

REPUBLIC OF UGANDA
27 APR 2024
OFFICE OF THE CLERK TO PARLIAMENT
KAMPALA

REPUBLIC OF UGANDA



PARLIAMENT OF UGANDA

**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND
ECONOMIC DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL
2024**

Office of the Clerk to Parliament
Parliament Building
Kampala-Uganda

April 2024

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REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL, 2024

1.0 Introduction

The Excise Duty (Amendment) Bill, 2024 was, at the 18th Sitting of the 3rd Meeting of the 3rd Session of the 11th Parliament Of Uganda held on Thursday 28th March, 2024, 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, and hereby reports.

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 spirits”, “vegetable juice” and “powder for reconstitution into beer”; and to amend Schedule 2 to the Act, to revise the excise duty on certain excisable goods and services and to provide 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) The Attorney General
- iii) Uganda Revenue Authority
- iv) Uganda Law Society
- v) Southern and Eastern Africa Trade Information and Negotiations Institution (SEATINI-Uganda)
- vi) Private Sector Foundation Uganda
- vii) Uganda Manufacturers Association
- viii) Price Waterhouse Coopers

4.0 Observations and Recommendations of the Committee

The Committee made the following observations and recommendations based on the Minister’s proposals and the stakeholders’ views;

4.1 General Observations and Recommendations

a) Revenue and Certificates of Financial Implication

Section 76 (2) of the Public Finance Management Act 2015 (PFMA) requires that the Certificate of Financial Implication of any given Bill should indicate the estimates of revenue and expenditure over a period of not less than two (2) years after coming into effect.

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The Committee noted that the Certificate of Financial Implication issued for the Bill was inadequate in as far as detailing the estimates of revenue for the each of the next two (2) financial years.

Additionally, the Certificate did not indicate the impact of the Bill on the economy. This is inconsistent with Section 76 (3) of the PFMA.

b) Generation of tax proposals

While the Committee received briefs on the proposed tax amendments in the Bill, there were no research reports availed to the Committee. The briefs do not highlight the cost of implementation, the yield in terms of revenue and the general impact on the economy.

The Committee also noted with concern as reported in the Domestic Revenue Mobilization Strategy Annual Monitoring Plan for FY2022/23 that:

- a) Majority of the tax law amendments are not informed by tax related analytical briefs; and
- b) Weak partnerships between the Tax Policy Department in the MFPED and URA. This undermines evidence-based tax development mechanisms.

The Committee further notes that the Ministry responsible for Finance failed to adhere to a previous recommendation of Parliament while considering Bills for the FY 2023/24 that every Bill should be accompanied by stand-alone evaluation or regulatory impact assessment.

c) Stability of the tax regime

The Committee observed that the frequent amendment of tax laws has caused challenges to both the tax payer and Uganda Revenue Authority while administering the taxes. The Committee attributed this to the absence of a comprehensive tax policy.

Recommendation

The Committee recommends that the Ministry of Finance establishes a comprehensive taxation policy to address among others, stability of the tax regime.

d) Silence on new International Tax Measures

The Committee observed that whereas the Minister presented new tax policy measures in the 2024 Tax Bills, with the exception of the levy on petroleum products, there was a notable absence of measures covering international trade taxes. At the same time, the projected tax collections under international taxes was projected to decline slightly, on a year-on-year basis.

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The Committee further established that tax policy on international trade is agreed jointly by a council of East African Community Ministers responsible Finance. Accordingly, Parliament is never given its constitutional duty to scrutinise tax policies under this category.

Recommendation

The Committee recommends that the Minister should always report to Parliament at the earliest opportunity after the meeting of the EAC Finance Ministers in order to afford the House an opportunity for an input into all new tax measures.

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

Clause 1 proposes to define;

- “fruit juice” to mean unfermented liquid extracted from the edible part of a fresh fruit, whether the extracted liquid is diluted or not,
- “powder for reconstitution into beer” to mean a powder, crystal or any other dry substance which after being mixed with water or any other non-alcoholic beverage ferments to or otherwise becomes an alcoholic beverage,
- “un-denatured spirits” to mean spirits that are not mixed with any substance so as to render the spirit unfit for human consumption or capable of being rendered unfit for human consumption and includes neutral spirits or alcoholic beverages made from neutral spirits that are fit for human consumption;
- “vegetable juice” to mean unfermented liquid extracted from the edible part of a vegetable, whether the extracted liquid is diluted or not;”

The Committee observed that the above-mentioned items are not currently defined or taxed in the Act, and the provision is intended to clarify and remove any ambiguity regarding the definitions of fruit juice, powder for reconstitution into beer, un-denatured spirits and vegetable juice for tax purposes.

