

**BILLS SUPPLEMENT**

*to The Uganda Gazette No. 13, Volume CXII, dated 27th March, 2019*

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Laid on table by  
Hon Matia Kasaija  
on 28/3/2019  
Mma

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**Bill No. 7**      *Value Added Tax (Amendment) Bill*      **2019**

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**THE VALUE ADDED TAX (AMENDMENT) BILL, 2019**

**MEMORANDUM**

The object of this Bill is to amend the Value Added Tax Act, Cap. 349; to define a citizen; to provide for the percentage of withholding tax to be remitted, to empower the Minister to make Regulations for prescribing the equivalent tax treatment of supplies made in the course of Islamic financial transactions; and to provide tax incentives to investors by exempting certain supplies from Value Added Tax.

**MATIA KASAIJA (MP),**  
*Minister of Finance, Planning & Economic Development.*

THE VALUE ADDED TAX (AMENDMENT) BILL, 2019

ARRANGEMENT OF CLAUSES

*Clause*

1. Commencement
2. Amendment of Value Added Tax Act, Cap. 349
3. Amendment of section 5 of principal Act
4. Insertion of section 73A
5. Amendment of First Schedule to principal Act
6. Amendment of Second Schedule to principal Act
7. Amendment of Third Schedule to principal Act

A Bill for an Act

ENTITLED

**THE VALUE ADDED TAX (AMENDMENT) ACT, 2019**

**An Act to amend the Value Added Tax Act, Cap. 349; to define a citizen; to provide for the percentage of withholding tax to be remitted; to empower the Minister make Regulations for prescribing the equivalent tax treatment of supplies made in the course of Islamic financial transactions and to provide tax incentives to investors by exempting certain supplies from Value Added Tax.**

BE IT ENACTED by Parliament as follows:

**1. Commencement.**

This Act shall come into force on 1<sup>st</sup> July, 2019.

**2. Amendment of Value Added Tax Act, Cap. 349.**

The Value Added Tax Act, in this Act referred to as the principal Act is amended in section 1 by inserting immediately after paragraph (aa) the following—

“(aaa) “citizen” means—

- (a) a natural person who is a citizen of a Partner State of East African Community;
- (b) a company or a body of persons incorporated under the laws of a Partner State of the East African Community in which at least fifty-one percent of the shares are held by a person who is a citizen of a Partner State of East African Community;”

**3. Amendment of section 5 of principal Act**

Section 5 of the principal Act is amended—

- (a) by substituting for subsection (2) the following—

“(2) The Minister shall, by notice in the Gazette, designate persons who shall withhold tax on payment of taxable supplies.”;

- (b) by inserting immediately after subsection (2) the following—

“(2a) A person designated under subsection (2), shall remit to the Uganda Revenue Authority, six percent of the taxable value referred to in sections 21 and 23 of this Act.

(2b) Subsection (2a) does not apply to a taxable person who the Commissioner General is satisfied has regularly complied with the obligations imposed on a taxable person under this Act.”

**4. Insertion of section 73A.**

The Principal Act is amended by inserting immediately after section 73 the following—

**“73A. Islamic financial transactions**

The Minister shall make Regulations for prescribing the equivalent tax treatment of supplies made in the course of Islamic financial transactions.”.

**5. Amendment of First Schedule to principal Act.**

The First Schedule to the principal Act is amended by inserting immediately after “United Nations High Commission for Refugees” the following—

“United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)”

**6. Amendment of Second Schedule to principal Act.**

The Second Schedule to the principal Act is amended in paragraph (1)—

(a) by inserting immediately after subparagraph (d) (iv) the following—

“(v) aircraft insurance services.”;

(b) by inserting immediately after subparagraph (s) (xxxv) the following—

“(xxxvi) rice mills;

(xxxvii) agricultural sprayers.”;

(c) by substituting for the words “one hundred” wherever they appear in subparagraphs (mm), (nn) and (oo) the word “fifty”;

(d) by substituting for paragraph (pp) the following—

“(pp) supply of services to conduct a feasibility study and design; the supply of locally produced materials for

the construction of a factory or a warehouse and the supply of locally produced raw materials and inputs or machinery and equipment to an operator within an industrial park, free zone or to an operator who owns a single factory or other business outside the industrial park or free zone whose minimum investment capital is ten million United States Dollars in the case a foreigner or two million United States Dollars in case of a citizen, who uses at least seventy percent of the raw materials that are locally sourced, subject to their availability and at least sixty percent of the employees are citizens and who—

- (i) processes agricultural goods;
  - (ii) manufactures or assembles medical appliances, building materials, automobile, house hold appliances;
  - (iii) manufactures furniture; or
  - (iv) carries on business in logistics and ware housing, information technology or commercial farming.”;
- (e) by substituting for the word “fifteen” wherever it appears in subparagraphs (pp) and (vv) the word “ten”;
- (f) by inserting immediately after paragraph (yy), the following—
- “(zz) the supply of services to conduct a feasibility study, design and construction; the supply of locally produced materials for the construction of premises and other infrastructure, machinery and equipment

or furnishings or fittings for technical or vocational institute operators whose investment capital is at least ten million United States Dollars in case of a foreigner or two millions United States Dollars in case of a citizen;

- (aaa) the supply of drugs and medicines;
- (bbb) the supply of imported mathematical sets and geometry sets used for technical and vocational education;
- (ccc) the supply of woodworking machines;
- (ddd) the supply of welding machines and sewing machines.”

