UGANDA BUDGET NEWSLETTER

2021 – 2022

THE POWER OF BEING UNDERSTOOD
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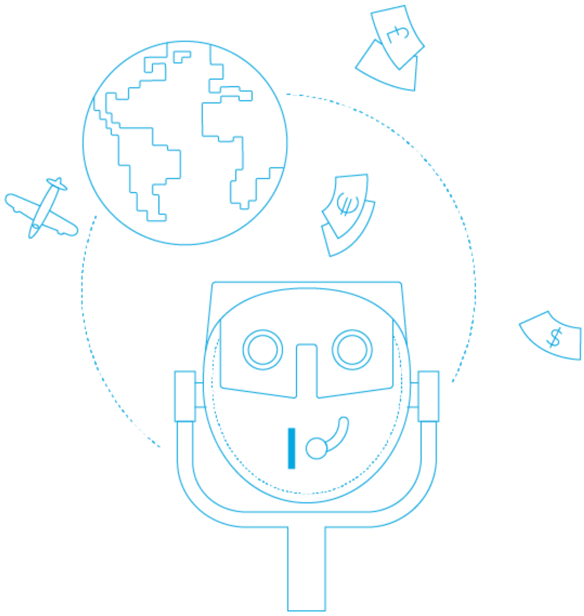
CONTENTS

ECONOMIC PERFORMANCE

GLOBAL ECONOMIC HIGHLIGHTS

- It has been one year since COVID-19 was declared a global pandemic, a year of significant social and economic turmoil. Yet, despite high uncertainty about the path of the pandemic, a way out of this crisis is becoming increasingly visible.
- Multiple vaccines have reduced the risk of the need for critical care, while adaptation to the pandemic life has enabled the global economy to do well despite subdued overall mobility, leading to a stronger-than-anticipated rebound.
- Stronger fiscal support in some advanced economies (especially the United States) has further improved the overall economic outlook.
- The IMF, in estimates released in April 2021, is now projecting a stronger recovery in 2021 and 2022 for the global economy, with growth expected to be 6% in 2021 and 4.4% in 2022 (after an estimated contraction of 3.3% in 2020). Among advanced economies, the United States is expected to surpass its pre-COVID-19 GDP level in 2021 while others will return to pre-COVID-19 levels only in 2022.
- Among emerging markets and developing countries, China had already returned to pre-COVID-19 GDP in 2020, whereas many others are not expected to do so well into 2023.
- Recovery paths among countries remain divergent. Cumulative per capita income losses over 2020-2022, compared to pre-pandemic projections, are equivalent to 20% of 2019 per capita GDP in emerging markets and developing economies (excluding China). This has reversed gains in poverty reduction, with an additional 95 million people expected to have entered the ranks of the extreme poor in 2020, and 80 million more undernourished than before.



- Future economic outlook depends not just on the effect of vaccines on caseloads but also on the effectiveness of economic policies deployed across the globe and the evolution of financial conditions and commodity prices.
- Consistent with the projected global recovery, oil prices are projected to grow 30% in 2021 while metal prices are projected to accelerate strongly in 2021, largely due to the economic rebound in China. Food prices are also expected to pick up this year.

REAL GDP GROWTH (%)	2016	2017	2018	2019	2020*	2021*	2022*
Advanced economies	1.8%	2.5%	2.3%	1.6%	-4.7%	5.1%	3.6%
Japan	0.8%	1.7%	0.6%	0.3%	-4.8%	3.3%	2.5%
UK	1.7%	1.7%	1.3%	1.4%	-9.9%	5.3%	5.1%
USA	1.7%	2.3%	3.0%	2.2%	-3.5%	6.4%	3.5%
Euro Area	1.9%	2.6%	1.9%	1.3%	-6.6%	4.4%	3.8%
Emerging and developing Asia	6.8%	6.6%	6.4%	5.3%	-1.0%	8.6%	6.0%
China	6.9%	6.9%	6.7%	5.8%	2.3%	8.4%	5.6%
India	8.3%	6.8%	6.5%	4.0%	-8.0%	12.5%	6.9%

*Forecast
Source: IMF

SUB-SAHARAN ECONOMIC HIGHLIGHTS

- In the emerging market and developing economies, vaccine procurement data suggests that effective protection will remain unavailable for most of the population in 2021 – which increases the risk of lockdowns and other containment measures in these economies in 2021 and 2022.
- Tourism based countries face particularly difficult prospects considering the expected slow mobilization of cross-border travel over the medium term. Despite the global recovery, global travel remains subdued, and tourist inflows into Africa are not expected to return to pre-pandemic levels until 2023.
- The pandemic continues to have a significant impact on sub-Saharan Africa. Following the largest contraction ever for the region (-1.9% in 2020), growth is expected to rebound to 3.4% in 2021, significantly below pre-pandemic expectations.
- The recovery in advanced economies will be driven in large part by the extraordinary level of policy support, including significant fiscal stimulus and continued accommodation by central banks. For countries in sub-Saharan Africa, this is not generally an option. Most countries within the region entered the second wave with depleted monetary and fiscal buffers.
- Consequently, IMF estimates indicate that sub-Saharan Africa is expected to be the world's slowest growing region in 2021. The region is expected to grow 3.4% in 2021, supported by improved exports and commodity prices, along with a recovery in private consumption and investment. However, per capita output is not expected to return to 2019 levels until after 2022.
- The current outlook is subject to greater-than-usual uncertainty — sub-Saharan Africa could face repeated COVID-19 waves before vaccines become widely available. Other key risks include the availability of external finance, political instability, and the return of climate-related shocks such as floods or droughts.
- Seventeen countries within the region were either in debt distress or at high risk of distress in 2020 (one more than before the crisis). These countries represent about 25% of the region's GDP and 17% of the region's debt stock.

- IMF estimates show that sub-Saharan Africa's low-income countries face additional external funding needs of $245 billion over 2021-2025, to help strengthen the pandemic response.
- Employment within the region fell by about 8.5% in 2020, with more than 32 million people thrown into extreme poverty.
- The second half of 2020 also saw a surge in prices for many staple crops, reversing an earlier decline over the first months of the pandemic, with some regions experiencing food price spikes and increased food insecurity (Burkina Faso, Democratic Republic of the Congo, Mali, Niger, Zimbabwe).

