



Global

TAXATION SERVICES Ltd.

Tax Compliance | Tax Advisory

Uganda National Budget FY 2018/2019 *Simplified*



Presented by:
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Theme:
INDUSTRIALISATION
for Job Creation and Shared
PROSPERITY

Economic Performance 2017/18



- **Uganda's GDP grew by 5.8% in 2017/18 from 3.9% growth of 2016/17. The Growth is expected to continue in 2018/19 as the economy reaps from an increase in cash crop yields, growth in financial services, IT & gains from infrastructure investment.**
- **Our public debt stands at USD 10.53 billion compared to USD 8.7 billion in 2016/17. The ratio of public debt to GDP is 38.1% . This is lower than the Debt management Framework threshold of 50%. This is therefore still sustainable.**
- **Inflation – Increased agricultural output helped to keep inflation levels low despite increase in global price of oil. Trend may reverse due to rising import prices & weakening Ug Shilling.**

Economic Performance for 2017/2018

Sector	2017/18 %age growth
Agriculture	3.2% from 1.6%
Industrial Sector	6.2% from 3.4%
Services sector	7.3%% from 5.4%

The causes of positive growth was due to;

- **Agric sector** – better weather conditions, control of pests & diseases & targeted government intervention (seed distribution & extension services);
- **Industrial Sector** – due to good performance in construction & agro-processing & recovery in Mining & Quarrying sub-sectors;
- **Services Sector** – mainly as a result of improvement in financial, IT & Communications subsectors;

Revenue Performance(URA) 2017/18

- **Tax collections for FY now ending are projected at Ushs 14.4 Trillion against a target of Ushs 15 Trillion reflecting a shortfall of about Shs 600billion,**
- **Non-Tax Revenue collections is estimated at 430.4bn against a target of Shs 380bn due to ALL NT revenues being collected by URA effective 1st July 2017,**
- **However, despite the revenue shortfall, domestic revenues have improved on an annual basis.**

2018/19 Budget Strategy

The strategy for 2018/19 seeks to deliver aspirations of Ugandans in the following key result areas;

- **Commercialization of Agriculture;**
- **Industrialization and Productivity enhancement;**
- **Financing Private Sector Investment.**

Resource envelope

32 TRILLION BUDGET!

Source	Amount, Billions 2017/18	Amount, Billions 2018/2019
Tax Revenue	14,689	15,939
Non-Tax Revenue	376	420
Domestic Borrowing	954	1,783
External Financing	7,075	7,734
Petroleum Fund Resource	125	
Budget Support	35	289
Appropriation in Aid	757	1,063
Domestic Debt Re-financing	4,998	5,271
TOTAL	29,006	32,702

Domestic Revenue Mobilisation

- Tax Revenue effort currently stands at 14% of GDP(*inadequate to finance development needs*);
- To enhance tax and NT revenue collection, parliament reviewed and approved tax measures & tax policies;
- Domestic Revenue is projected to be 16.4 Trillion in FY 2018/19 raising ratio of revenue to GDP from 14.2% to 14.6%;
- The various Tax Amendment Acts have been sent to the President for his signature;

TAX CHANGES

Income Tax:

Tax exemptions proposed

1. The bill is proposing to exempt from tax the income of a developer of an industrial park or free zone whose investment capital is at least 200 million United States Dollars for a period of 10 years from the date of commencement of construction;

Income Tax.....

2. Also to be exempted from tax is the income of **an operator** in an industrial park or free zone or other business outside the industrial park or free zone whose investment capital is at least **30 million Dollars** in the case of a foreigner or **10 million United States Dollars** in the case of a Ugandan citizen for five years from the date of commencement of business.”

Income Tax ...

Good news to individual rental property developers

The bill proposes that interest on a mortgage from a **financial institution** as expenditure incurred by an individual to acquire or construct premises that generate rental income will be an allowable deduction.



Income Tax ...

Deductible interest (Sect 25)

The amount of allowable interest in respect of all debts owed by a taxpayer who is a member of a group shall not exceed 30% of tax earnings (before interest, tax, depreciation & amortization),

Repeal of Thin Cap rules

The bill proposes to repeal thin cap rules as a result of the above proposal,

Income Tax ...

Returnable Containers no longer “minor Capital equipment”

A person is allowed a deduction for expenditure incurred during the year of income in acquiring a depreciable asset *(except returnable containers)* with a cost base of less than UGX 1million,

Income Tax ...

Pay tax even when you make losses!

