UGANDA BUDGET NEWSLETTER

2023 – 2024

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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ECONOMIC PERFORMANCE

GLOBAL ECONOMIC HIGHLIGHTS

- The global growth is projected to decline from 3.4% in 2022 to 2.8% in 2023 and later rise to 3.0% in 2024 (IMF World Economic Outlook, April 2023). Beyond 2023, global growth is forecast to rise to about 3.0% over the medium term. The war in Ukraine and the lingering effects of the COVID19 pandemic have triggered costly humanitarian crisis which has contributed to a significant slowdown in global growth, in addition to inflation.
- Global inflation is expected to decrease more slowly than initially anticipated, from 8.7% in 2022, to 7.0% in 2023. These high figures are a result of demand pressures, supply shocks, currency depreciation against the US Dollar, and a tightened labour market condition. However, global inflation is projected to ease to 4.9% in 2024.
- China's economy reopening was hampered in the fourth quarter of 2022 with the country facing multiple large outbreaks of the contagious SARS-CoV-2 variants leading to a decline in mobility and economic activity. This also gave way to the return of supply disruptions temporarily. Chinese economy responded with variety of measures such as; tax relief for firms, monetary easing and measures to encourage completion of unfinished real estate projects. China absorbs between 5% to 10% of exports from different geographical regions, that makes its reopening of the economy an incentive for growth in economies with strong trade links and reliance on Chinese tourism.

- Growth in the volumes of world trade is expected to decline from 5.1% in 2022 to 2.4% in 2023, reflecting the slowdown in global demand after two years of trying to catch-up from the pandemic recession and the shift in the composition of spending from traded goods back towards domestic services.
- The economy of Sub-Saharan Africa is expected to decline to 3.6% in 2023. This headline figure does not tell the entire story of the significant variation across the region. It is expected for many countries to record a slow growth this year, especially non-resource intensive economies, but the regional average will be weighed down by sluggish growth in some key economies, such as South Africa.
- Table 1 below summarises the World Economic Outlook Projections:

TABLE 1					
REAL GDP GROWTH (%)	2019	2020	2021	2022	2023*
Global Economy	2.8	-2.8	6.3	3.4	2.8
Advanced Economies	1.7	-4.2	5.4	2.7	1.3
Emerging and Developing Economies	3.6	-1.8	6.9	4.0	3.9
Sub-Saharan Africa	3.3	-1.7	4.8	3.9	3.6

*Forecast

Source: IMF

SUB-SAHARAN ECONOMIC HIGHLIGHTS

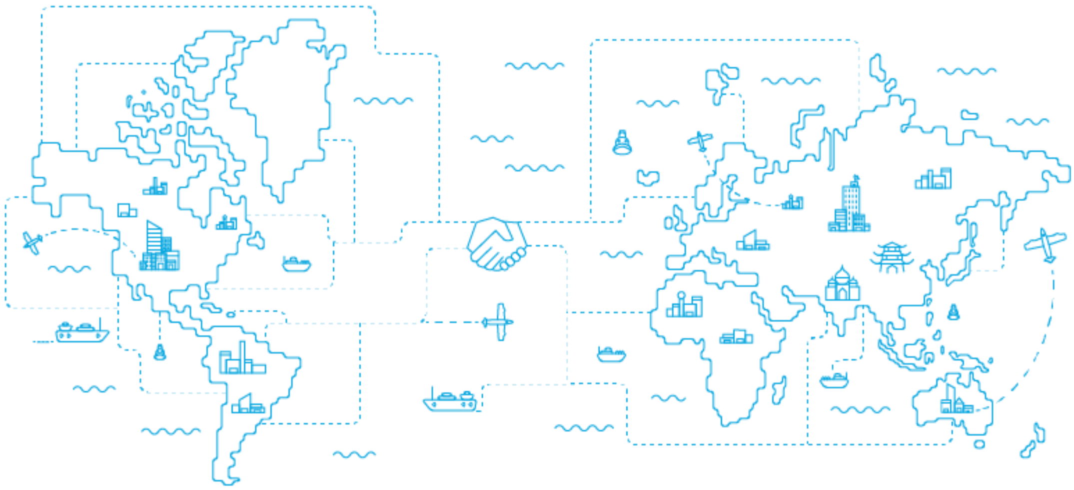
- According to IMF, economic recovery has been interrupted as growth in the sub-Saharan African region is projected to decline to 3.6% in 2023 from 3.9% in 2022 as activities are projected to decline for a second year in a row. Many countries in the region are set to register slow growth this year, especially non-resource intensive economies, such as South Africa.
- The combination of higher global interest rates, elevated sovereign debt spreads, and exchange rate depreciations, have given rise to a funding squeeze for many countries in the region. This will cause the economy to remain subdued in 2023 while a prediction of recovery in 2024 is in sight, due to subsiding inflation, and the slowdown of the tightening of monetary policy.
- Persistent global inflation and tighter monetary policies have led to higher borrowing costs for Sub-Saharan African countries and have placed greater pressure on exchange rates. This affects a region that is already struggling with elevated macroeconomic imbalances.

