

**PARLIAMENT OF THE REPUBLIC OF UGANDA**

**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC  
DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL, 2022**

**OFFICE OF THE CLERK TO PARLIAMENT**

**MAY, 2022**

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# REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL 2022

## 1.0 Introduction

The Excise Duty (Amendment) Bill, 2022 was, at the 18th Sitting of the 3rd Meeting of the 1st Session of the 11th Parliament of Uganda held on Thursday 31st March, 2022, presented for First Reading and referred to the Committee on Finance, Planning and Economic Development for further scrutiny.

Rt. Hon. Speaker, the Committee considered the Bill through consultations with different stakeholders, hence this report.

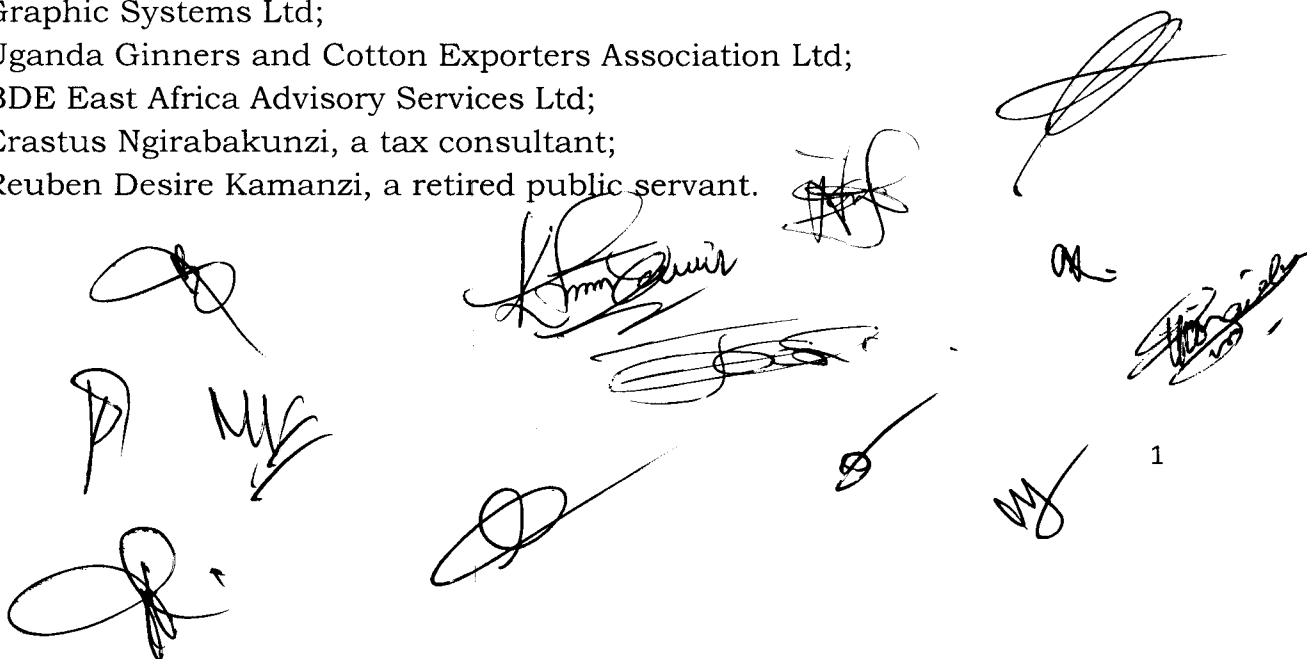
## 2.0 Object of the Bill

The object of this Bill is to amend the Excise Duty Act, 2014, to provide for the definition of “fruit juice”, “un-denatured sprits” and “vegetable juice”; to amend Schedule 2 to vary the excise duty in respect of opaque beer, fermented beverages and plastics; to provide for incentive regime for citizen and foreign investors whose investment capital is, five million United Sates Dollars and thirty-five million United States Dollars respectively; and for related matters.

