “tax representatives” in subsection (2); and “agent” with the word “tax representative” in subsection 5.

This is meant to eliminate the ambiguity caused by the use of the word “agents” and “agent” respectively.

Clause 5 further clarifies that in Section 19B, “tax” means tax imposed under the Excise Duty Act, 2014.”

- V. Clause 6 proposes to amend section 19B of the Principal Act to create an offence and penalty where a person without authorization attempts to acquire or who acquires or sells a tax stamp without goods.

This meant to act as a deterrent to fraudsters who may wish to take advantage of gullible persons.

- VI. Clause 6 proposes to create an offence where a person acquires tax stamps with the authority of the Commissioner and affixes the tax stamps on goods other than the goods approved by the Commissioner.

- VII. Clause 7 (a) proposes to amend Section 23(3) of the Principal Act by substituting for the words “twelve months” the word “three years”.

This is intended to extend the period in which a taxpayer can amend his or her return from one year to three years.

- VIII. Clause 7 (b)proposes to amend Section 23(6)(d) of the Tax Procedures Code Act by deleting the word “due”.

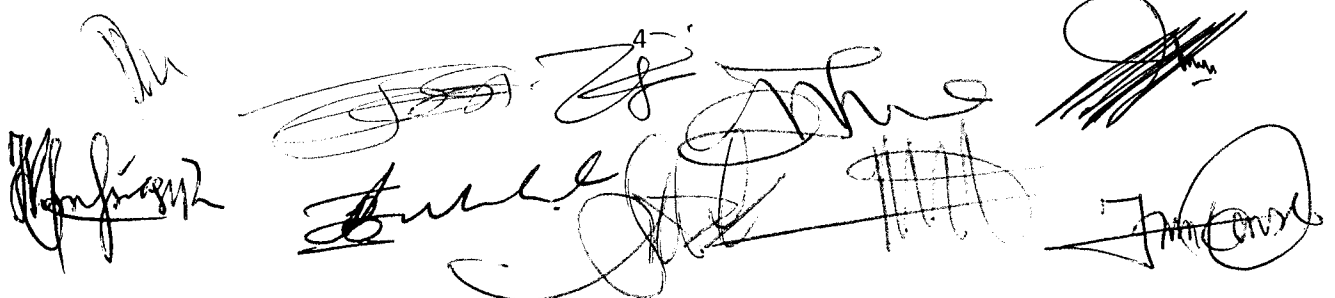
This is meant to eliminate ambiguity regarding the meaning of the provision.

- IX. Clause 8 proposes to amend section 24 of the Principal Act to provide for alternative dispute resolution. (ADR)

The purpose of this provision is to ensure that parties to a court matter are accorded an opportunity for amicable settlement before an independent arbitrator without judicial restrictions. ADR is a cost efficient solution to tax matters. It will enable URA to save a lot of funds that would otherwise be incurred in terms of costs and possible award of damages. It will further boost revenue collections and expedite the resolution of tax dispute through the elimination of time-consuming formalities.

- X. Clause 9 proposes to repeal Section 38(2) of the Principal Act.

This amendment allows the introduction of a payment period to ease taxpayer ledger reconciliation process. This will also give taxpayers the opportunity to choose the tax period to which their payment relates as opposed to where the system will allocate the payment to a period

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denying the taxpayer the opportunity to know which tax period is fully paid for.

XI. Clause 10 proposes to enhance the Commissioner's powers in an investigation.

It was noted that these powers are bound to be misused bearing in mind that the law of natural justice states that a person is innocent until proven guilty hence putting one under arrest or closure of their businesses while still under investigation may lead to various litigations which should be avoided at all costs in order to save Government unwarranted expenditures.

On the other hand, URA is urged to work closely with the Police force and the Courts of law in order to institute arrests and investigations.

XII. Clause 11 proposes to enhance the penalty for failure to furnish a tax return.

XIII. Clause 12 proposes to enhance the penalty for failure to meet any obligation under the Tax Procedures Code Act.

XIV. Clause 13 proposes to enhance the penalty for failure to maintain records.

XV. Clause 14 proposes to enhance the penalty for use of a false TIN.

XVI. Clause 15 proposes to enhance the penalty for making false or misleading statements.

XVII. Clause 16 proposesto enhance the penalty for obstructing a tax officer.

XVIII. Clause 17 proposes to create an offence and penalty where the tax agent aids or abets the taxpayer in the commission of an offence.

XIX. Clause 18 proposes to enhance the penalties for offences relating to recovery of tax.

XX. Clause 19 proposes to enhance the penalties for offences relating to registration.

XXI. Clause 20 proposes to create an offence and penalty where a person not registered as a tax agent acts as a tax agent.

XXII. Clause 21 proposes to enhance the penalties for offences relating to tax officers and will make the penalties more punitive hence enhancing compliance.

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**5.0 COMMITTEE RECOMMENDATIONS**

The Committee recommends that The Tax Procedures (Amendment) Bill, 2021 be passed into law subject to the proposed amendments.



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**TAX PROCEDURES CODE (AMENDMENT) BILL, 2021**

**Clause 3: Amendment of section 5 of Principal Act**

Clause 3 is amended in the proposed section (9) by adding the phrase “including tax identification number issued by foreign tax authorities with whom Uganda has a tax treaty or agreement for the exchange of information” immediately after the word “number”

**Justification**

This is to mandate Uganda Revenue Authority to accept tax identification numbers from foreign tax authorities with whom Uganda has entered into agreements with.

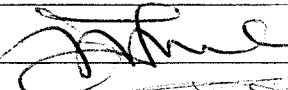
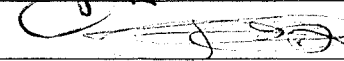

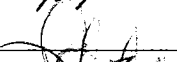
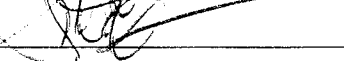
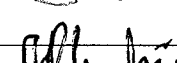
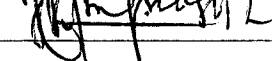
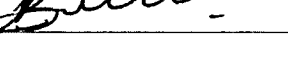
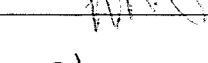



**Clause 10: Amendment of Principal Act**

Delete clause 10

**Justification**

These powers should be left with the Uganda police and Uganda Revenue Authority should be encouraged to work with the Uganda police.

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No	NAME	SIGNATURE
1	Hon. Musasizi Henry, C/P	
2	Hon. Avur Jane Pacuto, D/CP	
3	Hon. Lugolobi 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. Tumuranye Genensio	
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26	Hon. Syda Bbumba	