- The World Bank has recommended four policies to help address economic imbalances with the current financial constraints faced by the region, which are containing inflation, consolidating public finances and strengthening public financial management and difficult funding conditions, allowing the exchange rate to adjust, while mitigating the adverse effects on the economy, and ensuring that important efforts to fund and address climate change do not crowd out basic needs.
- The Sub-Saharan Africa is poised to grow at 4.2% in 2024 from 3.6% in 2023, this is driven by higher private consumption and investment. There are three (3) matters that are expected to be linked to this growth such as; global economic activity recovery, receding of inflation due to slow pace of the monetary policy tightening in the second half of 2023, and crude oil prices that are expected to continue to fall by about 6% in 2024, relative to previous year as demand pressures subside.

REAL GDP GROWTH (%)	2019	2020	2021	2022	2023*
Sub-Saharan Africa	3.2	-1.7	4.5	3.8	3.6
Nigeria	2.2	-1.8	3.6	3.3	3.2
South Africa	0.3	-6.3	4.9	2.0	0.1
Kenya	5.4	-0.3	7.2	5.7	5.3
Tanzania	7.0	4.8	4.9	4.7	5.2
Ethiopia	9.0	6.1	6.3	6.4	6.1
Uganda	7.8	-1.3	6.0	4.9	5.7

*Forecast

Source: IMF & World Bank



UGANDA ECONOMIC HIGHLIGHTS

- The economy is projected to have grown by 5.5% compared to 4.6% last year.
- The size of the economy is estimated at Shs. 184.3 trillion, compared to Shs. 162.9 trillion last year equivalent to US$ 49.4 billion compared to US$ 45.6 billion last year.
- Services sector which grew at 6.2%, compared to 4.1% in the previous year.
- Industry grew at 3.9%, driven largely by manufacturing and construction activities, especially in the oil and gas industry.
- Inflation has significantly decreased since October 2022 when it peaked at 10.7%.
- The pace at which prices were rising slowed down to 6.2%.
- Commercial bank lending interest rates have increased slightly to 19.3% in April 2023 from 18.8% in April 2022. This was mainly caused by the increase in the Central Bank Rate to 10% since October 2022, in order to fight inflation.
- The Uganda Shilling depreciated by 5.8% against the US Dollar, compared to an average depreciation rate of 8% within the East African region.

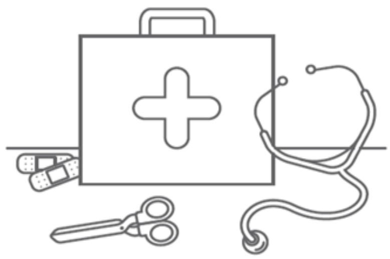
SECTOR PERFORMANCE

AGRICULTURE

- Agriculture performed strongly growing by 5.0%, despite the dry spell in the first quarter of the financial year.
- Additional funding amounting to Shs. 110 billion was provided for food security interventions in Government institutions with farms including the Uganda Peoples Defence Forces, Uganda Prisons, Ministry of Agriculture, the National Agricultural Research Organisation and the National Agricultural Genetics Resource Center and Databank.

HEALTH

- On average, a Ugandan now lives longer – 64 years up from 53 years just as recently as 2015.
- 381 Health Center IIs have been upgraded to Health Center IIIs and 250 Health Center IIIs have been upgraded to Health Center IV.
- Construction and equipping of 31 new Health Center IIIs in sub counties without any health facility is 90% complete.
- The health referral system has also been enhanced by fully functionalizing 143 Intensive Care Units (ICUs) and 5 High Dependency Units (HDUs) in National and Regional Referral Hospitals across the country.