The Committee took cognisance of Section 10 (2) of the Excise Duty Act which provides that where excise duty on which excise duty has been paid are converted into excisable goods liable to excise duty, the converted excisable goods shall be liable only to the difference between the excise duty on the converted goods and excise duty originally paid before the conversion. As such, the Committee found no merit in excluding pulp and puree for industrial use from the definition of fruit juice.

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Recommendation

The Committee recommends that the definitions of fruit juice, powder for reconstitution into beer, un-denatured spirits and vegetable juice be adopted as part of the Bill;

4.3 Clause 3: Amendment of Schedule 2 to the Act

Clause 3 of the Bill seeks to amend the Second Schedule to the Act, which provides for Excise duty in respect of excisable goods and services as follows;

- a) To lower the excise duty imposed on opaque beer from 20% or Shs. 230/= per litre, whichever is higher to 10% or Shs. 150 per litre whichever is higher.

The Committee observed that the proposed amendment seeks to lower the excise duty on opaque beer and since opaque beer is made primarily from locally sourced raw materials, the amendment will promote the utilisation of locally sourced raw materials and a reduction on the excise duty levied on other alcoholic beverages (kombuchas) will provide an incentive to produce and sell the product competitively.

Recommendation

The Committee recommends that the proposal stands part of the Bill.

- b) To lower the excise duty imposed on any other alcoholic beverage locally produced from 20% or shs.230 per litre, whichever is higher to 12% or Shs. 150 per litre whichever is higher;

The Committee observed that the proposed amendment seeks to lower the tax rate on any other alcoholic beverage locally produced. This amendment will promote the utilisation of locally sourced raw materials and increase tax compliance.

The Committee further observed that during the debate on the report of the Committee on the Excise Duty Amendment Bill 2023, the House recommended that the rate applicable to other alcoholic beverages (kombuchas) should be lowered to the same rate as opaque beers which uses similar locally-sourced raw materials.

Recommendation

The Committee recommends that the proposal is adopted subject to the amendment of the duty rate from 12% to 10%.

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- c) To introduce a new excisable good of "Powder for reconstitution into beer" at a fixed rate of Shs 2500 per kg;

Recommendation

The Committee recommends that the Clause stand part of the Bill;

- d) To repeal the provision for un-denatured spirits made from locally produced raw materials used in the production of disinfectants and sanitizers for the prevention of the spread of COVID-19;

Recommendation

The Committee recommends that the Clause stand part of the Bill;

- e) To introduce excise duty at a rate of 60% or Shs. 5000 per litre whichever is higher on un-denatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw materials;

The Committee observed that the proposal of excise duty of Uganda Shillings five thousand (Ushs5,000) per litre is too high compared to the rate of the final product of Uganda Shillings one thousand seven hundred) Ushs 1,700 per litre.

The Committee further observed that the rate hike from Uganda Shillings one thousand five hundred) Ushs 1,500 per litre to Uganda Shillings five thousand (Ushs5,000) per litre on a raw material whose final product is taxed at Uganda Shillings one thousand seven hundred (Ushs 1,700) per litre is unreasonably high.

Recommendation

The Committee recommends an excise duty rate of 60% or Uganda Shillings one thousand five hundred (Ushs 1,500) per litre to be imposed on un-denatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw materials.

- f) To introduce excise duty of 100% or Shs. 5000 per litre, whichever is higher on un-denatured spirits of alcoholic strength by volume of 80% or more made from imported raw materials;

The Committee observed that the proposal of excise duty of Uganda Shillings five thousand (Ushs5,000) per litre is too high compared to the rate of the

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final product of Uganda Shillings one thousand seven hundred) Ushs 1,700 per litre.

Recommendation

The Committee recommends that an excise duty rate of 100% or Uganda Shillings two thousand five hundred (Ushs 2,500) per litre to be imposed on un-denatured spirits of alcoholic strength by volume of 80% or more made from imported raw materials.

- g) To introduce excise duty at a rate of 80% or Shs. 1700/= per litre, whichever is higher on any other un-denatured spirit that is locally produced of alcoholic strength by volume of less than 80% or excise duty at a rate of 100% or Ushs 5000 per litre, whichever is higher, on any other undenatured spirits that is imported of alcoholic strength by volume of less than 80%.

