

1.0 INTRODUCTION

The Excise Duty (Amendment) Bill, 2025 was presented for first reading on 4th February, 2025 in accordance with Rule 128 of the Rules of Procedure of Parliament. Subsequently, in accordance with Rule 129, the Bill was referred to the Committee on Finance, Planning and Economic Development for examination.

Rt. Hon. Speaker and Colleagues, the Committee considered the Bill through consultations with different stakeholders, and now reports.

2.0 OBJECT OF THE BILL

The object of this Bill is to amend the Excise Duty Act, Cap. 336, to revise the excise duty payable in respect of un-denatured spirits.

The Excise Duty (Amendment) Act, 2024 defines “un-denatured spirits” to mean spirits that are not mixed with any substance 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;”

Schedule 2 of the Excise Duty Act provides for Excise duty in respect of excisable goods and services and the Bill seeks to amend this schedule so as to revise the excise duty rates.

3.0 METHODOLOGY

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

- i) Minister of Finance, Planning and Economic Development (MFPED)
- ii) Uganda Revenue Authority (URA)
- iii) Uganda Manufacturers Association (UMA)
- iv) Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI)

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4.0 FINDINGS OF THE COMMITTEE

The Committee made the following findings.

4.1 Amendment of Schedule 2 of the principal Act

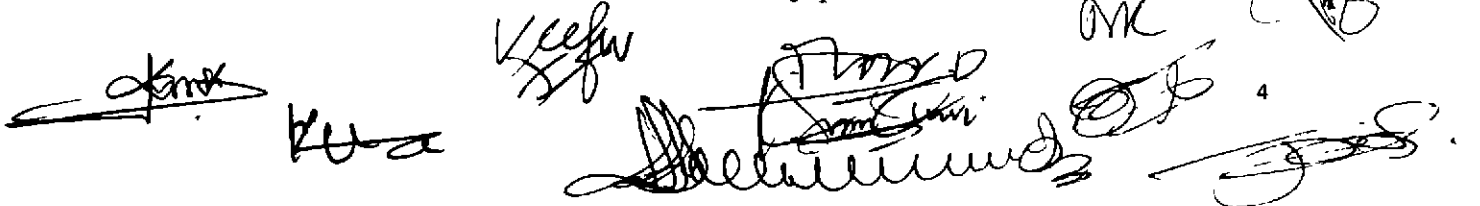
The Committee found that currently item 3(a) of the second schedule to the Excise Duty Act provides for (NIL) or no excise duty on un-denatured spirits made from locally produced raw materials used in the production of disinfectants and sanitizers for the prevention of the spread of Covid-19.

The proposed amendment seeks to repeal the provision and replace it with a provision for un-denatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw materials at an excise duty rate of 60% or shs. 1500 per litre, whichever is higher.

Item 3(c) (i) of the same schedule provides for un-denatured spirits that are locally produced, of alcoholic strength by volume of less than 80% which is charged an excise duty of 80% or Shs 1700 per litre, whichever is higher. It is now proposed that the rate be revised to a charge of excise duty of 60% or shs. 1700 per litre, whichever is higher. The Committee notes that this signifies a reduction of 20% in the advalorem rate while the specific rate has been maintained.

The Committee further found that under the current Excise Duty Act, as amended, un-denatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw materials does not attract excise duty payable. According to the Minister responsible for Finance, the proposal was brought before Parliament under the Excise Duty (Amendment) Bill, 2024 but the same was not passed by Parliament hence the current proposal.

The Committee was informed by the Minister that it is important that Parliament passes the Bill as proposed otherwise, Government stands to lose revenue from un-denatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw materials. The



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certificate of financial implications indicates that the the Bill will contribute to the expected 0.5% growth in GDP in the next FY from 6.5% to 7%.

Furthermore, the Minister submitted that while considering the Excise Duty(Amendment) Bill, 2024, the decision by Parliament to put the same rate for both un-denatured spirits from imported raw materials and locally produced raw materials has disadvantaged the local producers who fear that they shall soon be pushed out of Business which situation has necessitated the amendment. It was further the submission of the Minister that providing a uniform excise duty rate to apply to both imported and locally produced spirits is against the government policy to promote local manufacturers by providing a reduced tax rate as a tax incentive for purpose of import substitution.