TRADE AND TOURISM

- Uganda's exports of merchandise goods amounted to US$ 4.2 billion compared to US$ 3.1 billion over the same period over the previous financial year.
- Uganda imported goods worth US$ 7.1 billion compared to US$ 5.8 billion in the same period of the previous financial year.
- We have recorded a trade surplus with our East African Community trading partners of US$ 1.0 billion. Tanzania remains the only EAC trading partner where we recorded a bilateral trade deficit of US$ 154 million. Our trade balance will be strengthened further as we continue to boost exports and enhance domestic manufacturing capacity to replace some imports.
- Uganda has increasingly been recognized as a tourism destination and is ranked by CNN as one of the top 10 best tourist destinations in the World.

TRANSPORT INFRASTRUCTURE

- Emergency repairs of the Kampala - Malaba meter-gauge was completed this year.
- 49% of the right of way for the Kampala -Malaba Standard Gauge railway has been acquired.
- The re-development and expansion of Entebbe International Airport is at 85% complete.
- Construction of Kabalega International Airport now stands at 91.7% and will be completed by September 2023.
- The road sector in 1986 totaled 7,900km. Today, it has expanded twenty-fold to almost 160,000 km. While only 6,700 km of today's road network is paved, the road network now allows access to even the remotest parts of Uganda.

ENERGY AND OIL & GAS

- Generation capacity increased to 1378.1 MW as at March 2023 from 1,343.9 MW in March 2022, an increase of 34.3 MW.
- A total of 417 km of transmission lines were added to the main grid during the year, bringing the total transmission line network to 4,011 Km.
- To enable evacuation of power from the 600MW Karuma Hydropower project, the 248 km Karuma-Kawanda, the 55km Karuma-Olwiyo, and the 76km Karuma-Lira lines have been completed.
- The final investment decision for the development of the East African Crude Oil Pipeline was taken on 2nd February 2022.

INFORMATION AND COMMUNICATION TECHNOLOGY

- 4,717 km of optic fibre has been laid across the country.
- Geographical coverage of broad Band services (3G) stands at 66% and 25 broad band sites have been upgraded to 3G providing services to over 700,000 Ugandans.
- Free wi-fi hotspots have been established at nine border posts.

SAFE WATER AND SANITATION

- National water coverage for safe and clean water for human consumption now stands at 70%, with 67% in rural areas and 72% in urban areas.
- 40 solar powered mini piped schemes serving 173,000 persons have been constructed across 15 least served districts inclusing Lyantonde, Sembabule, Yumbe, Rakai, Buyende, Kamuli and Kakumiro.
- 9 Piped Water Supply and Sanitation systems have been completed in Dokolo, Padibe - Lamwo, Odramacaku -Arua, Kagadi, Morulem and Alerek (Abim), and Kambuga II - Kanungu.

EDUCATION, SCIENCE, TECHNOLOGY AND INNOVATION

- 28,750 trainees have successfully completed training in skills programs and 6,110 are under-going training in various fields.
- Uganda's literacy rate improved from 70.2% in 2012 to 79% in 2021.
- Education enrolment in public schools is now 8.8 million children in primary school, 833,000 pupils in secondary, and 174,000 students in tertiary institutions.
- The Education Management Information System (EMIS) has been revamped to support data management and decision making in education.

BUDGET HIGHLIGHTS

Theme for the budget is "**Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation and Market Access**" with the overall objective of the budget strategy being to restore the economy back to the medium-term growth path of 6-7 percent per annum, improve competitiveness of the economy and to sustain Uganda's socio-economic transformation agenda.

Budget Strategy for FY 2023/204 is premised on four key strategic intervention areas namely: -

- Urgent completion of key public investments with higher multiplier effects on the attainment of NDPIII targets and the NRM 2021 – 2026 Manifesto
- Enhanced revenue mobilization and collections
- Full-scale operationalization of the Parish Development Model (PDM); and
- Enhanced government efficiency and effectiveness through rationalization of public expenditure, payroll audit e.t.c.

AGRICULTURE

- Support agricultural research for the development of climate resilient crops and animal species.
- Construct small, medium and large-scale irrigation schemes in water stressed areas. These will include the construction of earth dams at Unyama in Gulu, Namalu in Nakapiripirit, Sipi in Bulambuli, Kabuyanda in Isingiro, among others.
- Implement large-scale mechanization and irrigation.
- Shs. 2.2 trillion, has been allocated for food security, irrigation, climate change mitigation, value chain development, agricultural research and disease control, among others.

