

REPUBLIC OF UGANDA



PARLIAMENT OF UGANDA

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

Office of the Clerk to Parliament
Parliament Building
Kampala-Uganda

April 2024

[Handwritten signatures and initials]

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

1.0 Introduction

The Stamp 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 Stamp Duty Act, 2014, to prescribe stamp duty rate for the nominal share capital or any increase of share, acquired by an investor in a private equity or venture capital fund, for the transfer of shares or other securities, to or by an investor in a private equity or venture capital fund, for an instrument executed by or on behalf of a company or Government in respect of manufacturer of an electric vehicles or electric charging equipment 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) 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

The bottom section of the page contains numerous handwritten signatures and initials in black ink. These include the names of committee members and stakeholders mentioned in the list above, such as 'Minister of Finance', 'Attorney General', and 'Price Waterhouse Coopers'. The signatures are scattered across the bottom half of the page, with some appearing over the text of section 4.1.

i. 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.

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.

ii. 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:

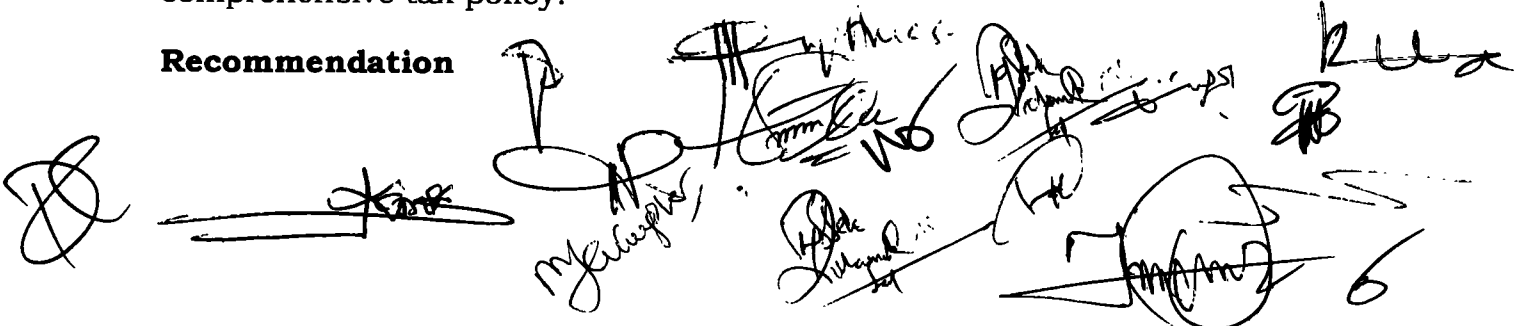
- a) Majority of the tax law amendments are not informed by tax related analytical briefs; and
- b) Weak partnerships between the Tax Policy Department in the MFPEd and URA. This undermines evidence-based tax development mechanisms.

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.

iii. 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

A collection of handwritten signatures and initials in black ink, scattered across the bottom of the page. Some are large and stylized, while others are smaller and more legible. They appear to be official signatures of committee members or staff.

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

iv. 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.

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.

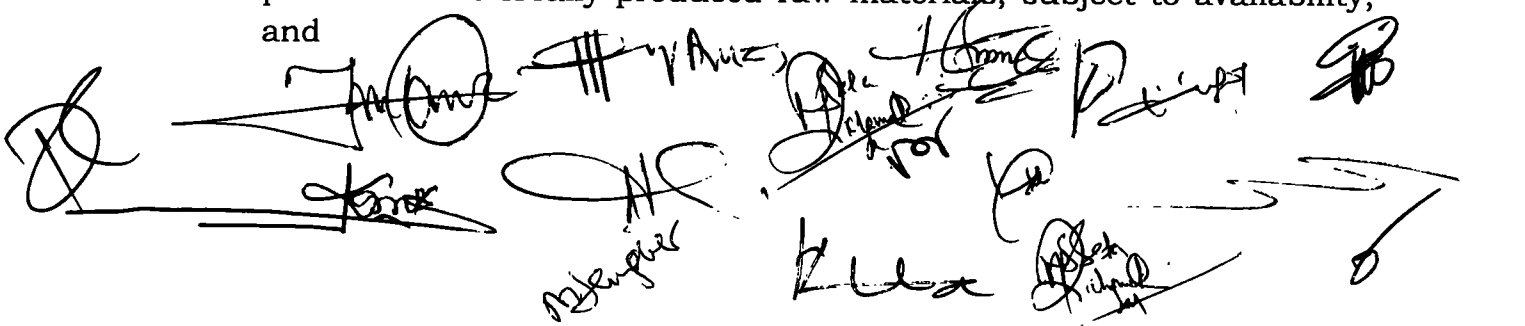
Recommendation

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 Stamp Duty Act, 2014

Clause 2 proposes to amend Schedule 2 of the Act which provides for stamp duty for different instruments chargeable with duty as follows;

- a) To exclude shares acquired by investors in a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap. 84;
 - b) To provide a nil tax on nominal share capital or any increase of share, acquired by an investor in a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap. 84;
 - c) To require that a strategic investment project ensures that at least seventy percent of its employees are citizens, earning an aggregate wage of at least seventy percent of the total wage bill;
 - d) To require that a strategic investment project utilises at least seventy percent of the locally produced raw materials, subject to availability;
- and



The bottom of the page contains several handwritten signatures and initials in black ink. Some of the signatures are written over the text of the list items. There is a large signature on the left side, and several smaller ones scattered across the bottom. One signature on the right side appears to be 'Munira'.