The Committee observed that the proposal of excise duty of Uganda Shillings five thousand (Ushs5,000) per litre is too high compared to the rate of the final product of Uganda Shillings one thousand seven hundred) Ushs 1,700 per litre.

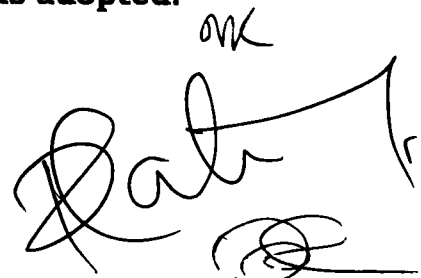
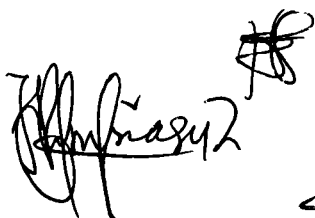
Recommendation

The Committee recommends an excise duty rate of 80% or Uganda Shillings one thousand five hundred (Ushs 1,500) per litre to be imposed on any other un-denatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw materials.

- h) To increase excise duty on “other wines” from 80% or Shs.8000, per litre, whichever is higher to 100% or Shs. 10,000 per litre whichever is higher;
- i) Reducing the tax on fruit juice and vegetable juice, except juice made from at least 30% pulp or at least 30% juice by weight or volume of the total composition of the drink from fruits and vegetables locally grown from 13% or Shs. 250 whichever is higher to 12% or Shs. 250 per litre, whichever is higher;

Recommendation

The Committee recommends that the proposal is adopted.



- j) To lower the excise duty on any other non-alcoholic beverage locally produced other than a beverage made out of fermented sugary tea solution with a combination of yeast and bacteria from 12% or shs.250 per litre whichever is higher to 12% or Shs. 150 per litre whichever is higher;

Recommendation

The Committee recommends that the proposal is adopted subject to the amendment of the duty rate from 12% to 10%.

- k) To introduce a fixed rate of Shs. 75 per litre of mineral water, bottled water and other water purposely for drinking in addition to the ad valorem rate of 10%;

The Committee observed that the Mineral water industry has grown. That this proposal for a fixed rate is to level the ground between the compliant and non-compliant producers of mineral water by providing for both a fixed rate and the advalorem rate.

The Committee however noted that the proposed rate of Uganda Shillings seventy five (UGX75) per litre is too high and should be reduced to Uganda Shillings fifty (UGX50) to encourage more investments in the industry.

Recommendation

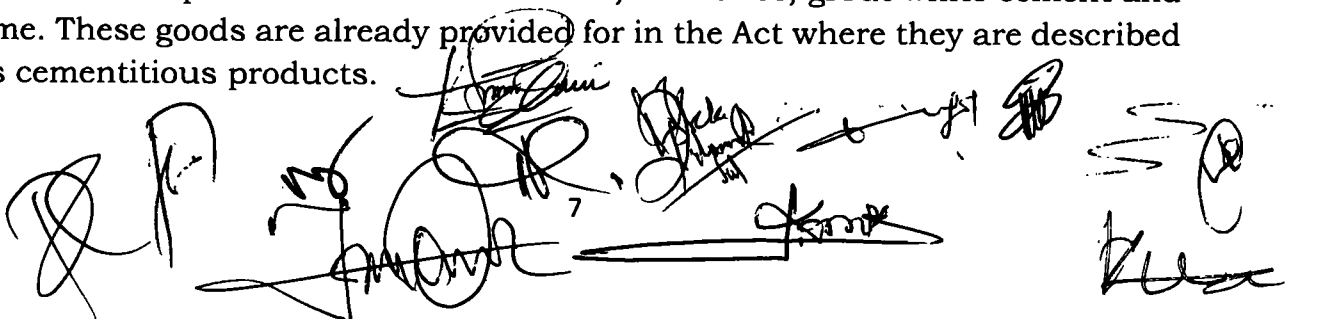
The Committee recommends that;

- i. the above proposed amendments stands part of the Bill;**
- ii. excise duty on water be reduced from Uganda Shillings seventy five (UGX75) per litre is too high and should be reduced to Uganda Shillings fifty (UGX50)**

- l) To expound the categorization of cement to include adhesives, grout, white cement or lime, and maintain the excise duty rate of cement at Shs 500 per 50 kg.