## 3.0 Methodology

The Committee held meetings and received memoranda from the following;-

- i) Minister of Finance, Planning and Economic Development;
- ii) Uganda Revenue Authority;
- iii) Institute of Certified Public Accountants;
- iv) Private Sector Foundation Uganda;
- v) Uganda Manufacturers Association;
- vi) Price Waterhouse Coopers;
- vii) Graphic Systems Ltd;
- viii) Uganda Ginners and Cotton Exporters Association Ltd;
- ix) BDE East Africa Advisory Services Ltd;
- x) Erastus Ngirabakunzi, a tax consultant;
- xi) Reuben Desire Kamanzi, a retired public servant.



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## 4.0 Observations of the Committee

### A. Cross-cutting issues

a) **Stability of the Excise Tax Regime;** The Committee observed that there is need to enable proper planning and implementation of investment plans by enterprises through a predictable and stable tax regime. The Committee noted that any new tax measure should therefore be thoroughly scrutinized to assess its impact on macro-economic stability and competitiveness of the sector in line with NDP 3 and the policy of export promotion and import substitution.

The Committee noted that on average, tax accounts for between 45% and 55% of the price of a final product. The Committee further noted that in particular, the Excise Duty regime is reviewed on an annual basis and yet investment is planned for a period of 3-5 years.

#### **Recommendation:**

**The Committee recommends that the Government develops an Excise Duty regime spanning for two to three years to facilitate proper planning.**

b) **Digital Tax Stamps:** The FY 2018/19 budget approved the use of DTS with the objective of addressing tax leakages in Excise Duty payments. Although the objective is much appreciated, the implementation of the regime increases the costs of doing business through installation costs incurred by companies.

The Committee further noted that DTS increases the costs of exports as companies are forced to change branding designs just to incorporate the DTS, especially for export products.

That notwithstanding, the Committee was cognisant of the central role DTS plays in the Domestic Revenue Mobilisation Strategy. Some of the benefits include;

- i) Improvement in the capacity of Uganda Revenue Authority to track & trace capabilities of tax payers as a means of improving compliance;
- ii) The increased production of real-time data;
- iii) The empowerment of consumers;
- iv) The improved protection of legitimate businesses against unfair competition;
- v) The protection of consumers against harmful products;
- vi) Improved prevention of illicit production and counterfeiting
- vii) Improved real time tax accounting and reconciliation for tax stamps, and;
- viii) Real-time enforcement and prosecution.

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**Recommendation:**

**The Committee recommends that;**

- i) Digital Tax Stamp (DTS) payments be restructured to consider the increased Excise Duty collections, to ensure the government and country benefits commensurately from this solution;**
- ii) DTS be applied only to tax-payers who have proven to be continuously under-declaring the right excise duty payable.**

**c) Development of different tiers/threshold on the Excise Duty regime.**

The Committee observed the need to promote local content through the development of a separate tier/threshold for new innovative products which utilize local raw materials, mainly in the agriculture industry. This should consider products at introduction stage to enable them benefit from the sunk costs (research) since targeting them for tax discourages innovations and reduces the expected revenue development through the value chain - especially supply chains.