REAL GDP GROWTH (%)	2016	2017	2018	2019	2020*	2021*	2022*
Sub-Saharan Africa	1.5%	3.1%	3.2%	3.2%	-1.9%	3.4%	4.0%
Nigeria	-1.6%	0.8%	1.9%	2.2%	-1.8%	2.5%	2.3%
South Africa	0.4%	1.4%	0.8%	0.2%	-7.0%	3.1%	2.0%
Kenya	5.9%	4.8%	6.3%	5.4%	0.6%	6.6%	5.7%
Tanzania	6.9%	6.8%	7.0%	7.0%	1.0%	2.7%	4.6%
Ethiopia	8.0%	10.2%	7.7%	9.0%	6.1%	2.0%	8.7%
Uganda	0.3%	7.3%	6.0%	8.0%	-2.1%	6.3%	5.0%

*Forecast
Source: IMF

UGANDA ECONOMIC HIGHLIGHTS

- Uganda's GDP in the year 2020/2021 is estimated to amount to UShs. 148.3 trillion.
- The economy has grown significantly over the last five years. The size of the economy has grown from UShs. 108.5 Trillion in 2016/17 to UShs. 148.3 Trillion in current prices by June 2021, equivalent to US$ 40 billion.
- Economic growth for this financial year is projected at 3.3%, rising from 3.0% last financial year.
- According to a study by the Economic Policy Research Centre (EPRC) and the International Growth Centre (IGC), 90% of employees of private sector firms who were laid off during the lockdown were subsequently hired back after lockdown, and only 6.5% suffered permanent layoffs.
- Only 10% of Micro, Small and Medium Enterprises in Uganda remained open during the lockdown, and 93% of all Micro, Small and Medium enterprises were back in operation by October 2020.

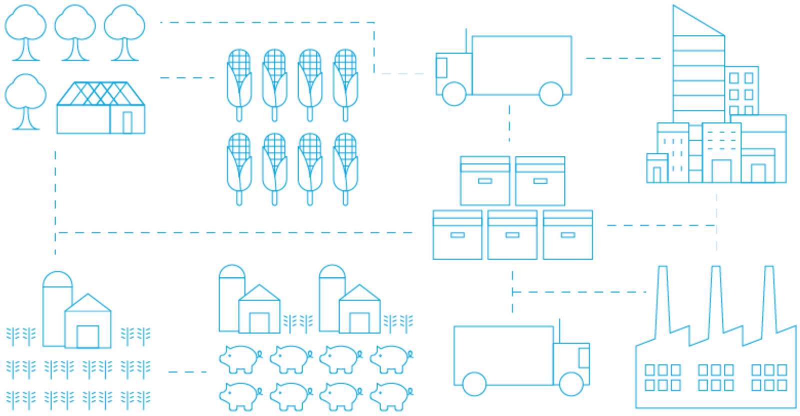
SECTOR PERFORMANCE

MINING

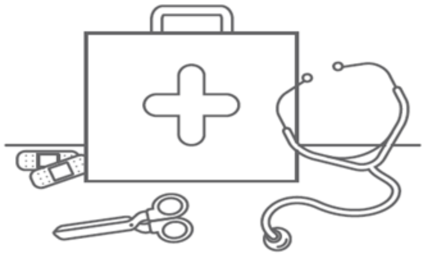
- Mining and Quarrying industry contribution to GDP increased from 1.1% in 2016/17 to 2.3% in 2020/21.
- This was as result of the use of online mineral licensing, the biometric registration and training of 13,000 artisanal miners, and the construction of regional mineral beneficiation centers.

AGRICULTURE

- Agricultural sector's contribution to the economy has stagnated at around 23% over the last five years.
- Nonetheless, there has been increased production of agricultural commodities, including for export. For instance, coffee production increased from 4.6 million 60-kg bags in Financial Year 2015/16 to 8.1 million bags in the Financial Year 2020/21. It accounts for 45 percent of exports, and employs 64% of all Ugandans and 72% of all youths, thus its importance to influencing household incomes.
- Over the same period, fish catches increased from 449,000 to 600,000 tonnes.
- Milk production has also increased from 2.1 billion to 2.6 billion litres, over the same period.
- Agricultural export values grew by 19% from US$ 1.4 billion in 2018/19 to US$ 1.8 billion in 2019/20.
- Dairy exports fetched US$ 204.5 million, while Tea exports earned US$ 71 million in Financial Year 2019/20.
- Fish exports earnings increased from US$ 121 million to US$ 227 million.



HEALTH



- Life expectancy has increased from the lowest level of 44 years in 1998 to 63 years currently.
- Access to healthcare as measured by the proportion of people within a 5-kilometre radius of a health facility now stands at 91%.
- In terms of functionality, 81% of Health Centre IVs offer caesarean section while 51% offer both caesarean section and blood transfusion.
- The state of art Entebbe Paediatric Surgery Hospital has been completed and all National and Regional Referral Hospitals have been equipped with Intensive Care Unit (ICU) beds and Oxygen plant.

COVID-19 EMERGENCY RESPONSE

- 7.3 trillion private loans in commercial banks were restructured, as part of the stimulus package.
- Vulnerable groups in the Kampala Metropolitan Area were provided relief food and masks were distributed countrywide.
- UShs. 60 billion was spent to fund food distribution to 683,000 households covering 1.9 million persons.
- 964,000 doses of COVID-19 vaccines were procured, and mass vaccination has began following the priority accorded to most vulnerable categories of the population.
- Tax relief totalling UShs. 2 trillion was provided to businesses disrupted by COVID-19.
- Government paid UShs. 677 billion in arrears to private sector firms it owed in order to ease their liquidity.
- The Uganda Development Bank was allocated UShs. 555 billion to finance manufacturing, agribusinesses and other private sector firms affected by the COVID-19 pandemic.
- Seed capital amounting to UShs. 416 billion was provided to the youth, women entrepreneurs and Emyooga. A total of 6,394 Emyooga SACCOs in 349 constituencies have received UShs. 200 billion.