The Committee observed that under the current law, "cement", does not cover other existing products on the market with cements in them; including, adhesives, grout, white cement and lime.

The Committee further observed that the proposed amendment seeks to give clarity on the "cement" excise duty category by taking into account the cementitious products to include cement, adhesives, grout white cement and lime. These goods are already provided for in the Act where they are described as cementitious products.

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Through tax administration, it was established that there is need for specificity in regard to cementitious products as defined within cement. There is no proposed new tax on cement.

Recommendation

The Committee recommends that the proposed amendment stands part of the Bill for purposes of clarity.

- m) To increase the excise duty imposed on motor spirit (gasoline) from Shs. 1450 per litre to Shs. 1550 per litre;
- n) To increase the excise duty imposed on gas oil (automotive, light, amber for high-speed engine) from Shs. 1130 per litre to Shs 1230 per litre;
- o) To increase excise duty on illuminating kerosene from Shs. 200 per litre to UShs. 500 per litre;

The Committee observed that the amendment increases the excise duty on petrol and diesel by Uganda Shillings One hundred (UShs100) and kerosene by Uganda Shillings Three hundred (Ushs300).

The Committee observed that this increase will affect the low-income earners in society.

Recommendation

The Committee recommends that;

- i. **the Clause imposing an additional excise duty of Uganda Shillings Three Hundred (UGX 300) on illuminating kerosene be deleted.**
- ii. **the proposal on imposing an increase of excise duty of Uganda Shillings One hundred (UShs100) on petrol and diesel stands part of the Bill.**

- p) To remove excise duty imposed on incoming international call services of USD Cents 0.09 per minute on calls originating from the United Republic of Tanzania and Burundi;

The Committee observed that whereas Uganda is already in the One Area Network in which interconnection calls between Uganda, Rwanda and Kenya enjoy lower rates of telephone calls between each other, the proposed

amendment intends to add the Republic of Tanzania and Burundi into the network within the Ugandan laws.

The effect of this amendment will be the affordability and ease of communication between persons in Uganda and other Members States in the East African community as mentioned above.

Recommendation

The Committee recommends that the clause stands part of the Bill.

- q) To introduce a 0.5% excise duty of the value of the transaction on payment services of withdrawals of cash provided through a payment system but does not include withdrawal services provided by a financial institution or a microfinance deposit-taking institution;

The Committee observed that the proposed amendment is intended to provide for an equal tax treatment to that of mobile money for payment services that offer a similar service to mobile money. These payment services include Chipper Cash and Wave Transfer among others. At present, withdrawals from these services are not subject to the same excise duty as that levied on mobile money. This is because, the current law levies the tax on telecommunication companies which those being targeted are not. This proposal seeks to remedy this unequal tax treatment by including these in the realm for taxation. Enhancing equity and fairness by including all major electronic wallet platforms as the tax burden on Ugandans-current tax burden would be distributed evenly creating a level playing field and providing an expanded tax base resulting in increased Government revenue.

This ensures a 'same service, same rules approach' and incentivizes continued growth of digital financial services while still contributing to the overall tax effort. This approach promotes both financial inclusion and responsible tax collection for the benefit of all Ugandans.

Recommendation

The Committee recommends that the proposed excise duty on payment systems stands part of the Bill.

- r) To drop the requirement of a hospital facility being at the level of a national referral hospital.

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The Committee observed that there is need to define a specialised hospital facility. The Committee therefore proposed that a specialised hospital facility be defined under Section 2 of the Act.

The Committee further observed that the proposal to exempt specialised hospital medical facilities shall increase revenues in medical tourism and investment inflows and reduce “medical tourism” outflow.

The Committee further observed that currently there are no private-owned specialised hospitals in Uganda. The purpose of this amendment is to attract private investment in this highly specialised and capital-intensive investment category for the benefit of the people of Uganda and the neighbouring countries.

Recommendation

The Committee recommends that;

- i. a specialised hospital facility be defined to mean a hospital facility that is established to diagnose, treat, manage complex medical conditions in a specific area of medicine.**
- ii. the proposed amendment stands part of the Bill subject to the proposed amendment.**

- s) To correct a clerical error in the wording of other fermented beverages including cider, perry, mead, spears or near beer produced from locally grown and produced raw materials.