FINANCIAL SECTOR STABILITY

- Uganda will also be marketed as a global and regional center for Meetings, Incentives, Conference and Exhibitions (MICE).
- Hospitality standards will be enforced through licensing, grading and classification of tourism facilities. Shs. 249 billion has been allocated for the promotion of Tourism.

EDUCATION

- Shs. 60 billion has been allocated for skilling the youth in next financial year.
- The construction and equipping of two-Unit Laboratories in 21 secondary schools currently without any will commence, in line with the Science Technology Engineering and Mathematics (STEM) Policy
- WiFi will be deployed to 820 locations, targeting schools, hospitals, markets in the selected sub-regions.

HEALTH, WATER AND SANITATION

- Mulago Super Specialized Hospital and the new state of-the-art Intensive Care Unit at the Uganda Cancer Institute will be fully operationalized.
- All existing Health Center IVs and Health Center IIIs will be facilitated to offer quality healthcare to all Ugandans.
- 22.6 billion to clear outstanding arrears for medical interns and senior house officers for the financial year ending June 2023.
- Access to safe and clean water will be enhanced to achieve 85% coverage in rural areas and 100% coverage in urban areas by the year 2025.

TRANSPORT INFRASTRUCTURE

- Shs. 4.5 trillion, representing 13.3% of the total budget, has been budgeted for road maintenance and construction, railway development and rehabilitation, water, and air transport development.
- Shs 1 billion has been provided to each District, City and Municipality for road grading, murram and compacting.
- US$ 608.7 million (equivalent to Shs. 2.25 trillion) to address flooding, traffic congestion, poor road infrastructure, un-signalized junctions and unemployment in the Greater Kampala Metropolitan Area (GKMA) covering Kampala, Wakiso, Mukono and Mpigi districts and their municipalities.
- In collaboration with the World Bank, Government is implementing the US$ 360 million Uganda Support to Municipal Infrastructure Development (USMID) programme.

ENERGY, MINERALS, OIL & GAS

- With the commissioning of the Karuma Hydropower Project planned for September 2023, generation capacity will increase to 1978 MW. The 6 MW Nyagak III Hydropower project is also due for commissioning by end of this month.
- 761 km of transmission lines and associated power sub-stations will be constructed to improve the stability and reliability of the networks.
- Shs. 1.3 trillion has been allocated for electricity interventions.
- Uganda Electricity Generation and Transmission companies to manage the generation and distribution networks after the expiry of the ESKOM and Umeme concessions.
- Shs.447 billion to fast track the development of petroleum resources next financial year.
- Uganda to reap the benefits of minerals resource, Uganda's mineral deposits will be quantified to ascertain their value before beneficiation. For the development of Minerals, an allocation of Shs. 54.3 billion has been provided.

DOMESTIC REVENUES AND TAX POLICY INTERVENTIONS

- The objective is to improve revenue collection to between 16 and 18% of GDP over the next five years from about 13.5% of GDP currently.
- Domestic revenues for FY 2023/24 are projected to amount to Shs 29.7 trillion.
- Shs. 200 billion has been allocated to settle domestic arrears.
- 27.4 trillion will be tax revenue and Shs. 2.3 billion will be Non-Tax Revenue. This represents a revenue effort of 14.3% of GDP.
- Priority has been placed on improving tax administration, including use of ICT to fight tax evasion, and rationalizing tax exemptions to improve their effectiveness and reduce revenue leakage.

TAX ADMINISTRATION MEASURES

- The focus will be to expand the tax base without increasing the burden on the same taxpayers.
- Apply the criteria, including minimum requirements, for application of any new tax exemptions.
- Assess the costs and benefits of all tax exemptions to ensure adherence to initial objectives.
- Streamline and clarify the roles and responsibilities in the governance of tax exemptions.
- Leveraging ICT to analyze data and integrating with other Government systems to properly identify taxable transactions and taxpayers.
- Improving taxpayer awareness to know their rights and obligations, enhance stakeholder engagements.
- Continuing tax education and awareness interventions across regions, sectors, and gender.
- Further strengthening of URA staff compliance to procedures, guidelines and standards to curb corruption tendencies and minimize revenue leakages, including staff deployment in areas with highest risk for revenue collection.
- Continuing the ongoing integrity drive to combat corruption and other vices essential for improving revenue collections.
- Foreign remote providers of electronic goods and services now required to account for VAT on goods and services sold in Uganda, so as to bring e-commerce transactions into the tax system.
- Utilizing the Alternative Dispute Resolution mechanism by negotiating with taxpayers for settlement of tax disputes out of the court system to avoid delays in resolution of tax disputes.
- The size of investment capital required for an investor to benefit from excise duty exemption on construction materials, has been reduced to US$ 5 million from US$ 50 million for Uganda nationals. Foreign investors will be required to have investment capital of at least US$ 50 million in order to benefit from this exemption.
- Intensifying surveillance of wider coverage of porous borders to curb smuggling through extensive intelligence focused operations supported by use of drones and body cameras.