TRADE AND TOURISM

- Merchandize exports grew by 4.7% increasing from US$ 4.1 billion in 2019 to US$ 4.3 billion in 2020.
- Uganda's merchandise trade deficit significantly narrowed from US$ 2,866 million in 2018/19 to US$ 2,365 million in 2019/20, a reduction of US$ 500 million in one year.
- Coffee remains the leading agricultural export earning US$ 497.4 million in the Financial Year 2019/20.
- Unfortunately, the outbreak of COVID-19 has caused a huge setback to tourism.

INCOMES, POVERTY AND EMPLOYMENT

- Poverty has declined from 21.4% in 2016/17 to 20.3% in 2019/20.
- Poverty rates reduced in West Nile, Bunyoro, and Elgon regions, among others. However, 39% of Ugandan households are still in subsistence economy.
- 68% of Ugandans work in agriculture and 74% of Ugandans of working age are engaged in some form of employment.
- Formal employment also expanded by 17% between 2016/17 and 2019/20, with the PAYE register expanding from 1.3 to 1.5 million registered taxpayers, according to the Uganda Revenue Authority.
- Externalization of labour has enabled 16,750 persons get employment in the Middle East over the last year, and remit approximately US$ 9 million per month.

TRANSPORT INFRASTRUCTURE

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ENERGY INFRASTRUCTURE

- National electricity access today stands at 51% of which, 24% is on-grid and 27% off-grid.
- With the implementation of the free Electricity Connections Policy (ECP), 152,500 households have been connected to the grid.
- Power generation capacity has increased by 38% from 925 megawatts in 2016 to 1,274 megawatts in 2020.
- Karuma hydropower plant which is 98% complete, and several mini-hydropower plants such as Aswa, Nyagak and Muzizi will further increase this capacity.

INFORMATION AND COMMUNICATION TECHNOLOGY

- Internet access now stands at 52% with 21 million people using the internet.
- Total telephone subscriptions, of which mobile connections constitute 60%, increased from 21 million in 2016 to 28 million in January 2020
- Active mobile money subscriptions are 23 million served by 235,800 mobile money agents.
- High-speed optical fibre cable covers 3,900 kilometres.
- ICT Innovation Fund established in 2017 has funded the local development of 115 applications many of which are in use in Government and the Private Sector. These include the Academic Information Management System (AIMS) and the eGovernment procurement solutions.

SAFE WATER AND SANITATION

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EDUCATION, SCIENCE, TECHNOLOGY AND INNOVATION

- Literacy rates have improved to 76% of the population.
- 5.4 million home study books were distributed to private and public primary and secondary schools to support continuity of learning during the COVID-19 pandemic.
- 270 teachers were trained in Early Grade reading methods for pre-primary schooling, as part of the Early Childhood Development curriculum rollout this year; and 14,350 teachers were trained to provide psycho-social support arising from COVID-19.
- Construction of 117 seed secondary schools was completed and 64 community secondary schools at sub-counties were grant-aided.

PEACE SECURITY AND IMPROVING GOVERNANCE

- Crime reduced by 8.9% from 215,000 cases in 2019 to 196,000 cases in 2020.
- Interventions such as the Safe City Camera Project, enhanced motorized and foot patrols and community policing have contributed to this decline.
- the proportion of court cases that are over 2 years old have reduced from 24% in 2017 to 17.5% in 2021 as a result of the implementation of the case backlog reduction strategy and the use of Alternative Dispute resolution alongside conventional court proceedings.

BUDGET HIGHLIGHTS

AGRICULTURE

- Develop Commodity Value Chains linking national, regional, district and sub-county level commodity off-takers to private nucleus farmers.
- Multiply fish, poultry and crop technologies developed by National Agricultural Research Organisation (NARO) and improved breeding stock by National Animal Resources Centre and Databank (NAGRC&DB) to be replicated across the country using the Parish Development Model.
- Provide affordable long term agricultural financing and insurance to de-risk entrepreneurs at all levels of the Commodity Value Chain.
- Expedite the licensing of digitized commodity markets linked to the 750,000 MT capacity of warehouse infrastructure country wide, where volumes of quality (aflatoxin free) graded grain will be guaranteed and traded.
- Complete construction of storage facilities of 42,000 Metric Tonnes capacity in Iganga, Isingiro, Amuru, Kalungu, and Nebbi
- Construct 2 storage facilities in Bunyangabu and Katakwi; 6 milk collecting centres in Kyenjojo, Gomba, Nakaseke, Kumi and Kibuku; 12 food processing plants and 18 Value addition facilities across the country.
- A total of UShs 1.67 trillion has been allocated to support agro-industrialization initiatives next financial year

MINERALS, OIL AND GAS ENDOWMENTS

- Commercialization of our oil and gas endowments will generate investments of between US$ 15 – 20 billion over the next five years.
- Establish the mineral reserves that are economically feasible for extraction in 80% of the country, and complete the airborne geophysical surveys of the remaining 20% in the Karamoja sub-region.
- Finalise the mining law and enhance Public Private Partnership (PPP) arrangements to develop minerals, starting with iron ore in Western Uganda
- Explore all the geothermal resources to quantify the geothermal potential of the country and promote the development of Kibiro, Katwe, Buranga and Panyimur geothermal prospects

- UShs. 49 billion has been allocated in the budget for Financial Year 2021/22 to support the mineral development interventions.
- The second licensing round of exploration areas will commence in order to enable discovery for additional petroleum reserves.
- The National Content Policy that provides priority to Ugandans to supply the oil and gas industry and provide employment, will be implemented.
- Construct facilities for production and transportation of the crude oil, and the development of the required regulations including those related to tariff, metering, and decommissioning.