**Recommendation**

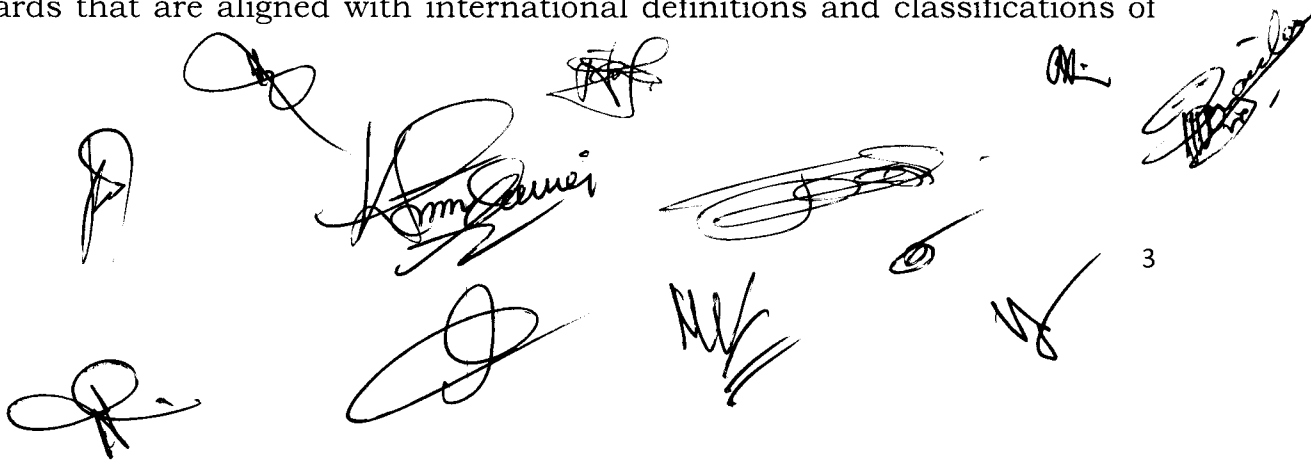
**The Committee recommends that a separate excise duty threshold be developed for innovative products that promote the utilisation of local raw materials, mainly in the agriculture industry.**

**B. Specific observations and recommendations**

**a) Clause 2; Amendment of Section 2 of the Excise Duty Act, 2014-  
Definition of –"fruit juice"**

The Committee observed that "fruit juice" has been redefined in the Bill to mean unfermented liquid extracted from the edible part of a fresh fruit whether the extracted liquid is diluted or not.

The Committee was informed that the proposed re-definition of fruit juice goes against the conventional definition of juice, as provided for in the UNBS Standards that are aligned with international definitions and classifications of juice.



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The Committee was further informed that re-defining juice in the manner proposed in the Amendments will bring raw materials (juice pulp and puree) under Excise Duty levies.

The Committee noted that the proposed wording will also lead to double taxation because fruit puree and pulp will attract Excise Duty as will the final products they are used to manufacture; the juice itself.

Furthermore, instating excise duty on pulp will mean that the cost will be extended to farmers in form of reduction in prices. The rationale is to exclude puree for industrial use, but maintain the tax on ready-to-drink juice, whether diluted or not, and to avoid double duty on both the puree and the final fruit juice.

**Recommendation;**

**The Committee therefore recommends that Clause 2 be amended to define “fruit juice” as, “unfermented liquid extracted from the edible part of a fresh fruit whether the extracted liquid is diluted or not but does not include fruit puree for industrial use that is not ready for final consumption.” This redefinition will ensure that there is no double taxation of both the fruit pulp- raw material and the fruit juice itself.**

**b) Clause 3 (a) - Amendment of Schedule 2 of the principal Act- Excise duty on opaque beer**

The Committee observed that Clause 3 (a) seeks to amend Schedule 2 to the principal Act to reduce excise duty on opaque beer from 12% or 230/= per litre, whichever is higher to 12% or 150/= per litre, whichever is higher.

The Committee learnt that one of the companies in the alcohol sector innovated and set up a “Chibuku” factory which unfortunately closed in 2018 over unprogressive excise duty on opaque beer. The unprogressive tax on opaque beer rendered Chibuku uncompetitive with other local brews such as tonto, ajono, mulamba, malwa, kwete among others. Due to this, annual VAT worth UGX5 billion was lost, an average of 3.6 million Kgs of locally maize, over 1,000 farmers supplying maize lost market, 6,000 direct and indirect jobs linked to the factories were lost.

The Committee therefore observed that while the above proposal to reduce opaque beer excise rate from UGX. 230 or 30%, to UGX. 150 or 12% in the Excise Bill 2022 is welcome, it is not optimum for the business to operate.

