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PARLIAMENT OF UGANDA

MINORITY STATEMENT ON THE EXCISE DUTY (AMENDMENT) (N0.2) BILL, 2025.

MAY 2025.

1.0 Introduction.

The Excise Duty (Amendment) (N0.2) BILL, 2025 was read for the first time on Thursday 27th March 2025 and referred to the Committee on Finance for scrutiny and report back to the House.

The object of this Bill is to amend the Excise Duty Act, Cap. 336 to; To provide for the **remission of excise duty paid on damaged, expired or obsolete goods**; To revise the rate of excise duty on certain excisable goods and services under Schedule 2 of the Excise Duty Act, Cap.336.

The Committee on Finance, Planning and Economic Development scrutinized the Bill and prepared a report.

Pursuant to Rule 214(b) of the Rules of Procedure of the Parliament of Uganda, this Minority Statement indicates dissenting opinions from the majority of the Committee

2.0 Areas of Dissent.

a) Lack of studies to support tax bills.

b) Withdraw of Clause (3e) of the Bill without adjusting the Resource Envelope.

c) Lack a comprehensive taxation policy in the country.

d) Instability of the tax regime coupled with Multiple taxes are crippling businesses in the country.

3.0 Dissenting Observations.

3.1 Lack of studies to support tax bills.

Hon. Speaker, we continue to process tax bills that are not supported by studies contrary to Parliament's recommendations. In its report for FY 2024/25, the Committee of Budget recommended that, going forward, " Studies be instituted by MoFPED to assess the effectiveness, efficiency, and impact of the tax exemptions in greater detail."

In the same year, FPED3-24 also noted that the majority of the tax law amendments were not informed by tax-related analytical briefs. It emphasized that the Ministry responsible for Finance failed to adhere to a previous recommendation of Parliament that while considering Bills for the FY 2023/24 , every Bill should be accompanied by a stand-alone evaluation or regulatory impact assessment. **Hon. Speaker**, it is disappointing for the same committee of

Finance to continue supporting and approving bills it knows that don't adhere to its recommendations every Financial year.

We continue witnessing a lack of appropriate studies for the current tax bills. For instance, while appearing before the Committee of Finance to process the tax bills, the Minister projected that tax proposals for FY 2025/26 would generate **UGX.538.6 billion.** Additionally, he projected to generating UGX. **1,885 billion** from URA administration measures, making a total of **UGX. 2,423.6** while targeting a Domestic Revenue growth of UGX. **4,836.74 billion.** The Government doesn't explain how it intends to raise the remaining **UGX. 2,413.14 billion. This confirms that government revenue projections are made without studies to support the tax proposals.**

Failure of URA to achieve targeted revenue projections further confirms our claim. For instance, in the Fiscal Trends for FY2023/24, URA had targeted to raise UGX. 29,218.98 in revenue but only managed to collect UGX. 27,301.22 billion, leaving a revenue gap of UGX. 1,917.76 billion.

Table 1. The Medium Term Revenue Projections FY 2022/23-FY 2029/30.

	2022/23	**2023/24**	**2024/25**	**2025/26**
	Actual	**Actual**	**Estimated Revenue**	**Estimated Revenue**
Total Revenues (Net Tax + NTR)	22,567.46	27,782.30	32,006.86	36,818.66
Net Tax Revenues	**23,732.99**	**25,719.59**	**29,368.46**	**33,592.53**
NTR	1,834.47	2,062.71	2,638.40	3,226.13

Source: Draft Estimates of Revenue and Expenditure (recurrent and Development) FY 2025/26.