FINANCIAL SECTOR STABILITY

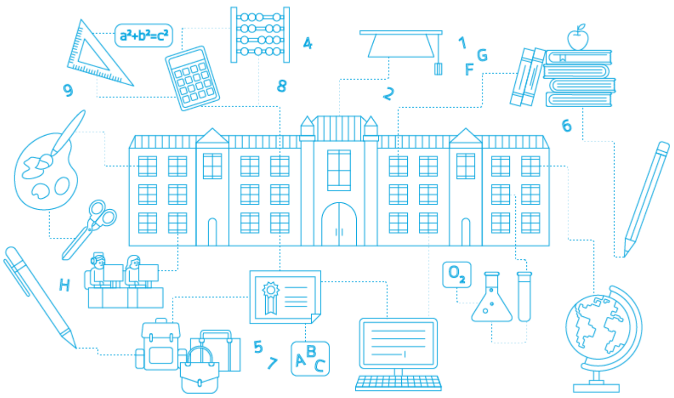
- Providing credit relief enables businesses to improve their liquidity and cashflow. The restructuring of private sector bank loans has been further extended from 1st April 2021 for a further six months, allowing restructuring of loans for upto three times.
- This restructuring can be applied by any borrower at any time before 30th September 2021.
- Uganda Development Bank will be further capitalized with an additional UShs. . 103 billion in financial year 2021/22, in addition to the UShs. 555 billion disbursed this Financial Year 200/21.

ENHANCE ECONOMIC AND TECHNOLOGY INFRASTRUCTURE

- Construction of the National Automotive Park will commence next year to further support advancement in scientific research and innovation.
- Technology development for the manufacture of Personal Protective Equipment (PPE), Diagnostics and Bio-medical science, Immunology, Vaccines and Digital Applications will be further supported.
- UShs. 358.5 billion has been allocated in next year's budget for innovation and technological development.
- Extension of broadband ICT infrastructure up to the sub-county level.
- Expanding the Digital Terrestrial Television and Radio Broadcasting network to facilitate tele-education for learners; and facilitating the development of software solutions to support eGovernment, eCommerce and ePayment, among others.
- UShs. 134.9 billion has also been allocated in the budget for Financial Year 2021/22 to enhance digitization of the economy.

EDUCATION

- Improving staffing and teacher quality at all levels; enhancing inspection and supervision of schools, rehabilitate primary and traditional secondary schools and complete construction of selected vocational institutions.



- 4,200 primary school teachers will be recruited to raise the national staffing level to 70%.
- 1,055 secondary teachers will be recruited in local governments with staffing level below 50% of the establishment.
- 440 inspectors will be recruited across all local governments to improve supervision.

HEALTH

- Ensuring containment of the COVID-19 pandemic through widespread vaccination and the enforcement of Standard Operating Procedures.
- UShs. 560 billion has been provided for the procurement of vaccines.
- Health infrastructure will be maintained and systems strengthened to ensure increased efficiency and effectiveness in health care delivery.
- Upgrade Forty-three (43) health facilities and construct new Health Centre IIIs in sixty (60) sub-counties.
- Construction and equipping of the Uganda Heart Institute at Mulago will be completed and the Regional Oncology and Diagnostic Centre in Gulu by the Uganda Cancer Institute will be established.
- Ensure adequate supply and delivery of essential medicines and health supplies.
- The National Medical Stores budget has been increased from UShs. 420.3 billion this fiscal year to UShs. 600.3 billion next financial year.

TRANSPORT INFRASTRUCTURE

- Upgrade of 400 kilometers equivalent of national roads from gravel to tarmac, including the construction of 37 new bridges on national roads.
- Rehabilitation of 200km equivalent of national roads and 400km of Community Access Roads, and the maintenance of national and District Urban and Community Access (DUCAR) road network.

- Rehabilitation, procurement of ferries and construction of selected landing sites including the Laropi, Obongi and Kyoga ferries; and the Bukuungu-Kagwara-Kaberamaido landing sites.
- Continue support for the revival of the National Airline and the maintenance of upcountry aerodromes
- Acquire right-of-way for the Standard Gauge Railway (SGR); rehabilitate Tororo – Gulu Metre Gauge Railway; and of the Kampala-Malaba Metre Gauge railway line; and complete the Gulu Logistic Hub
- UShs. 5.1 trillion has been allocated in the budget for the development of the integrated transport infrastructure and related services. Out of this, UShs. 487.4 billion is for road maintenance, and UShs. 135.9 billion is for community roads improvement.

ENERGY INFRASTRUCTURE

- The government will commission solar mini-grid plants in Rubirizi and Kasese districts.
- These include the Kasenyi 37 kilowatts, Kashaka 28 Kilo Watts, Kazinga 26 kilowatts, Kihuramu 18 KiloWatts, Kisebere 16 kilowatts, and Kisenyi 32 kilowatts.
- Provide affordable electricity tariffs, including the power subsidy of US$5 cents for manufacturers who qualify as extra-large industrial consumers.
- UShs. 1.1 Trillion has been allocated in the budget for Financial Year 2021/22 for the development of energy infrastructure and services. Out of this, UShs. 646.2billion is earmarked for Rural Electrification.

DOMESTIC REVENUES AND TAX POLICY INTERVENTIONS

- Next financial year's revenue target is UGX 22,425 billion, equivalent to 13.8% of GDP.
- Reform taxation of rental income to remove the incentive for non-individual rental taxpayers to claim unrestricted deductions which significantly reduce their tax contribution.
- Reduce rates of depreciation for some classes of assets.
- Discontinue the concurrent deduction of initial allowances and depreciation in the first year of use of qualifying assets.
- Review the capital gains tax regime by allowing for the effect of inflation and providing tax relief for venture capital investments.
- Broaden the scope of taxation of plastics to cover all plastics
- Rationalize the Excise Duty regime on telecommunication services by scrapping the excise duty on Over the Top (OTT) and introduce a harmonized excise duty rate of 12.0% on airtime, value-added services and internet data excluding data for provision of medical services and the provision of education services.
- Introduce an export levy of 7% on the value of fish maw exports.
- Impose an export levy of 5% and 10% on processed and unprocessed gold and other minerals respectively

TAX ADMINISTRATION MEASURES

- Administrative measures will generate about UShs. 800 billion in revenue collections. The following measures are to be implemented.
- Strengthen tax arrears management and recovery.
- Enhance data analysis through interfaces with other Government information systems to enhance taxpayer compliance.
- Enforce tax compliance using the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) and Digital Tax Stamps.
- Enforce enhanced licensing requirements for clearing and tax agents, and bond operators.
- Improve detection of smugglers using non-intrusive inspection equipment.
- Close all bonded houses for imported sugar for re-export to avoid undeclaration and misclassification.