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**Recommendation;**

**The Committee therefore recommends that Clause 3 (a) be amended to reduce the Excise Duty on opaque beer to 10% or UGX. 100 per litre whichever is higher.**

**c) Amendment of Item 3, Schedule 2, of the Excise Duty Act 2020**

The Committee observed that the Second Schedule of the Excise Duty Act 2020 has excluded alcoholic Kombucha drinks among items paying a 12% or UGX150 tax regime. As with opaque beer, kombucha drinks are locally sourced and manufactured. It therefore serves the segment of the population that would in the alternative resort to illicit trade, or untaxed and untaxable products such as local brew, tonto, ajono, mulamba, malwa, and kwete.

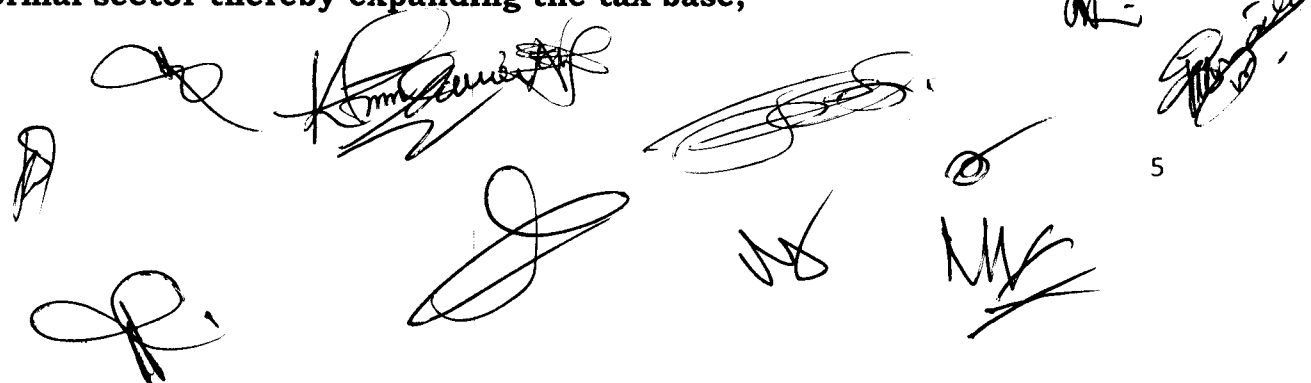
While meeting with Kombucha Drinks Manufacturers' Association of Uganda, the Committee was informed that Kombucha is an applied term to mean "fermented sugary tea solution with a combination of yeast and bacteria". The Committee was further informed that the kombucha product contains 2 categories; Alcoholic kombucha and non-alcoholic kombucha. The Committee learnt that both alcoholic and non-alcoholic kombuchas undergo fermentation processes, although they differ on the number of days spent in fermentation.

The Committee learnt that the Excise Duty (Amendment) Bill, 2022 is amended under Item 5 (d) to include non-alcoholic kombucha under the category of products in a reduced tax regime of 12% or UGX150 whichever is higher. However, due to the high fermentable nature of kombucha, only 2% of kombucha products remain non-alcoholic as they would require long-term costs of refrigeration to maintain them in a non-alcoholic state;

The Committee further learnt that Kombucha drink manufactures employ more than 65,000 youth. The Committee therefore noted that alcoholic kombucha should be included under Item 2 to protect the nascent industry from the high tax regime (20% or UGX250), whichever is higher, and ensure that its players are encouraged to penetrate the formal sector even more.

**Recommendation**

**The Committee recommends that Schedule 2, Item 3 of the Excise Duty Act be amended to include alcoholic Kombucha drinks among the items applying the 12% or UGX150 tax regime. This will encourage more manufactures of the alcoholic kombucha to become tax compliant and join the formal sector thereby expanding the tax base;**

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**d) Clause 3 (d); Amendment of Item 11 , Schedule 2, of the Excise Duty Act- Excise Duty on Plastics**

The Committee observed that Item 11 of Schedule 2 of the Excise Duty Amendment Bill 2022 seeks to increase Excise Duty on bags of polymers of ethylene and other plastics to 40% or 4000, whichever is higher.