PUBLIC DEBT SUSTAINABILITY

- Ensure effective implementation of the Domestic Revenue Mobilization Strategy to boost the capacity to increase domestic revenue collection.
- Reduce expenditure in areas of lower priority in order to support fiscal consolidation.
- Access new source of financing including climate and green financing, leverage private equity for infrastructure investments and scaling up Public Private Partnerships (PPPs), and leverage non-traditional innovative funding structures and identify appropriate credit enhancement mechanism.
- Limit non-concessional debt to high impact, high return projects such as Standard-Gauge railway projects, development of industrial parks, power transmission lines, water for production and tourism roads.
- Reduce domestic borrowing.

BUDGET EFFICIENCY

- Continuing effective implementation of the Domestic Revenue Mobilization Strategy.
- Mobilizing external concessional loans and utilizing non-concessional loans for projects with high economic and financial returns.
- Limiting domestic borrowing to an average of 2.2% of GDP in the short to medium term to avoid crowding out the private sector through rising interest rates.
- Reducing the budget deficit to within a maximum limit of 5% of GDP, and gradually converging towards the EAC target of a deficit of 3% of GDP. Next financial year, the budget deficit will be reduced to 3.5% of GDP.
- no purchase of new vehicles for political leaders and public officers except for hospital ambulances, medical supplies or distribution, agricultural extension services, security and revenue mobilization.
- Travel abroad has also been restricted to statutory functions and for critical legal and resource mobilization functions.
- Ensuring project selection, design, approval, and analysis is undertaken before the project is approved for funding.
- Providing a dedicated fund for land acquisition and right of way instead of earmarking funds for particular projects to address delays in compensation.
- Commencing project implementation only on sites where there are no 'right of way' and other physical encumbrances.
- Placing all project coordinators on performance-based contracts to improve accountability for project performance.
- Requiring all environmental and social safeguards to be enforced by the Ministry of Gender, Labour and Social Development and the National Environmental Management Authority during project design.

RESOURCE ENVELOPE (USHS. "BILLIONS")

	Budget	Budget	Budget)
	FY 2020/21	FY2021/22	FY2023/24
Resources (inflows)			
Domestic Resources	25,780	30,797	33,349
URA Tax Revenue	20,837	23,755	27,424
Non-Tax Revenue	1,588	1,796	2,248
Petroleum fund	200	-	-
Domestic Financing	2943	5,008	14,358
Appropriation in Aid (AIA)	212	239	287
External Resources	10,451	9,325	11,030
Budget Support	3,583	2,609	2,782
Project Support	6,868	6,716	8,249
Total domestic and external resources	**36,231**	**40,123**	**44,379**
Domestic Debt Re-financing	8,547	8,008	8,358
Total resource envelope	**44,778**	**48,131**	**52,737**

INCOME TAX (AMENDMENT) BILL, 2023

EXEMPT INCOME

Section 21 of the principal Act is amended –
by inserting immediately after paragraph (qa), the following– "(qb) the employment income of a prosecutor in the Office of the Director of Public Prosecution;"

The income earned by a prosecutor in the Office of the Director of Public Prosecution is now exempt, this is to streamline the exemption of main participants in the justice sector.