The bill is proposing that a taxpayer who has carried forward losses for a consecutive period of seven years of income shall pay a tax at a rate of 0.5 percent of the gross turnover for every year of income in which the loss continues after the seventh year.”

Withholding Tax

Withholding Tax on agricultural supplies – from 6% to 1%

The bill proposes that a person who makes a gross payment for agricultural supplies in excess of one million shillings shall withhold tax on the gross amount of the payment at the rate prescribed in part XII of the Third Schedule (1%), if the payer is designated by the Minister to withhold tax.

Withholding Tax

Withholding tax on commission paid to airtime distributors and mobile money services – 10%

A telecommunications service provider who makes a payment of a commission for airtime distribution or provision of mobile money services shall withhold tax on the gross amount of the payment at the rate prescribed in Part XII (10%) of the Third Schedule.”

VAT:

Withholding tax under VAT

The VAT bill proposes that the Minister shall, by notice in the Gazette, designate persons who shall withhold tax (VAT) on a payment for a taxable supply and the persons designated shall remit to the Uganda Revenue Authority 50% of the tax payable.

Interest on overpayments and late refunds

The minister proposes that interest due and payable on overpayments and late refunds shall not exceed the principal tax.

Items to be exempted from VAT

The minister has proposed to exempt from VAT the following supplies;

1. the supply of Bibles and Qu'rans;
2. the supply of services to conduct a feasibility study,
3. design and construction to a developer of an industrial park or free zone whose investment is at least two hundred million United States Dollars;
4. the supply of earth moving equipment and machinery for development of an industrial park or free zone to a developer of an industrial park or free zone whose investment is at least two hundred million United States Dollars;

Items to be exempted from VAT...

5. the 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 an operator with a single factory or other business outside the industrial park or free zone who meets the following requirements—

- a minimum investment capital of thirty million United States Dollars in the case of a foreigner or ten million United States Dollars in the case of a citizen;**

Items to be exempted from VAT...

- carries on business in agro processing, food processing, medical appliances, building materials, light industry, automobile manufacturing and assembly, household appliances, furniture, logistics and warehousing, information technology or commercial farming;
- seventy percent of the raw materials used are sourced locally, subject to their availability;
- directly employs a minimum of one hundred citizens; and
- provides for substitution of thirty percent of the value of imported products;

Items to be exempted from VAT...

6. the supply of services to conduct a feasibility study, design and construction; the supply of locally produced materials for construction of premises, infrastructure, machinery and equipment or furnishings and fittings which are not available on the local market to a hotel or tourism facility developer whose investment capital is fifteen million United States Dollars with a room capacity exceeding one hundred guests;

Items to be exempted from VAT...

7. 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 and fittings to a hospital facility developer whose investment capital is at least ten million United States Dollars and who develops a hospital at the level of a national referral hospital with capacity to provide specialised medical care;

8. the supply of movie production.



Other changes – TPC

Lotteries & Gaming to submit weekly returns

- Weekly return by Wednesday of the following week,
- monthly return by the 15th of the following month.

Waiver of taxes due and unpaid by Government

That all taxes due and unpaid by Government (except tax withheld by Government - WHT) as at 30th June, 2018 are waived.

Mandatory Electronic receipting and invoicing

Taxpayers to issue an e-invoice or e-receipt, or employ an electronic fiscal device which shall be linked to the centralized invoicing and receipting system or a device authenticated by URA.

Other Proposals – TPC...

The Commissioner shall, by notice in the Gazette, specify taxpayers for whom it shall be mandatory to issue e-invoices or e-receipts or employ electronic fiscal devices which shall be linked to the centralized system authenticated by the URA.

Penal tax relating to electronic receipting

- Failure to use electronic device – penal tax equal to tax due or UGX 8m, whichever is higher,
- Failure to issue e-invoice – penal tax equal to tax due or UGX 6m whichever is higher,
- Attempt to acquire or acquiring a device that is not linked to centralized invoicing by URA – imprisonment not exceeding 3 years or fine not exceeding UGX 6m or both.

Traffic & Road Safety proposals

Banning of 15yr old M/vehicles (8yrs!!!)

that a person shall not import a MV which is 15yrs old or more from the date of manufacture. However, this will not apply to the following vehicles;

- Road tractors for semitrailers;
- motor vehicles for the transport of goods with a gross vehicle weight of at least six tonnes;



Traffic & Road Safety ...