The Committee further observed that the Excise Duty Act, 2021 was passed under Schedule 11, and provided for 2.5% or USD70 per tonne, on all polymers or ethane and Polypropylene imported into the country as a green levy.

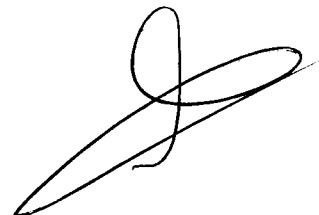
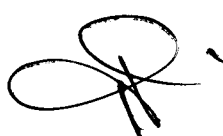
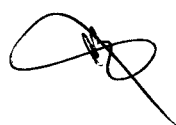
The Committee learnt that the above law was enacted to ensure that all plastic product manufacturers and importers would directly contribute to the government to ensure a clean and healthy environment and ensure the 3 R's, that is, Reduce, Reuse and Recycle, which are international practices for plastic products. This tax has been able to contribute about Ushs60Bn towards the government consolidated fund.

The Committee was informed by Uganda Plastic Manufacturers and Recyclers Association that although the above was reached by negotiation, it has still proved too high and led to the closure of some of their member factories.

The Committee therefore concluded from the above, that the high Excise Duty on plastics is not justified.

**Recommendation;**

**The Committee recommends that Clause 3 (d) amending Item 11 of Schedule 2 of the Excise Duty Act be deleted.**



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

**Clause 2: Amendment of the Excise Duty Act, 2014**

Clause 2 is amended by substituting for the proposed definition of the word "fruit juice" in paragraph (a) the following-

"fruit juice" means unfermented liquid extracted from the edible part of a fresh fruit whether the extracted liquid is diluted or not but does not include fruit puree for industrial use that is not ready for final consumption"

**Justification**

To exclude fruit puree for industrial use from being constituting fruit juice

**Clause 3: Amendment of Schedule 2 to the principal Act**

Clause 3 is amended-

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

(d)	opaque beer	10% or 100/= per litre whichever is higher
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(b) by inserting a new paragraph immediately after paragraph (a) the following-

(f)	Any other alcoholic beverage locally produced other than the beverage referred to in subparagraph (a) made of fermented sugary tea solution	12% or shs. 150 per litre, whichever is higher.
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	with a combination of yeast and bacteria.	
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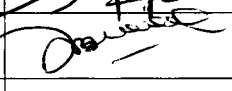
(c) by deleting paragraph (d)

**Justification**

- (i). The amendment will encourage the reopening of companies that had closed as a consequence of the higher tax that had has the effect of lowering the cost of production of the seeks to lower the tax on opaque beer to enable the manufacturers
- (ii). to provide for a low tax rate for the alcoholic beverage locally produced from fermented sugary tea solution with a combination of yeast and bacteria.
- (iii). The proposed tax rates under paragraph (d) seeks to impose a higher tax on the recyclable products and leaves the non-recyclable products with a lower tax.



**MEMBERS OF THE COMMITTEE FINANCE, PLANNING AND ECONOMIC DEVELOPMENT; THE EXCISE DUTY (AMENDMENT) BILL OF 2022**

NO	NAME	CONSTITUENCY	SIGNATURE
1	<b>Dr. Keefa Kiwanuka C/P</b>	<b>Kiboga East County</b>	
2	<b>Hon. Avur Jane Pacuto D/CP</b>	<b>DWR Pakwach</b>	
3	Hon. Wamakuyu Ignatious Mudimi	Elgon County	
4	Hon. Kankunda Amos Kibwika	Rwampara County	
5	Hon. Atima Jackson	Arua Central	
6	Hon. Bataringaya Basil	Kashari North County	
7	Hon. Asimwe K Enosi	Kabula County	
8	Hon. Aleper Moses	Chekwii County	
9	Hon. Ssejoba Isaac	Bukoto CountyMid West	
10	Hon. Tayebwa Herbert Musasizi	Kashongi County	
11	Hon. Lematia John	Ayivu West County	
12	Hon. Kyooma Xavier Akampurira	Ibanda County North	
13	Hon. Nakut Faith Loru	DWR Napak	
14	Hon. Nangoli Gerald	Elgon North County	
15	Hon. Katali Loy	DWR Jinja	
16	Hon. Ochai Maximus	West Budama County North	
17	Hon. Opolot Patrick Isiagi	Kachumbala County	
18	Hon. Wanda Richard	Bungokho Central	
19	Hon. Okwir Samuel	Moroto County	
20	Hon. Nabukeera Hanifa	DWR Mukono	
21	Hon. Muwanga Kivumbi	Butambala County	
22	Hon. Ssenyonyi Joel	Nakawa West	