INTEREST CAPPING

Section 25 of the principal Act is amended –

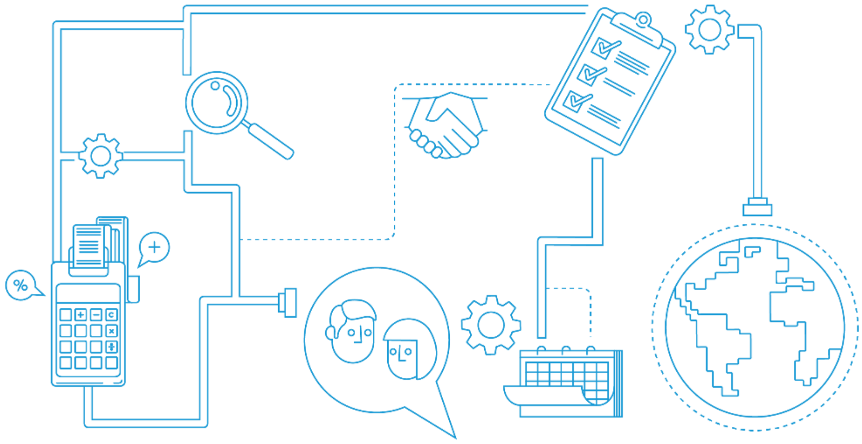
in subsection (3) by inserting immediately after the words "financial institution" the words "microfinance deposit taking institution, tier 4 micro- finance.

This implies that the interest capping rule, in addition to financial institutions shall not be applied by micro-finance deposit taking institutions and tier 4 micro-finance institutions. This in the long run shall reduce the cost of business for credit institutions mentioned therefore making credit facilities less expensive.

INITIAL ALLOWANCE (S27A)

The principal Act is amended by repealing section 27A.

The initial allowance of 50% on property investments in a radius of 50km outside Kampala shall no longer be treated as a capital deduction. Taxpayers that are currently setting up assets outside Kampala to benefit from this deduction should expedite completion in order to enjoy the incentive before it is enacted as law.



VALUE ADDED TAX (AMENDMENT) BILL

KEY SUMMARY OF THE VAT AMENDMENTS

An Act to amend the Value Added Tax Act, Cap 349 to expand the definition of electronic services; to provide for the limit on input tax to activities related to output tax being accounted for and disallow input tax credit to registered foreign supplier; to provide for declaration of value added tax on imported services by large un-registered government entities; to provide for ZEP-RE (PTA Reinsurance Company) as a listed institution; and for related matters.

SUPPLY OF GOODS

The Principal Act is proposed to be amended in section 10 by inserting immediately after subsection (3) the following_

"(3) The supply of goods by auction is suited as supply of goods made by the auctioneer as the supplier in the course of auctioning goods. "and

(4) For avoidance of doubt, the treatment of the supply of goods by the auctioneer under subsection (3) is separate from the treatment of the supply of the auction services by the auctioneer."

This implies that auctioneers will need to account for VAT on sale of auctioned goods which is not the case under the current VAT Act; Section 13(2), which only gives a right to the auctioneer to account for VAT on the auctioneer services offered but does not provide for charging VAT on auctioned items by auctioneers.

ELECTRONIC SERVICES

Section 16 subsection (2) is proposed to be amended by substituting the following –

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

"(2) Notwithstanding subsection (1), a supply of services by a person who carries on business outside Uganda and who does not have a place of business in Uganda shall take place in Uganda if the recipient of the supply is not a taxable person or a person who makes a supply with a total annual value in excess of the amount specified in section 7(2) or a government entity that is not registered under section 7 (5) of this Act, and—

(a) the services are physically performed in Uganda by a person who is in Uganda at the time of the supply.

(b)the services are in connection with immovable property in Uganda.

(c) the services are radio or television broadcasting services received at an address in Uganda.

(d) the services are electronic services delivered to a person in Uganda at the time of supply.

(e) the supply is a transfer, assignment or grant of a right to use a copyright, patent, trade mark or similar right in Uganda; or

(f)the services are the supply of telecommunications services initiated by a person in Uganda, other than a supply initiated by-

i) a supplier of telecommunication services; or

ii) a person who is roaming while temporarily in Uganda.";

Section 16 is further proposed to be amended as follows-

by inserting immediately after subsection (4) the following-

"(4a) Electronic services shall be delivered to a person in Uganda at the time of supply as referred to in sub section (2)(d).; and

This amendment seeks to clarify when electronic services are considered to be delivered in Uganda. The scope of electronic services now includes advertising platforms, streaming platforms, cab-hailing services, cloud storage, data warehousing, and any other service that the Minister of Finance may prescribe in a statutory instrument.

CREDIT FOR INPUT TAX

Section 28 of the principal Act has been amended-

(a) in subsection (5), by inserting immediately after paragraph. c)the following-

"(d) payment of entertainment made by a taxable person for membership of a person in a club, association, or society of a sporting, social or recreational nature; or

(e)goods or services incurred by a taxable person provided for under section 16(2) of this Act. "and

by inserting immediately after subsection (6) the following-

"(6a) For the purposes of subsection (1), (2) or (3)"business use applies only to the related business, generating a taxable supply".