PUBLIC DEBT SUSTAINABILITY

- Ensure that projects are well appraised to allow only those that are viable and aligned to the national development plan.
- Prioritise borrowing for only projects that enhance socio-economic transformation, and enhance project implementation.
- Prioritize borrowing from concessional sources.
- Increase the maturity profile of our domestic debt.

WATER AND SANITATION

- Target is to increase the coverage of safe water supply in rural areas to 81% and to 100% in urban areas by 2025.
- Ensure that every village in underserved districts has at least one safe water source, as well as promote improved sanitation.
- UShs. 124.9billion has been provided for rural water, and UShs. 523.4billion for urban water.

BUDGET EFFICIENCY

- Improve asset management, including maintenance of public infrastructure, and improving Government fleet and equipment management using leasing options.
- Strengthen procurement by sanctioning officials and other persons who unduly influence procurement processes.
- Eliminate of the accumulation of domestic arrears by clearing existing stock of arrears and curtailing further accumulation. Sanctions will be applied to Accounting Officers in accordance with the Public Finance Management Act 2015, if there is further arrears accumulation.
- Enhance budget monitoring and evaluation by strengthening executive oversight for improving efficiency in public policy, programmes and projects implementation.

PEACE SECURITY AND SOCIAL PROTECTION

- Acquire, refurbish and maintain military equipment.
- Complete the construction of the Military Referral Hospital in Mbuya and train military medical personnel and procure medical equipment.
- Commence construction of 30,000 housing units for the military, the construction of the military museum, as well as military barracks.
- Improve urban security with implementation of phase III of the Safe City CCTV project.

RESOURCE ENVELOPE (USHS. "BILLIONS")

	Budget	Budget	Budget)
	FY 2019/20	FY 2020/21	FY2021/22
Resources (inflows)			
Domestic Resources	23,927	25,586	25,780
URA Tax Revenue	19,325	20,219	20,837
Non-Tax Revenue	1,571	1,591	1,588
Petroleum fund	-	-	200
Domestic Financing	2,830	3,560	2,943
Appropriation in Aid (AIA)	201	216	212
External Resources	10,109	12,422	10,451
Budget Support	675	2,907	3,583
Project Support	9,434	9,515	6,868
Total domestic and external resources	34,036	38,008	36,231
Domestic Debt Re-financing	6,453	7,486	8,547
Total resource envelope	40,489	45,494	44,778

INCOME TAX (AMENDMENT) ACT 2021

EXEMPT INCOME

a) Exempt income derived from agro processing -Paragraph (z) in section 21 has been repealed.

This implies that income derived from agro processing is no longer exempt.

b) Exempt income derived from operating in an industrial park or free zone -Section 21(1) (af) has been amended to include "(vii) manufactures chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers."

The scope covered has been expanded to include operators in and out of the industrial park and free zones who manufacture chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers.

EXPENSES ALLOWED IN DERIVING RENTAL INCOME

Section (22)(1) has been amended by substituting paragraph (c) with "in case of rental income, seventy five percent of the rental income as expenditures and losses incurred by a person in the production of such income."

This will ease the burden of rental tax borne by taxpayers as up to 75% of rental income will be allowed as expenditures and losses when computing chargeable rental income. Previously only 20% of the rental income was allowed as costs and losses incurred by an individual in the production of rental income for the year.

CLASSIFICATION OF DEPRECIABLE ASSETS

Section 27(2) has been amended by substituting for the word "four" the word "three".

The implication is that depreciable assets will now be classified under three classes as opposed to four classes originally. All assets currently subject to depreciation rates of 35% in class three will drop into class four subject to depreciation rates of 20%.

Below is the amended Sixth Schedule showing the change in rates.

Class	Assets included	Rate
1	Computers and data handling.	40%
2	Plant and machinery used in farming, manufacturing, and mining.	30%
3	Automobiles; buses, minibuses, goods vehicles, construction and earth moving equipment, specialised trucks, tractors, trailers and trailer mounted containers, rail cars, locomotives and equipment; vessels, barges, tugs and similar water transportation equipment; aircraft; specialised public utility plant, equipment and machinery; office furniture, fixtures and equipment; any depreciable asset not included in another class."	20%

From the above we can note that items previously in Class 3 at a rate of 35% have shifted to class 4. This is expected to reduce the wear and tear expense that is allowable and hence increase chargeable income.

COMPUTATION OF INITIAL ALLOWANCE

Section 27 is amended by inserting subsection 16 which states that Subject to subsection (4), a deduction for the depreciation of an asset that qualifies for initial allowance under section 27A (1) shall be deferred to the next year of income."

Section 29 (1) has also been amended by inserting subsection (1a) which states that "a deduction for depreciation of an industrial building that qualifies for initial allowance under section 27A (a) shall be deferred to the next year of income."

This implies that the concurrent deduction of initial allowance and depreciation in the first year of use will be discontinued.

DETERMINATION OF COST BASE UNDER GAINS AND LOSSES ON DISPOSAL OF ASSETS

Section 50 has been amended by inserting subsection 3 which states that "Where as a result of the application of this Act, a gain or loss on disposal of an asset is subject to tax being a gain or loss, the cost base of the asset is calculated on the basis that each item of cost or expense included in the cost base shall be determined according to the following formula—

$$CB \times CPID/CPIA$$

Where
CB is the amount of an item of cost or expense incurred determined in accordance with section 52 (2);
CPID is the Consumer Price Index number published for the calendar month of sale; and
CPIA is the Consumer Price Index number published for the month immediately prior to the date on which the relevant item of cost or expense was incurred.
However, this shall not apply to an asset that is sold within twelve months from the date of purchase.