- e) To expand provision of specialised medical facilities to any qualifying health facility without them being at a level of a national referral hospital.
- f) To provide a nil tax to a manufacturer of an electric vehicle, electric battery or electric vehicle charging equipment or fabricator of the frame and body of an electric vehicle who meets the following requirements—
 - (i) a minimum investment capital of ten million United States Dollars in case of a foreigner, or three hundred thousand United States Dollars in case of a citizen or one hundred fifty thousand United States Dollars in case of a citizen who invests up-country;
 - (ii) capacity to use at least seventy percent of the locally produced raw materials, subject to availability;
 - (iii) 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
 - (iv) provides for substitution of thirty percent of the value of imported products such as;
 - debenture; whether a mortgage debenture or not, being of a marketable security of the total value;
 - further charge; any instrument imposing a further charge on a mortgaged property- of the total value;
 - lease of land of the total value;
 - increase of share capital; and
 - transfer of land;
- g) To provide a nil tax on shares or other securities, to or by an investor in a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap. 84.

The Committee observed that the objective of this proposal is to promote investments by private equity and venture capital investors, which are regulated by the Capital Markets Authority, into early stage and high-risk enterprises with a potential of growth in Uganda.

The Committee further observed that the objective of the proposals is to align the qualifying criteria for strategic investment incentives under the Stamp Duty Act with that in other Acts including the Value Added Tax Act and Income Tax Act.

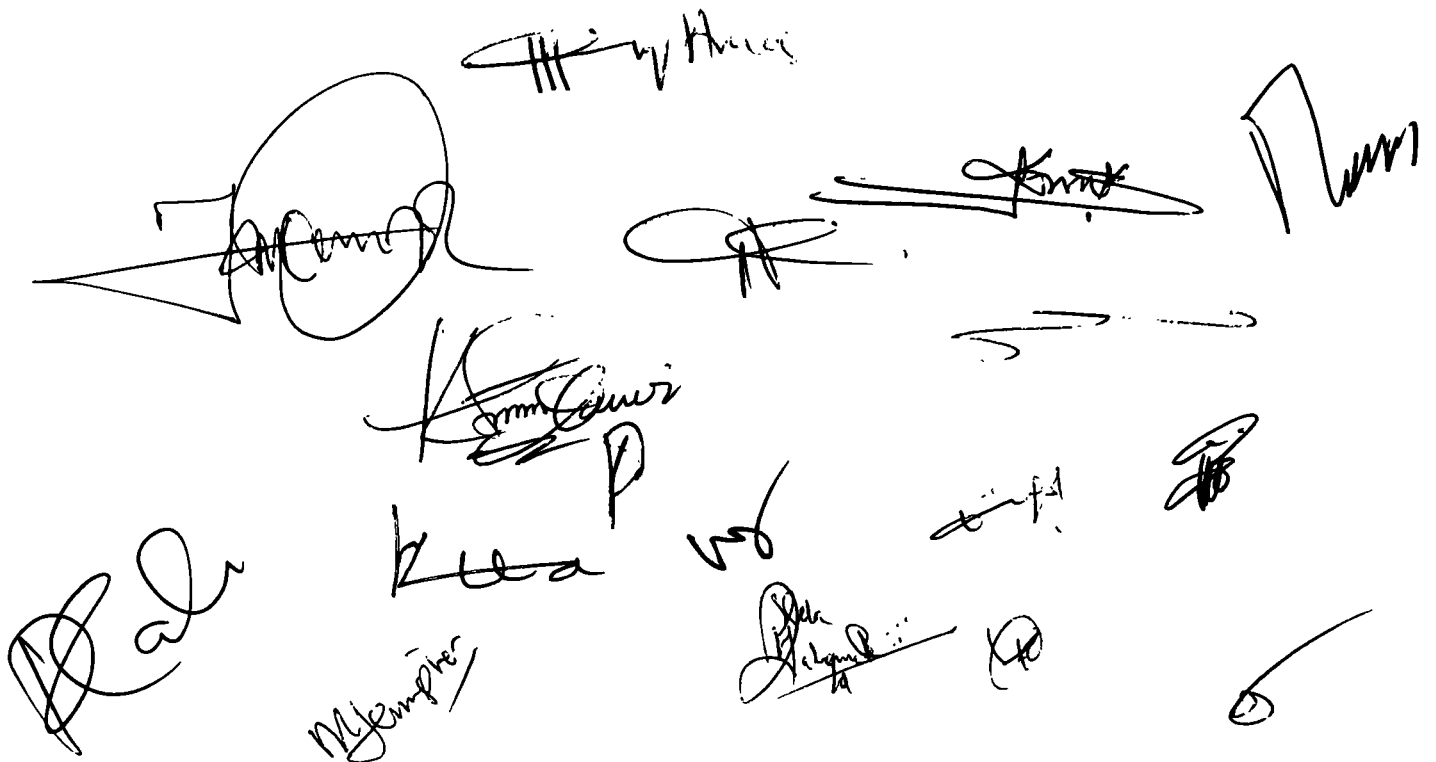
Further, the Committee observed that proposed exemption of specialized hospitals is for a period of ten years. This is in line with other exemptions that have been given for other facilities.