This amendment if effected will add payments by a taxable person for memberships in sporting, social or recreational activities to the list of supplies with non-creditable input. The same proposal also seeks to deny input tax to non-residents supplying services that are considered to be supplied in Uganda under electronic services.

This proposal also makes clear and limits the definition of "business use" or "use in business" to business activities related to taxable supplies.

AMENDMENT OF SECTION 73 OF THE PRINCIPAL ACT

Section 73 of principal Act is amended by inserting immediately after subsection (2) the following—

"(3) Notwithstanding subsection (1), a taxpayer under section 16 (2) of this Act may file a return and may pay the tax in the return in United States dollars."

This will allow non-resident suppliers and other tax payers who are required to account for VAT to file and pay VAT in US dollars.

FIRST SCHEDULE

The First Schedule to the principal Act is amended by inserting the following in its appropriate alphabetical position—

"ZEP-RE (PTA Reinsurance Company)"

This amendment will exempt ZEP-RE (PTA Reinsurance Company) from VAT. Under the current Act, institutions under the first schedule are able to claim the input VAT incurred even if they are not registered for VAT.

EXEMPT SUPPLIES

ADDED	REMOVED
- animal feeds and mixed components such as eggshells, feed additives, wheat bran, maize bran, premixes, concentrates and seed cake - the supply of billets for further value addition in Uganda	- diapers - the supply of all production inputs necessary for processing of hides and skins into finished leather products in Uganda and the supply of leather products wholly made in Uganda - supply of cotton seed cake

TAX PROCEDURES CODE ACT (AMENDMENT) BILL

REGISTRATION OF INSTRUMENTS

Section 5 is amended by inserting immediately after subsection (9), the following—

"(10) A local authority, Government institution or regulatory body shall not register an instrument that is required to pay stamp duty under the Stamps Duty Act, 2014, unless the person lodging the instrument for registration has a tax identification number."

This will force more entities to be registered as taxpayers.

PENAL TAX RELATING TO TAX STAMPS

Section 19B has been amended by inserting immediately after subsection (6) the following –

"(6a) A person who makes an unauthorised interference to, or tampers with, a digital tax stamps machine commits an offence and is liable, on conviction, to a fine not exceeding one thousand five hundred currency points or imprisonment not exceeding ten years."

This proposed amendment seeks to criminalize tampering with tax stamp machines. This is aimed at promoting compliance with the laws in relation to affixing of tax stamps. If found guilty, one is liable to pay a fine of not more than UGX 30,000,000 or imprisonment not exceeding ten years.

FAILURE TO PROVIDE INFORMATION

Section 42 of the principal Act is amended by inserting immediately after subsection (3) the following—

"(4) Where a taxpayer fails to provide the information requested under this Section, the taxpayer shall not be allowed to provide that information at objection to a tax decision or during alternative dispute resolution procedure proceedings."

This amendment seeks to accentuate the importance of complying with the request for information by the Uganda Revenue Authority. Therefore, taxpayers are obliged to provide information within time as and when it is requested. This will also encourage proper record keeping in the long run.

NEW SECTIONS

- 40D Waiver of interest on payment of principal tax.
- The Commissioner shall waive the payment of interest and the penalty by a taxpayer, where the taxpayer voluntarily pays the principal tax outstanding at 30th June, 2023, by 31st December, 2023.
- The Commissioner shall waive the payment of interest and the penalty by a taxpayer on a pro-rata basis, where the taxpayer voluntarily pays part of the principal tax outstanding at 30th June, 2023, by 31st December, 2023."

This proposed amendment is aimed at encouraging taxpayers with accrued principal tax to pay it by 31st December 2023 in order to avoid interest and penalties. Therefore, all tax payers with tax liabilities should take advantage and use this incentive by 31st December 2023.

- 62I. Fixing tax stamp on wrong goods, brand or volume

A taxpayer who fixes and activates a tax stamp on a wrong good, brand or volume other than a good, brand or volume for that tax stamp commits an offence and is liable, on conviction, to a fine not exceeding five hundred currency points or imprisonment not exceeding three years or both."

The proposed amendment is aimed at discouraging tax payers from fixing and activating stamps on wrong goods, brand or volume. The taxpayer, if found guilty will be liable to pay a fine not exceeding Shs 100,000,000.

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