The Committee observed that there is no tax proposal in the proposed amendment. The proposed amendment is for purposes of a clerical error in the wording of other fermented beverages including cider, perry, mead, spears or near beer produced from locally grown and produced raw materials. This removes ambiguity in the current law.

Recommendation

The Committee recommends that the clause be amended by deleting the rate of “30% or UShs. 550 per litre whichever is higher” from the Bill.

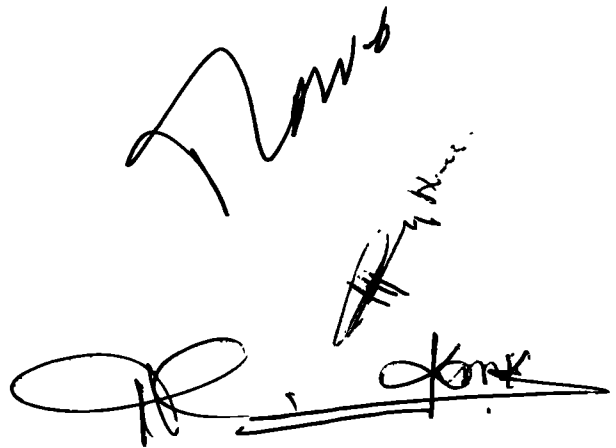
- t) To exempt strategic investors in the electric vehicle manufacturing sector from excise duty.

The Committee observed that the proposed amendment is for purposes of harmonisation of the Excise Duty (Amendment) Bill, 2024 with the Income Tax (Amendment) Bill, 2024 and the VAT (Amendment) Bill, 2024.

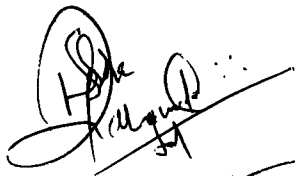
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Recommendation

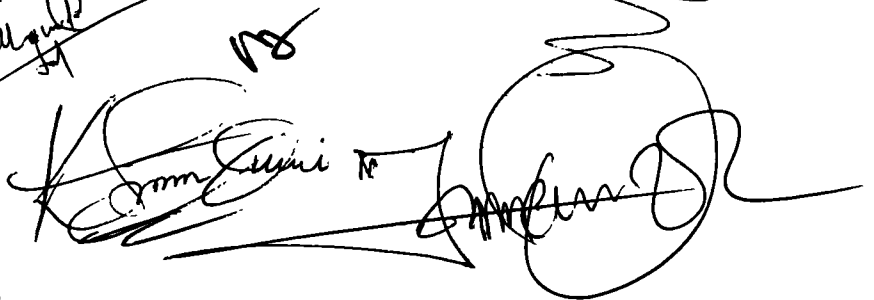
The Committee recommends that the Excise Duty (Amendment) Bill, 2024 be adopted subject to the proposed amendments.



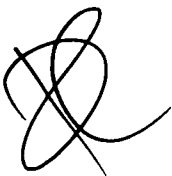
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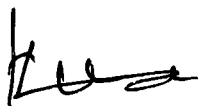
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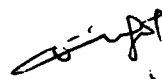
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PROPOSED AMENDMENTS TO THE EXCISE DUTY (AMENDMENTS) BILL, 2024

Clause 3: Amendment of Schedule 2 to principal Act

Clause 3 is amended-

- (a) in paragraph (a)-
 - (i) in item (d), by substituting "12%" with "10%"
 - (ii) in item (e), by substituting "12%" with "10%"
- (b) in paragraph (c)-
 - (i) by deleting item (a);
 - (ii) in item (b), by substituting "shs. 5000" with "shs. 2500";
 - (iii) in item (c)(ii), by substituting "100%" with "80%" and "shs. 5000" with "shs. 1700".
- (c) in paragraph (e)-
 - (i) in item (b), by substituting "12%" with "10%"
 - (ii) in item (d), by substituting "12%" with "10%"
- (d) In paragraph (f), in item 6 by substituting "shs. 75" with "shs. 50"
- (e) in paragraph (h), by deleting item (e)

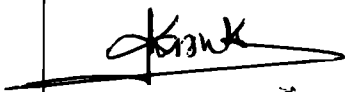
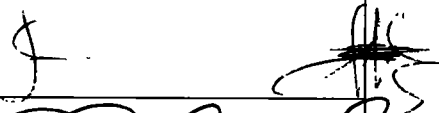
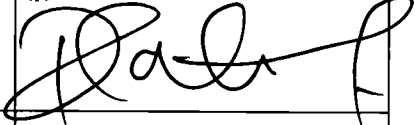
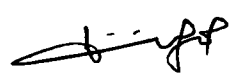
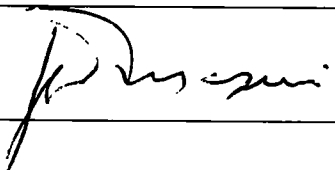
Justification