Currently, provision under item 3(a) of the second schedule to the Excise Duty Act provides an exemption or a NIL Excise duty rate for sanitisers and disinfectants manufactured for purpose of combating covid-19. It was the submission of the Minister that several manufacturers of sanitizers have continued manufacturing sanitizers and disinfectants though not for prevention of covid-19. The Minister therefore deemed it necessary to repeal the provision since it is now spent and instead provide for a tax regime for locally produced un-denatured spirits.

5.0 OBSERVATIONS AND RECOMMENDATIONS OF THE COMMITTEE

The Committee observed that indeed the Covid-19 epidemic is now under control and there is no longer a need to provide for the exemption. The Committee agreed with the Minister that the proposed amendment is timely.

The Committee further observed that Parliament last amended the Excise Duty Act in July 2024 and therefore the amendment has operated for a period of at-least 8 months.

The Minister, however, did not inform the Committee about the performance of the previous amendment, the impact and therefore the actual justification for amendment. The Committee noted that there are no projections of collection nor any analysis of losses to Government so far and therefore necessitating the amendment. The impact on the consumption of local raw materials as a result of the Tax Regime was not commented upon by the Minister either. The Committee further observed that the Minister did not present any research on the proposals for amendment of the tax regime a complaint of the Committee for the past three sessions of the Parliament. The Committee was concerned that the Minister did not quantify the extent of loss of Government revenue nor the projected income as a result of the imposition of the tax.

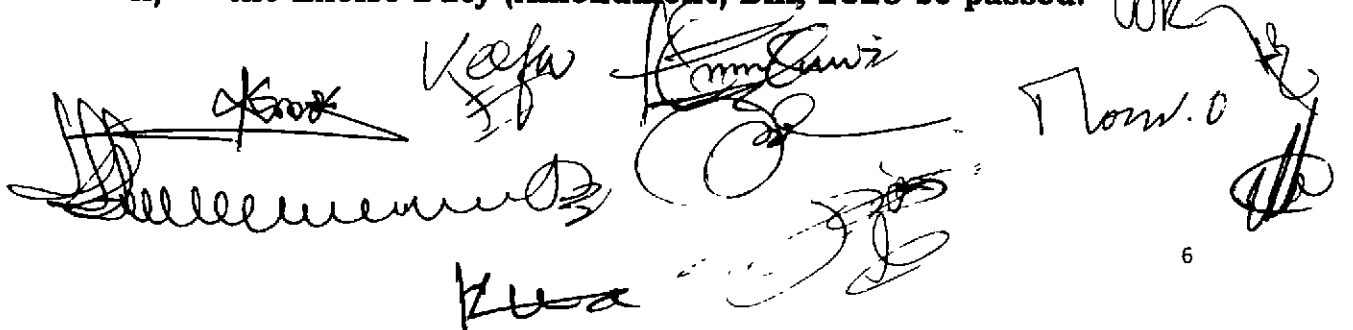
The Committee observed that the equal treatment of the two other un-denatured spirits makes the locally produced un-denatured spirits uncompetitive alongside the imported thus discouraging local manufacturers and the intention of "Buy Uganda Build Uganda". (BUBU) The Committee therefore finds the proposed amendment timely.

The stakeholders agreed with the proposed amendment. They submitted that the reduction in excise duty on locally produced will encourage local manufacturers, promote more sales and also help to curb illicit trade in alcohol.

6.0 RECOMMENDATION

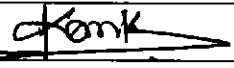


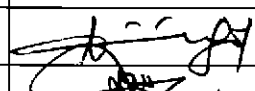
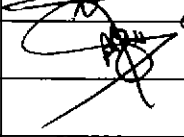
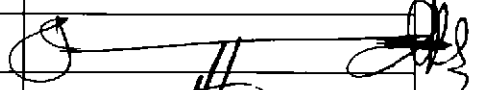



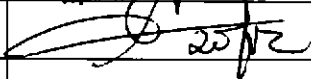
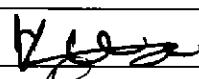


The Committee recommends that:

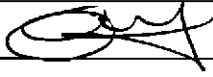
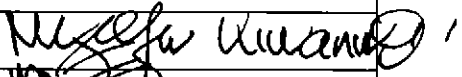


- i) **proposals of amendment to any tax Bill should be based on research.**
- ii) **the Excise Duty (Amendment) Bill, 2025 be passed.**



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MEMBERS OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT.

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1.	HON. KANKUNDA AMOS K. (CAHIRPERSON)	
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