- **special purpose motor vehicles including; breakdown lorries, crane lorries, fire fighting vehicles, concrete mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, forklifts, mobile drilling rigs, mobile radiological units, works trucks, tanks and other armoured fighting vehicles, cesspool emptiers, water bowser, bullion spreaders, bitumen spreaders, bucket trucks,**
- **aircraft refuellers, spraying trucks, workshop vans and mobile banks;**
- **agricultural or forestry tractors; and**
- **earth moving motor vehicles, tamping machines and road rollers.**
- **motor vehicles which are in transit before the commencement of this Act and which arrive in Uganda by 30th September, 2018.**

Effect if 8yr ban had been passed

No.	VEHICLE	2000 Model price	2011 Model Price
1	VITZ	UGX 16,000,000	UGX 45,000,000
2	PREMIO	UGX 19,000,000	UGX 65,000,000
3	HIACE Van	UGX 50,000,000	UGX 85,000,000
4	RAV 4	UGX 30,000,000	UGX 90,000,000
5	HARRIER/KLUGER	UGX 32,000,000	UGX110,000,000
6	LANDCRUISER PRADO	UGX 50,000,000	UGX 200,000,000

Traffic & Road Safety ...

Environmental Levy

Item	Motorvehicle	Levy
(a)	A MV which is 5 years old but less than 8 yrs from date of manufacture (excluding goods vehicles)	35% of the CIF Value
(b)	A MV which is 8 yrs old or more from date of manufacture which was imported or is in transit before commencement of this Act and which arrives in UG by 30 Sept 2018.	50% of the CIF value
(c)	A MV which is 5 yrs old or more and which is principally designed to carry goods	20% of the CIF value

Proposed registration fees for MV's

ITEM	MATTER	FEES (Ushs), NEW	FEES (Ushs), Current
1	Sedan cars, saloon cars, estate cars but excluding dual purpose goods passenger vehicles.	1,500,000/=	1,200,000=
2.	Passenger vehicles, including light omnibuses having seating accommodation not exceeding 28 passengers	1,500,000/=	1,200,000=
3.	Estate and station wagon vehicles with engine capacity of 3500 cc or above	1,700,000/=	1,700,000=
4.	Medium omnibuses and heavy omnibuses having seating accommodation of more than 28 passengers	1,500,000/=	1,200,000=

Excise Duty

ITEM	NEW EXCISE DUTY RATE
Opaque beer (kibuku beer)	30% or Shs 230 per litre, whichever is higher
Undenatured spirits made from locally produced materials	60% or Shs 2,000 per litre, whichever is higher
Undenatured spirits made from imported raw materials	100% or Ushs 2,500 per litre, whichever is higher
Wine made from locally produced materials	20% or Shs 2,000 per litre whichever is higher
Other wine	80% or Ushs 8,000 per litre whichever is higher
Powder for reconstitution to make juice or dilute-to-taste drinks (excluding pulp)	15% of the value

Excise Duty ...

Item	Old Rate	New Rate
Airtime on mobile cellular, landlines and public pay phones	5% for landlines 12% for cellular	12% of the fee charges
Over the top services	NIL	Shs 200 per user per day of access
Money transfer or withdrawal services, but not including transfers and withdrawal services provided by banks	10% of fees charged	15% of fees charged
Mobile money transactions on receiving, payments and withdrawals	NIL	1% of the value of the transaction

Excise Duty ...

Item	Old Rate	New Rate
Ledger fees, ATM fees, withdrawal fees and periodic charges and other transaction and non-transaction charges, excluding loan related charges periodically charged by financial institutions.	10% of fees charged	15% of fees charges
Internet Data	NIL	NIL

Excise Duty ...

FUELS	OLD RATE Shs	NEW RATE shs
Motor spirit (gasoline)	1,100 per litre	1,200 per litre
Gas oil (automotive, light, amber for high speed engine)	780 per litre	880 per litre
Other gas oils	630 per litre	630 per litre
Gas oil for thermal power generation to national grid	NIL	NIL
Illuminating kerosene	200 per litre	200 per litre
Jet A1 and aviation fuel	630 per litre	630 per litre
Jet A1 and aviation fuel imported by registered airlines, companies with designated storage facilities or with contracts to supply airlines	NIL	NIL

Interesting quotes

“It is cheaper to travel to Mbale and deliver Ushs 1million than to send it on mobile money”

.....a Ugandan taxpayer

Interesting quotes

“Before you send me money via mm, please tell me where you are so I can see if it is cheaper to send an uber boda”

..anonymous blogger



“I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle.”



- Winston Churchill



Caveat

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.



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