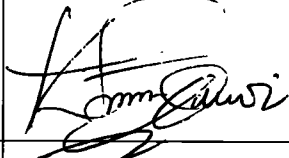
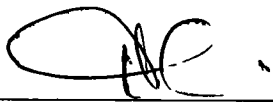




To reduce the cost of opaque beer and any other alcoholic beverages in order to increase the tax base;

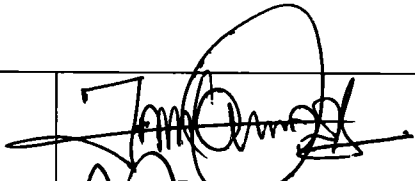
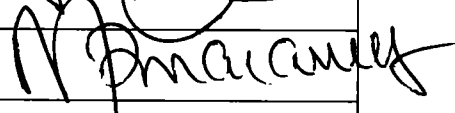
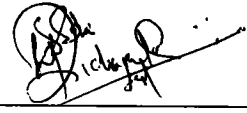
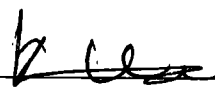
To make water more affordable; and

Illuminating kerosene should not be exorbitantly taxed since it is being used to the low income earners.

MEMBERS OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) BILL, 2024

| NO | NAME | CONSTITUENCY | SIGNATURE |
|-----------|-----------------------------------------|----------------------|---------------------------------------------------------------------------------------|
| 1 | Hon. Kankunda Amos Kibwika CP | Rwampara County |  |
| 2 | Hon. Avur Jane Pacuto D/CP | DWR Pakwach | |
| 3 | Hon. Opolot Patrick Isiagi | Kachumbala County | |
| 4 | Hon. Wamakuyu Ignatious Mudimi | Elgon County |  |
| 5 | Hon. Dicksons Kateshumbwa | Sheema Municipality |  |
| 6 | Hon. Dr. Kugonza Emely | Buyanja East |  |
| 7 | Hon. Mbabazi Jenepher Kyomuhendo | Kagadi | |
| 8 | Hon. Bataringaya Basil | Kashari North County | |
| 9 | Hon. Asimwe K Enosi | Kabula County | |
| 10 | Hon. Aleper Moses | Chekwii County | |
| 11 | Hon. Katwesigye Oliver Koyekyenga | Buhweju | |
| 12 | Hon. Tayebwa Herbert Musasizi | Kashongi County |  |

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| 13 | Hon. Okot John Amos | Agago North County |  |
| 14 | Hon. Kyooma Xavier Akampurira | Ibanda County North |  |
| 15 | Hon. Nakut Faith Loru | DWR Napak | |
| 16 | Hon. Nangoli Gerald | Elgon North County |  |
| 17 | Hon. Katali Loy | DWR Jinja |  |
| 18 | Hon. Ochai Maximus | West Budama County North |  |
| 19 | Hon. Wanda Richard | Bungokho Central |  |
| 20 | Hon. Ogwal M. Goli | Dokolo North |  |
| 21 | Hon. Nabukeera Hanifa | DWR Mukono | |
| 22 | Hon. Muwanga Kivumbi | Butambala County | |
| 23 | Hon. Ssenyonyi Joel | Nakawa West | |
| 24 | Hon. Nandala Mafabi | Budadiri West County | |
| 25 | Hon. Nabagabe Kalule Flavia | Kassanda WDR | |
| 26 | Hon. Akol Anthony | Kilak North | |
| 27 | Hon. Luttamaguzu Semakula P.K | Nakaseke South | |

| | | | |
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| 28 | Hon. Ocan Patrick | Apac Municipality |  |
| 29 | Hon. Omara Paul | Otuke County |  |
| 30 | Hon. Agnes Atim Apea | DWR - Amolatar | |
| 31 | Hon. Mpindi Bumali | PWD. Rep | |
| 32 | Hon. Richard Sebalama | Bukoto Central |  |
| 33 | Hon. Masaba Karim | Mbale, Industrial Division | |
| 34 | Hon. Kinshaba Patience Nkunda | DWR - Kanungu |  |