The above allows for reflection of inflation on the cost base of an asset from the time it was incurred and therefore has the effect of reducing the gain if any to be considered for tax purposes.

NON-RECOGNITION OF GAIN OR LOSS

The scope of items under section 54(1) whose gain or loss is to be excluded in determining chargeable income has been increased by inserting paragraph (e) which is " capital gains arising from the sale of investment interest of a registered venture capital fund if at least fifty percent of the proceeds on sale is reinvested within the year of income;" and paragraph (1a) immediately after subsection (1) "Notwithstanding subjection (1)(e), a registered venture capital fund shall be entitled to the percentage of reinvested proceeds."

Gains on sale of interests in venture capital funds will not be included as part of determining chargeable income as long as at least 50% of the proceeds on sales is reinvested.

RATE OF RENTAL TAX FOR INDIVIDUALS

Note that part VI of the third schedule has been amended such the tax rate charged on the rental income of a resident individual for year of income has been increased from 20% to 30%.

VALUE ADDED TAX

DEFINITION OF THE TERM BIO-DEGRADABLE PACKAGING MATERIAL

The Value Added Tax Act Cap. 349 is amended in section 1 by repealing the definition of the term "biodegradable packaging material";

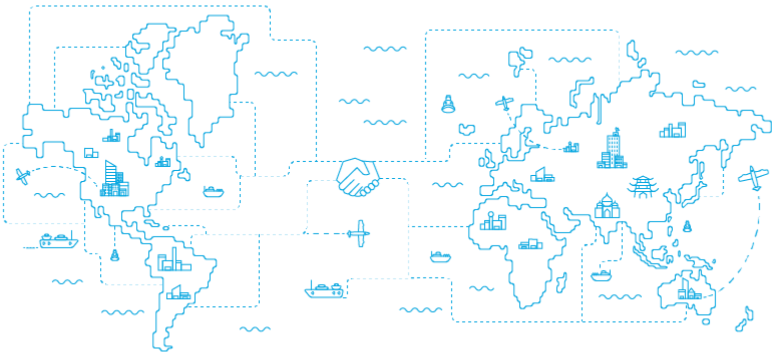
This implies that the previously included definition of bio-degradable packaging material being, "packaging material which can undergo a breakdown of its entire composition and by naturally existing micro-organisms in the presence of air and water at specific temperatures into smaller constituent components within a given time of usually not more than six months" has been repelled. No alternative definition has been provided.

EXEMPT IMPORT SERVICE

The principal Act is amended—

a) by numbering section 20 as subsection (1);
b) inserting immediately after subsection (1) the following—

"(2) Import of a service is an exempt import if the service would be exempt had it been supplied in Uganda or would be used in the provision of an exempt supply"



This implies that the definition of an import service has been expanded to cover "if the imported service would be used in the provision of an exempt supply".

CREDIT FOR INPUT TAX

Section 28 of the principal Act is amended by inserting immediately after subsection (14) the following—

"(14a) A taxable person under this section shall apply for input tax credit within six months from the date of the invoice."

This implies that taxpayers can only apply input tax credit in the VAT returns within six months from the date of the invoice.

RETURNS

Section 31A of the principal Act is amended by inserting immediately after subsection (1) the following—

1. "(1a) Notwithstanding subsection (1), a taxable person who supplies services in Uganda under section 16(2), shall lodge a tax return with the Commissioner General within fifteen days after the end of three consecutive calendar months."

This implies that a tax return is to be lodged within 15 days after three consecutive calendar months if the criteria in section 16 (2) of the VAT Act are met, that is, a supply of services takes place in Uganda, considering if the recipient is not a taxable person and;

- the services are physically performed in Uganda by a person who is in Uganda at the time of supply;
- the services are in connection with immovable property in Uganda;
- the services are radio or television broadcasting services received at an address in Uganda;
- the services are electronic services delivered to a person in Uganda at the time of supply;
- the supply is a transfer, assignment, or grant of a right to use a copyright, patent, trademark or similar right in Uganda; or
- the services are telecommunication services initiated by a person in Uganda other than a supply initiated by –

(i) a supplier of telecommunications services; or

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

REFUND OF TAX FOR USE OF ELECTRONIC RECEIPT OR INVOICE

A person other than a taxable person who purchases goods or services from a taxable person and is issued with an electronic receipt or invoice or several electronic receipts or invoices worth five million shillings within a period of thirty consecutive days, shall be entitled to a refund of five percent of the tax paid."

PENAL TAX

Section 65 of the principal Act is amended in subsection (6) by repealing the words "knowingly or recklessly".

This implies that whether or not a tax payer commits an offence knowingly or recklessly, either way the tax payer is liable to pay the penalties for committing the offence.

FIRST SCHEDULE TO PRINCIPAL ACT – PUBLIC INTERNATIONAL ORGANISATIONS

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

(a) "African Export – Import Bank"; and

(b) "International Union for Conservation of Nature".

This implies that African Export – Import Bank and International Union for Conservation of Nature has now been included among the Public International Organisations listed in the first schedule of the VAT act.

SECOND SCHEDULE TO PRINCIPAL ACT – EXEMPT SUPPLIES

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

a) by repealing subparagraphs (vv) and (xx);

b) by inserting immediately after subparagraph (hhha), the following—

"(hhhb) the supply of liquefied gas and denatured fuel ethanol from cassava";

c) by inserting immediately after subparagraph (lll) the following—

"(mmm) the supply of services to a manufacturer, other than a manufacturer referred to in subparagraph (pp) whose investment capital is at least thirty million United States Dollars for a foreign investor or United States Dollars five million for a local investor, to conduct a feasibility study or to undertake design and construction, or in the case of any other manufacturer, from the date on which the manufacturer makes an additional investment equivalent to thirty million United States Dollars for a foreign investor or five million United States Dollars for a local investor—

(i) who has the capacity to use at least seventy percent of the raw materials that are locally sourced, subject to their availability; and

(ii) who has the capacity to employ at least seventy percent of the employees that are citizens earning an aggregate wage of at least seventy percent of the total wage bill."