23	Hon. Nandala Mafabi	Budadiri West County	
24	Hon. Batuwa Timothy	Jinja West County	
25	Hon. Akol Anthony	Kilak North	
26	Hon. Luttamaguzu Semakula P.K	Nakaseke South	
27	Hon. Ocan Patrick	Apac Municipality	
28	Hon. Omara Paul	Otuke County	
29	Hon. Muhammad Nsereko	Kampala Central Division	
30	Hon. Aciro Paska Menya	DWR Pader	
31	Hon. Kinyamatama Suubi Juliet	DWR Rakai	
32	Hon. Masaba Karim	Mbale, Industrial Division	



**PARLIAMENT OF THE REPUBLIC OF UGANDA**

**A MINORITY REPORT ON THE EXCISE DUTY (AMENDMENT) BILL, 2022**

**MAY, 2022**

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## **1.0 Introduction**

The Excise Duty (Amendment) Bill, 2022 was presented for First Reading and referred to the Committee on Finance, Planning and Economic Development for further scrutiny.

However, Rt. Hon. Speaker, the following issues constituted a dissenting opinion on the Excise Duty (Amendment) Bill, 2022.

## **2.0 Area of Dissent**

### **2.1 Excise Duty on fuel**

It was observed that between January 2021 and February 2022, prices have increased by 70%. The increase in fuel prices has had a ripple negative effect on other factors of production, especially transport costs and the overall value chain of raw materials to finished products.

In return, many countries will be forced to lay off workers in light of the high costs of production, thereby defeating Government's objective of employment creation. As a stop gap measure, this year, this House has been on record seeking government intervention on the ever escalating fuel prices but to no serious answer availed. Fuel-driven inflation has forced the cost of living including education leaving disposable income diminishing and forcing many businesses to close or to lay off workers.

As a result, neighboring countries including Kenya and Tanzania have established direct intervention measures including wage increments to government employees of up to 23% for Tanzania and 12% for Kenya.

Therefore, as a stop gap measure, reduction on fuel is the only remedy available to reduce the cost of living through reduction of taxes on fuel which shall force the price to go down.

### **We recommend that;**

- a) Excise duty on motor-spirit gasoline which stands at 1,450/= currently be reduced by UGX750;**



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

**Amendment of Schedule 2 to the principal Act**

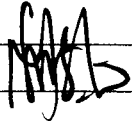
Schedule 2 of the Excise Duty Act is amended-

(8) in paragraph (a) by substituting motor-spirit gasoline duty rate of 1450/- to UGX700/=

(b) in paragraph (b), by substituting Gas Oil duty rate to UGX430/

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**MEMBERS OF THE COMMITTEE FINANCE, PLANNING AND ECONOMIC DEVELOPMENT; THE VALUE ADDED (AMENDMENT) BILL OF 2022**

<b>NO</b>	<b>NAME</b>	<b>SIGNATURE</b>
1	<b>Dr. Keefa Kiwanuka C/P</b>	
2	<b>Hon. Avur Jane Pacuto D/CP</b>	
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8	Hon. Aleper Moses	
9	Hon. Ssejoba Isaac	
10	Hon. Tayebwa Herbert Musasizi	
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18	Hon. Wanda Richard	
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21	Hon. Muwanga Kivumbi	
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29	Hon. Muhammad Nsereko	
30	Hon. Aciro Paska Menya	
31	Hon. Kinyamatama Suubi Juliet	
32	Hon. Masaba Karim	