Table 2. Fiscal Trends (FY2016/17 = base year)

Indicator	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Net URA Collections (Shs Bn)	**19,263.00**	**21,658.01**	**25,209.05**	**27,301.22**
Gross Revenues (Shs Bn)	19,649.87	22,098.06	25,752.05	27,938.49
Net URA Targets (Shs Bn)	**21,638.65**	**22,363.51**	**25,151.57**	**29,218.98**
Revenue shortage	**(2,375.65)**	**(705.5)**	**57.48**	**(1,917.76)**

Source: URA & UBOS.

c) Budget Frame Paper FY 2025/26 revenue targets, when compared to the 1st and 2nd Budget Call Circular's revenue projections, indicate very wide variations, suggesting a lack of studies underpinning these projections.

The 1st BCC (dated 13th September 2024) projected Domestic revenue at **UGX.33.182 trillion** with a budget of **UGX. 57.441trillion.** The 2nd Budget Call Circular, issued three months later on the 13th February 2025, projected domestic revenue at **UGX. 35,692.9** with a budget of **UGX.66.086 trillion.** On the 25th of March 2025, barely one month later, the proposed domestic revenue amounted to **UGX. 36,818.66 billion** for a budget of **UGX. 71.96 trillion.** The frequent changes in revenue targets imply a lack of lack of thorough studies to support tax proposals.

Table showing frequent changes in domestic revenue projections between 13th Sept 2024 to 25th March 2025,

Period	Date	Domestic Revenue Projection (trn)	National Budget (trn)
1st BCC	13th sept 2024	33.182	57.441
2nd BCC	13th Feb 2025	35.692	66.086
Current	25th March 2025	36.818	71.96

Source; MoFPED & LOP'S Compilation.

3.2 The National Budget was not adjusted following the withdrawal of a clause from which UGX.200.30 billion in tax revenue had been anticipated.

The Certificate of Financial Implication (CFI), submitted by the Ministry of Finance, Planning and Economic Development (MoFPED) on 25, March, 2025, indicated that the Excise Duty (Amendment) Tax Bill was projected to generate UGX. 227.70 billion annually from increased excise Duty on fuel, cigarettes, and beer. However, during a session with the Committee on Finance, Planning and Economic Development, Clause (3e) of the Bill was withdrawn. This clause, which proposed an increase in the excise duty rate on fuel, was expected to raise *UGX. 200.30 billion.*

Rt.Hon. Speaker, Tax proposals are intended to generate revenue for the proposed budget. Following the withdraw of the fuel tax clause, the government should have either reduced the proposed budget by an equivalent amount or identified alternative sources to raise UGX 200.30 billion to cover the FY 2025/26 Budget shortfall.

The table below shows the current and the proposed increases in the bill that would generate revenue for the FY 2025/26.

Government had proposed to increase taxes on fuel as indicated below.

		CURRENT PROVISION	PROPOSED PROVISION
"(a)	Motor spirit(gasoline)	Ushs. 1550 per litre.	Ushs. 1650 per litre
(b)	Gas oil (automotive. Light, amber for high speed engines)	Ushs. 1230 per litre"	Ushs. 1380 per litre

We appreciate the decision by Government to withdraw this unpopular tax. However, the Government needs to adjust its resource allocation to account for the decreased revenue expected due to the withdrawn clause. Consequently, we object to the withdrawal without an equivalent budget reduction. If not, the Government must clearly state the alternative revenue sources that will bridge this gap before we approve this Bill.

3.3 Lack a comprehensive taxation policy in the country.

Hon. Speaker, in our various Minority reports, we have always advised government to develop a comprehensive taxation policy in the country. With time even the majority reports joined us in agitating for the same. For instance, in its report, the Budget Committee on the Annual budget estimates for FY 2024/25 (BUD2-24

Report) recommended Government to develop a National Tax Policy that would form the basis for effective tax legislation and tax administration.

Hon. Speaker, the MoFPED presented tax bills which were referred to the committee of Finance for processing. The committee had a retreat on the same. From the discussions, it became clear that the bills were lacking in clarity. Towards the end, two bills were referred back to the MoFPED for redrafting. The MoFPED together with URA, confirmed having presented bills which were wanting and demanded more time for consultation. In the FY 2024/25, the Committee on Finance Planning and Economic Development had recommended that wider consultations on tax policy design be prioritized prior to drafting tax policies into law and to avoid tax policy reversals. Why should the recommendations of Parliament continue to be ignored every Financial year?