This implies that the following are not exempt supplies;

- *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 manufactured on the local market to a hotel or tourism facility developer whose investment capital is ten million United States Dollars with a room capacity exceeding one hundred guests; and*
- *the supply of all production inputs into limestone mining and processing into clinker in Uganda and the supply of clinker for further value addition in Uganda.*

This also implies that the items in b) and c) above have been added to the list of exempt supplies.

THIRD SCHEDULE TO PRINCIPAL ACT – ZERO RATED SUPPLIES

The Third Schedule to the principal Act is amended in paragraph 1 by substituting for subparagraph (k) the following—

"(k) the supply of leased aircraft, aircraft engines, spare parts for aircraft, aircraft maintenance equipment and repair services".

This implies that spare engines are no longer considered zero rated supplies and repair services of leased aircraft is considered zero rated supply. Subparagraph (k) previously stated," the supply of leased aircraft, aircraft engines, spare engines, spare parts for aircraft and aircraft maintenance equipment".

EXCISE DUTY

REGISTRATION OF MANUFACTURERS, IMPORTERS AND PROVIDERS OF EXCISABLE GOODS AND SERVICES

The Excise Duty Act, 2014 in this Act referred to as the principal Act, is amended in section 5 by repealing subsections (10), (11) and (12).

This implies that the regulations for the period of validity of the registration and renewal of a certificate of registration have been repealed. However, section 13 is still in force which means that the certificate can be cancelled by the commissioner he is satisfied that the registered person and the premises no longer meet the conditions for the grant of the certificate.

PAYMENT OF EXCISE DUTY

Section 10 of the principal Act is amended by inserting immediately after subsection (3a) the following—

"(3b) The Commissioner may, if satisfied that a plastic product—

(a) is for use in packaging of products for export;

(b) is for use in packaging medicaments; or

(c) is manufactured from recycled plastics, remit or refund the excise duty paid under this Act."

(3c) The Commissioner shall not remit the excise duty paid on a plastic product manufactured from recycled plastic referred to in subsection (3b)(c), unless the recycled plastic used in the manufacture of the plastic product is equivalent to at least twenty percent of the raw material used."

This implies that excise duty will be refunded for plastic products used for packaging exported products or plastic products made from recycled plastics provided the recycled plastic used in the manufacture of the plastic product is equivalent to at least twenty percent of the raw material used.

AMENDMENT OF SCHEDULE 2 PART 1

a) By substituting the following;

	EXCISABLE GOOD OR SERVICE	DUTY RATE	
		2020/2021	2021/2022
2.	Beer		
(d)	Opaque beer	30% or UShs. 650 per litre, whichever is higher	20% or UShs. 230 per litre; whichever is higher
	Any other alcoholic beverage locally produced	-	20% or UShs. 230 per litre; whichever is higher
8	Fuel		
(a)	Motor spirit (gasoline)	UShs. 1350 per litre	UShs. 1450 per litre
(b)	Gas oil (automotive, light, amber for high speed engine	UShs. 1030 per litre	UShs. 1130 per litre

b) by inserting immediately after item 5 (c) the following;

(d)	any other non-alcoholic beverage locally produced other than the beverage referred to in subparagraph (a) made out of fermented sugary tea solution with a combination of yeast and bacteria	12% or UShs. 250 per litre whichever is higher;"

c) by substituting for item 11 the following;

11	Plastics	
	Plastic product and plastic granules	2.5% or USD 70 per ton, whichever is higher

d) by repealing item 13 (b);

This implies that Over the Top (OTT) service charge has been repealed.

e) by substituting for item 13 (c) the following;

(c)	internet data, except data for provision of medical services and education services	12% of the fee charged;

This implies that internet data, with the exception of that used for medical and educational services, will raise by 12 percent of the fee charged to account for the excise duty. This is up from "NIL".

f) by substituting for item 13 (e) the following;

(e)	Value added services	12% of the fee charged;

This implies that the excise duty on telecommunication services has been reduced from 20% to 12% of the value-added services.

g) by inserting immediately after item 24 the following;

25	(a)	any other fermented beverages made from imported cider, perry, mead, spears or near beer	60% or UShs. 950 per litre; whichever is higher
	(b)	any other fermented beverages made from locally grown cider, perry, mead, spears or near beer	30% or UShs. 550 per litre; whichever is higher
26		construction materials of a manufacturer, other than a manufacturer referred to in item 21, whose investment capital is, at least fifty million United States Dollars or, in the case of any other manufacturer, who makes an additional investment equivalent to fifty million United States Dollars;	Nil

TAX PROCEDURES CODE ACT

DEFINITION OF TAX DECISION

Section 3 has been amended by substituting for the definition of "tax decision" the following –

"tax decision" means—

(a) a tax assessment; or
(b) a decision on any matter left to the discretion, judgment, direction, opinion, approval, satisfaction or determination of the Commissioner other than—
 (i) a decision made in relation to a tax assessment;
 (ii) a decision to refuse, issue or revoke a practice note or an omission to issue or revoke a practice note;
 (iii) a decision or omission that affects a tax officer or employee or agent of the Authority;
 (iv) the compoundment of an offence under any tax law; or
 (v) a decision to refuse, issue or revoke a private ruling or an omission to issue or revoke a private ruling;"

Previously, a tax decision meant:
(a) a tax assessment; or
(b) a decision on any matter left to the discretion, judgment, direction, opinion, approval, satisfaction or determination of the Commissioner, other than a decision made in relation to a tax assessment;

ACTING AS A TAX AGENT

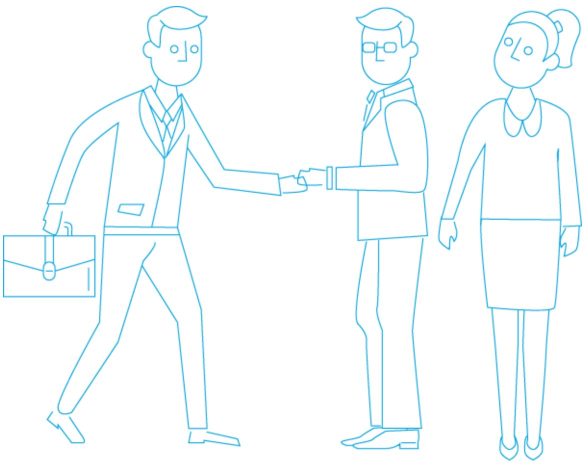
Section 9 of the principal Act is amended by—

(a) inserting immediately after subsection (5) the following— "(5a) A person who is not registered as a tax agent under this section shall not act as a tax agent."; and

(b) substituting subsection (6) the following— "(6) This section does not apply to an advocate acting as an advocate to a tax payer under section 8 (3) (b) and (c)."