**7. Amendment of Third Schedule to principal Act.**

The Third Schedule to the principal Act is amended by substituting for paragraph (c), the following—

“(c) the supply of drugs and medicines manufactured in Uganda;”



THE REPUBLIC OF UGANDA

Laid on table by  
Hon. Matia Kasaija  
on 28/3/2019  
HMS

## CERTIFICATE OF FINANCIAL IMPLICATIONS

(Made under Section 76 of the Public Finance Management Act, 2015)

**THIS IS TO CERTIFY** that the Bill entitled, the VALUE ADDED TAX (AMENDMENT) BILL 2019, has been examined as required under Section 76 of the Public Finance Management Act, 2015. I wish to report as follows:-

**a) That the Bill has the following objective:**

1. To amend the Value Added Tax Act Cap. 349 to provide for the percentage of withholding tax to be remitted;
2. To define a citizen for tax purposes;
3. To empower the Minister to make Regulations for prescribing equivalent tax treatment for supplies made in the course of Islamic financial transactions;
4. To provide for tax incentives to investors by exempting certain supplies from Value Added Tax.

**b) That the Bill will have the following impact on the economy:**

1. To raise revenue that will finance Government priority programmes and lead to attainment of the growth objectives in the National Development Plan and Vision 2040.
2. To improve compliance and ease tax administration.

**c) That the expenditure plan by major components for the next two years:**

Since this is an amendment to the existing tax provisions, there is no expenditure plan specifically different from the overall allocation of UShs. 431.25 billion for Financial Year 2019/20 to Uganda Revenue Authority.

**d) Expected revenue to Government:**

Revenue expected from tax measures on Value Added Tax is UShs. 6.06 billion.

Submitted this 28<sup>th</sup> day of **March, 2019** under my hand.

  
Matia Kasaija (MP)

**MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**

*Vision*

*"A competitive economy for national development"*





THE REPUBLIC OF UGANDA

Laid on table by  
Hon. Matha Kasuka  
on 28/3/2019  
Pma

## CERTIFICATE OF FINANCIAL IMPLICATIONS FOR THE BUDGET OF FY 2019/2020

This Certificate is made under Section 76 (1) & (2) of the Public Finance Management Act, 2015 (amended).

**THIS IS TO CERTIFY** that the Appropriation Bill 2019 for the Budget of FY 2019/2020 has been examined as required under Section 76 (1) & (2) of the Public Finance Management Act, 2015 (Amended).

I therefore wish to report as follows:

### **a) Background**

Article 156 (1) of the Constitution of the Republic of Uganda and Section 14 (1) & (2) of the Public Finance Management Act, 2015 (Amended) require that the Heads of expenditure contained in the Estimates, other than expenditure charged on the Consolidated Fund by the Constitution or any Act of Parliament, shall be included in an Appropriation Bill and introduced into Parliament to provide for the issuance from the Consolidated Fund of the sums necessary to meet that expenditure and the appropriation of those sums for the purposes specified in the Bill.

The total Budget Estimate for Financial Year 2019/2020 amounts to **Uganda Shillings; Thirty Nine Trillion, Five Hundred and Forty Eight Billion, Four Hundred and Seventy Two Million, Six Hundred and Seven Thousand Only (39,548,472,607,000)**, of which **Uganda Shillings Twenty Seven Trillion, Two Hundred and Seventy Three Billion, Eight Hundred and Three Million, Six Hundred and Ninety Three Thousand Only (27,273,803,693,000)** is due for Appropriation while **Uganda Shillings**

Twelve Trillion, Two Hundred and Seventy Four Billion, Six Hundred and Sixty Eight Million, Nine Hundred and Fourteen Thousand Only (12,274,668,914,000) is for Statutory Expenditures charged directly on the Consolidated Fund.

**b) That the Appropriation Bill 2019 has the following objectives:**

To provide resources for meeting expenditures necessary for the delivery of public services and the appropriation of those sums for the purposes specified in the Bill provided for under Article 156 (1) of the Constitution and Section 14 (1) & (2) of the Public Finance Management Act, 2015 (Amended).

**c) That the Expected Outputs are:**

The public services and corresponding outputs arising out of the Public Expenditures for the period **1st July 2019 to 30th June 2020**.

**d) Expected Savings and/or Revenue to Government:**

There are no expected savings from the Appropriation Bill 2019.

Submitted to Parliament under my hand, this **28th day of March, 2019**.

  
Matilda Kasaija (MP)

**MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**

Received by: .....

Signature: .....

Date : 28th March, 2019