3.4 Instability of the tax regime coupled with Multiple taxes are crippling businesses in the country.

While taxes are crucial for a country's development, a multitude of taxes and complex tax procedures have placed a significant burden on businesses, hindering their growth, profitability, and overall sustainability. A typical business pays corporation income tax, VAT, Excise on locally manufactured or imported goods and services. It further pays P.A.Y.E, Withholding Tax, stamp duty to mention but a few.

Rt. Hon. Speaker, the cumulative effect of multiple taxes significantly erodes profits leaving businesses with little profits for reinvestment and expansion. It is high time, this Government streamlined the tax system, reduce the number of levies, simplify tax compliance and provide a more conducive business environment.

Rt.Hon. Speaker, the frequent amendment of tax laws has presented challenges for both the tax payers and Uganda Revenue Authority in administering taxes. Previous Reports from the Committee on Finance regarding Tax Bills attributed this issue to the lack of a comprehensive tax policy. While processing the FY 2024/25 Tax Bills, the Committee on Finance recommended that the MFPED establish such a policy to ensure, among other things, the stability of the tax regime.

Rt.Hon. Speaker, it is regrettable that this year, the Government is proposing seven tax bills that appear intended to further burden taxpayers without a commensurate improvement in public service delivery. We continue to witness inadequate healthcare services nationwide, a severely underfunded education sector, and the persistent problems of poor roads and floods, to mention but a few critical issues. Taxes must serve as instruments for development, not solely as mechanisms for revenue collection.

The Front Bench spearheaded by the Ministry of Finance, Planning and Economic Development in collaboration with URA proposes new proposals every year and this House- Parliament of Uganda legislates to increase taxes on the very people who elected us. New taxes upon old ones are cumulatively added on the already heavy tax burden faced by most Ugandans. While, it is the obligation of tax payers to pay the taxes due, it is equally an obligation of Government to offer services to its citizens in equal measure. Rt. Hon. Speaker, Countries that pay heavy taxes have their services improved across the board.

Conclusion.

Government must adjust its budget by the amount it had proposed to raise from the withdrawn clause (3e) in Bill or provide alternative sources for the shortfall.

I beg to submit.

SN	Name	Signature
1	SSEMUJJU IBRAHIM	

Appendix 1.

Excise duties.

Excise duties are imposed on goods considered luxuriant. Examples include locally manufactured soft drinks, cigarettes, alcoholic drinks, and spirits. A schedule of some of the rates is provided below:

Goods	Excise duty
Soft cap cigarettes:	
Locally manufactured	UGX 55,000 per 1,000 sticks
Imported	UGX 75,000 per 1,000 sticks
Hinge lid cigarettes:	
Locally manufactured	UGX 80,000 per 1,000 sticks
Imported	UGX 100,000 per 1,000 sticks
Cigars, cheroots, and cigarillos containing tobacco	200%
Smoking tobacco whether or not containing tobacco substitutes in any proportion	200%
Homogenised or reconstituted tobacco or other tobacco	200%
Beer made from malt	60% or UGX 2,050 per litre, whichever is higher
Opaque beer	10% or UGX 150 per litre, whichever is higher