The bottom of the page contains several handwritten signatures and initials in black ink. On the far left is a large, stylized signature. To its right are several smaller signatures, some with names like 'Kusuma' and 'Kusuma' written above them. There are also various initials and scribbles scattered across the bottom right area, including what appears to be 'Mark' written vertically.

Additionally, the Committee noted that the Bill expands the scope of manufacturers who qualify for "NIL" Stamp Duty and includes manufacturers of electric vehicles, electric batteries or electric vehicle charging equipment or fabricator of the frame and body of electric vehicles. This is intended to promote investment in an environmentally friendly transport system in Uganda.

Recommendation

The Committee recommends that the Bill be passed subject to proposed amendments.



A collection of approximately 15 handwritten signatures and initials in black ink, scattered across the lower half of the page. The signatures vary in style, including cursive, stylized, and block letters. Some are accompanied by names or titles written in smaller handwriting, such as 'M. J. ...' and 'K. ...'. The signatures are not organized into a formal list or table.

STAMP DUTY (AMENDMENT) BILL, 2024

Clause 2: Amendment of Stamp Duty Act, 2024

Clause 2 is amended-



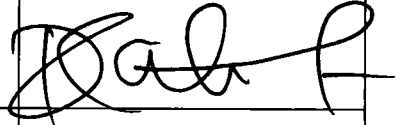
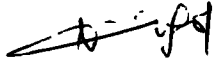
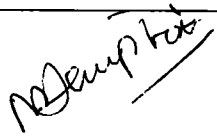
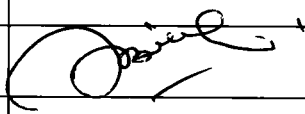
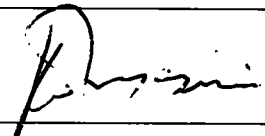
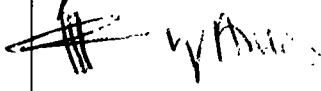
- (a) in paragraph (a), by inserting the words “or shares acquired by a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap. 84 immediately after the words “Cap. 84”;
- (b) in paragraph (b), by inserting the words “or by a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap. 84 immediately after the words “Cap. 84” in the proposed item (e);
- (c) in paragraph (c)(iv), in the proposed paragraph (g)(iv), by inserting the words “at least” immediately after the words “substitution of”; and
- (d) in paragraph (d), by inserting the words “or to or by a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap. 84 immediately after the words “Cap. 84” in the proposed item (f);

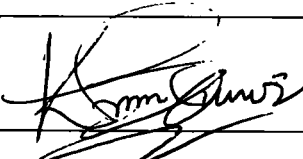
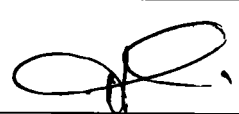


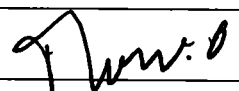
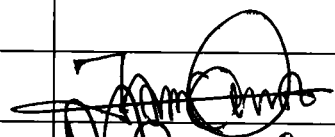
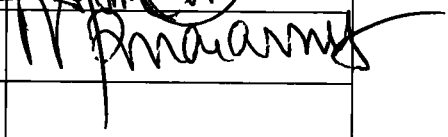
Justification

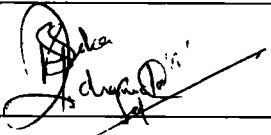
To provide for private equity or venture capital as a source of long term capital that can provide funding through debt or acquisition of shares in privately held businesses.

The bottom half of the page contains several handwritten signatures and initials in black ink. These include a large signature that appears to be 'J.R.', a signature that looks like 'K. M. M.', and several other smaller signatures and initials such as 'M. J. M.', 'P. M.', 'M. J.', 'M. J.', and 'M. J.'. There are also some scribbles and lines that do not clearly form a signature.

MEMBERS OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE STAMP 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	
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	JK
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	
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	