Section 62 of the principal Act is amended by—

(a) inserting section 62A – A person who is not registered as a tax agent who acts as a tax agent commits an offence and is liable on conviction to fine not exceeding twenty-four currency points or to imprisonment not exceeding one year or both.



TAX STAMPS

Section 19B is amended by inserting immediately after subsection 4 the following—

"(5) Where the offender under subsection (4) attempts to acquire or acquires or sells a tax stamp without goods, the offender shall be liable, on conviction, to a fine not exceeding five hundred currency points or to imprisonment for a term not exceeding five years or both.

(6) A person, who acquires tax stamps with the authority of the Commissioner and affixes the tax stamps on goods other than the goods approved by the Commissioner, commits an offence is liable, on conviction, to double the tax due on the goods or five hundred currency points, whichever is higher.

STAMP DUTY ACT

STRATEGIC INVESTMENT PROJECTS – NIL DUTY

The Stamp Duty Act, 2014 is amended in Schedule 2—

a) by substituting for item 60A (iii) the following— "(iii) capacity to use at least fifty percent of the locally produced raw materials, subject to availability"; - This implies that "lease of land – of the total value" has been repealed and substituted accordingly.

b) by substituting for item 60A (iv) the following— "(iv) capacity to employ a minimum of one hundred citizens;" - This implies that "increase of share capital" has been repealed and substituted accordingly.

and

c) by inserting immediately item 60A (e), the following— "(f) a manufacturer, other than a manufacturer referred to in item 60A (b)—

(i) in case of a new manufacturer who, subject to availability, has capacity to use at least seventy percent of the locally produced raw materials, and employs at least seventy percent citizens with an aggregate wage of at least seventy percent of the total wage bill of the new manufacturer and whose investment capital is, at least fifty million United States Dollars; or

(ii) in the case of an existing manufacturer who, subject to availability, has capacity to use at least seventy percent of the locally produced raw materials, and employs at least seventy percent citizens with an aggregate wage of at least seventy percent of the total wage bill of the existing manufacturer from the date on which the manufacturer makes an additional investment equivalent to fifty million United States Dollars—

(aa) debenture; whether a mortgage debenture or not, being of a marketable security – of total value

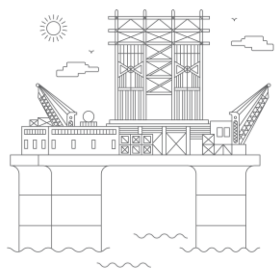
(bb) further charge; any instrument imposing a further charge on a mortgaged property – of total value;
(cc) lease of land – of total value;
(dd) increase of share capital;
(ee) transfer of land;
(ff) an agreement to provide services on conducting a feasibility study or developing a design for construction.";

THE MINING ACT

LEVY ON PROCESSED GOLD

1) There shall be charged a levy on processed gold at the rate of five per cent of the value of a kilogram which is exported out of Uganda.

2) The levy referred to in subsection (1) shall be paid by the exporter to the Uganda Revenue Authority at the time the processed gold is exported out of Uganda.



LEVY ON UNPROCESSED MINERALS

1) There shall be charged a levy on unprocessed minerals, at the rate of ten per cent of the value of the unprocessed minerals which is exported out of Uganda.

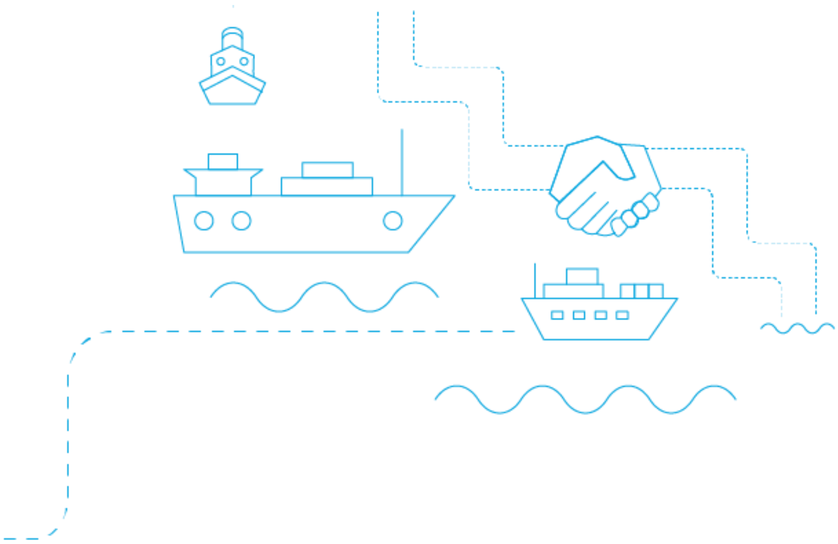
2) The levy referred to in subsection (1) shall be paid by the exporter to the Uganda Revenue Authority at the time when the unprocessed minerals is exported out of Uganda.

THE FISH ACT

LEVY ON FISH MAW

1) There shall be charged a levy on fish maw at the rate of eight per cent of the total value of fish maw which is exported out of Uganda.

2) The levy shall be paid by the exporter to the Uganda Revenue Authority at the time the fish maw is exported out of Uganda.



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