Goods	Excise duty
Beer produced from barley grown and malted in Uganda	30% or UGX 950 per litre, whichever is higher
Any other alcoholic beverage locally produced	10% or UGX 150 per litre, whichever is higher
Powder for reconstitution into beer	UGX 2,500 per kg
Undenatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw materials	60% or UGX 1,500 per litre, whichever is higher
Undenatured spirits of alcoholic strength by volume of 80% or more made from imported raw materials	100% or UGX 2,500 per litre, whichever is higher
Locally produced spirits of alcoholic strength by volume of less than 80%	80% or UGX 1,700 per litre, whichever is higher
Spirits that are imported of alcoholic strength by volume of less than 80%	80% or UGX 1,700 per litre, whichever is higher
Non-alcoholic beverages (excluding fruit or vegetable juices).	12% or UGX 250 per litre, whichever is higher
Fruit and vegetable juice (except juice made from at least 30% of pulp or at least 30% juice by weight or volume of the total composition of the drink from fruits and vegetables locally grown)	10% or UGX 250 per litre, whichever is higher
Any other non-alcoholic beverage locally produced other than the beverage referred to in item 5(a) made out of fermented sugary tea solution with a combination of yeast and bacteria	10% or UGX 150 per litre, whichever is higher

Goods	Excise duty
Any other fermented beverages made from imported cider, perry, mead, spears, or near beer	60% or UGX 950 per litre, whichever is higher
Any other fermented beverages, including cider, perry, mead, or near beer produced from locally grown or produced raw materials	30% or UGX 550 per litre, whichever is higher
Powder for reconstitution to make juice or dilute-to-taste drinks, excluding pulp	15% of the value
Wine produced from local raw materials	20% or UGX 2,000 per litre, whichever is higher
Other wine	100% or UGX 10,000 per litre, whichever is higher
Fuel and oils	Between UGX 200 and UGX 1,450 per litre, depending on the type of fuel/oil. Nil for gas oil and thermal power generation to the national grid and aviation fuel imported by registered airlines or companies.
Motor spirit (gasoline)	UGX 1,550 per litre
Gas oil (automotive, light, amber for high speed engine)	UGX 1,230 per litre
Motor vehicle lubricants, except aircraft lubricant	15%
Plastic product and plastic granules	2.5% or USD 70 per ton, whichever is higher
Chewing gum, sweets, and chocolates	Nil

Goods	Excise duty
Cooking oil	UGX 200 per litre
Other furniture	20%
Specialised hospital furniture	Nil
Construction materials of a manufacturer, other than one referred to in item 21, whose investment capital is at least USD 150 million or, in the case of any other manufacturer, who makes an additional investment equivalent to USD 50 million	Nil
Construction materials of a manufacturer of electric vehicles, electric batteries, or electric vehicle charging equipment or fabricators of frames and bodies of electric vehicles whose investment capital is at least USD 35 million in the case of a foreigner or USD 5 million in the case of a citizen	Nil

Other goods and services	Excise duty
Airtime applicable to mobile cellular, landline, and public pay phones	12% of the fee charged
Internet data, except data for the provision of medical and education services	12% of the fee charged

Other goods and services	Excise duty
Valued added services	12% of the fee charged
Banking fees, such as ledger fees, ATM fees, and withdrawal fees, periodic charges, and other transaction and non-transaction charges, excluding loans or the equivalent under Islamic banking related charges periodically charged by a financial institution or micro finance deposit taking institution	15% of the fees charged
Money transfers (other than transfers by banks)	15% of the fees charged
Mobile money transactions of withdrawal of cash	0.5% of the value of the transaction
Incoming international calls (other than calls from Burundi, the Republic of Kenya, the Republic of Rwanda, the Republic of South Sudan, or the United Republic of Tanzania)	USD 0.09 per minute
Payment service of withdrawals of cash provided through a payment system, but this does not include withdrawal services provided by a financial institution or a micro finance deposit taking institution and through agent banking.	0.5% of the value of the transaction
Cosmetics and perfumes (except creams used by persons with albinism in the treatment of their skin)	10%

Other goods and services	**Excise duty**
Cement	UGX 500 per 50 kg
Cane or beet sugar and chemically pure sucrose in solid form	UGX 100 per kg
Mineral water, bottled water, and other water purposely for drinking	10% or UGX 50 per litre, whichever is higher