

TAX ALERT

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ADVOCATES



IN THIS ISSUE

TAX AMENDMENT BILLS
2018 AND HOW THEY
AFFECT YOU

TAX AMENDMENT BILLS 2018

The Ugandan Minister of Finance Planning and Economic Development has tabled before Parliament the following:

- a) The Income Tax (Amendment) Bill, 2018.
- b) The Tax Appeals Tribunals (Amendment) Bill, 2018
- c) The Tax Procedures Code (Amendment) Bill, 2018

- d) The Excise Duty (Amendment) Bill, 2018,
- e) The Value Added Tax (Amendment) Bill, 2018
- f) The Traffic and Road Safety Act 1998 (Amendment) Bill, 2018
- g) The Lotteries and Gaming (Amendment) Bill, 2018
- h) The Stamp Duty (Amendment) Bill, 2018.

The Tax Amendment Bills, 2018 will become law if passed by Parliament and assented to by the President of the Republic of Uganda. These Bills propose the following changes:



THE INCOME TAX (AMENDMENT) BILL, 2018

INCOME EXEMPT FROM TAX

The bill is proposing to repeal section 21[1] (ad) of the Income Tax Act cap 340 which exempts from tax the incomes of a savings & credit cooperative society up to 30th June 2027.

The bill also proposes 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.

According to the bill, 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 shall be exempt from tax.

ALLOWABLE DEDUCTIONS

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

PAYING TAX EVEN WHEN YOU ARE MAKING LOSSES

According to the bill, a taxpayer who has carried forward losses for a consecutive period of seven years of income is required to pay 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 OF TAX ON PAYMENTS FOR AGRICULTURAL SUPPLIES

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 of 1%, if the payer is designated by the Minister to withhold tax.

WITHHOLDING TAX ON COMMISSION PAID BY TELECOM SERVICE PROVIDERS

According to the bill, a telecommunications service provider who makes a payment of a commission for airtime distribution or provision of mobile money services is required to withhold tax on the gross amount of the payment at the rate of (10%).

THE TAX APPEALS TRIBUNALS (AMENDMENT) BILL, 2018

APPLICATION OF THE JUDICATURE (MEDIATION) RULES, 2013

The bill proposes the application of The Judicature (Mediation) Rules, 2013 and mediation of the matter before the Registrar or a mediator prior to hearing any application filed with the Tax Appeals Tribunal.

The bill empowers the Tribunal to make an order as to damages, interest or any other remedy against any party, and the order shall be enforceable in the same manner as an order of the High Court.

According to the bill, the Registrar has powers to hear and determine interlocutory applications arising from an application filed with a tribunal; tax a bill of costs; and mediate any matter referred to him or her by a tribunal.

THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2018

LOTTERIES AND GAMING LICENSED PERSONS TO FURNISH WEEKLY RETURNS

The bill requires licensed persons in the case of the Lotteries and Gaming Act, 2016 to furnish a weekly return by Wednesday of the following week and a monthly return by the fifteenth day of the following month.

GOVERNMENT TO PAY TAXES

In the bill, the Minister is required to pay any tax due and payable by Government arising from any commitment made by Government to pay tax on behalf of a person or owing from Government through the acquisition of goods and services.

WAIVER OF TAXES DUE AND UNPAID BY GOVERNMENT

The bill proposes that all taxes due and unpaid by Government except tax withheld by Government under subsection (1) as at 31st June, 2018 shall be waived.

ELECTRONIC RECEIPTING AND INVOICING

The bill authorizes a taxpayer 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 the Uganda Revenue Authority.

The Bill also imposes a duty on the Commissioner to, 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 invoicing and receipting system or devices authenticated by the Uganda Revenue Authority.

THE EXCISE DUTY (AMENDMENT) BILL, 2018

The Excise Duty (Amendment) Bill, 2018 proposes imposition of a duty to a telecommunications service operator proving data used for accessing over the top services to account for and pay Excise duty on the access to the over the top services.

The Bill also proposes the following amendments in the Excise duty rates;

ITEM	EXCISE DUTY RATE
Opaque 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 raw 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
Airtime on mobile cellular, landlines and public pay phones	12% of the fee charged
Over the top services "Over the top services" means the transmission or receipt of voice or messages over the internet protocol network and includes access to virtual private networks but does not include educational or research sites prescribed by the Minister by notice in the Gazette".	Ushs 200 per user per day of access
Money transfer or withdrawal services, including transfers and withdrawal services by operators licensed or permitted to provide communications or money transfers or withdrawals but not including transfers and withdrawal services provided by banks	15% of the fees charged
Value added services	20%
Mobile money transactions on receiving, payments and withdrawals	1% of the value of the transaction
Incoming international calls, except calls from the Republic of Kenya, the Republic of Rwanda and the Republic of South Sudan	USD 0.09 per minute
Cooking oil	Ushs 200 per litre
Motorcycles; at first registration	Ushs. 200,000

THE VALUE ADDED TAX (AMENDMENT) BILL, 2018

The Value Added Tax (Amendment) Bill imposes a duty on the Minister, by notice in the Gazette, to designate persons who will withhold tax 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 OVER PAYMENTS AND LATE REFUNDS

According to the bill, interest due and payable on overpayments and late refunds shall not exceed the principal tax.

EXEMPT SUPPLIES

The Bill proposes to exempt from VAT the following supplies;

- The supply of Bibles and Qu’rans;
- The supply of services to conduct a feasibility study, design and construction to a developer of an industrial park or free zone whose investment is at least two hundred million United States Dollars;
- 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;
- The supply of construction materials 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;
- 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:-
 - i. 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;
 - ii. 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;
 - iii. Seventy percent of the raw materials used are sourced locally, subject to their availability;
 - iv. Directly employs a minimum of one hundred citizens; and
 - v. Provides for substitution of thirty percent of the value of imported products;
- 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;

- 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 specialized medical care;
- The supply of movie production.

THE TRAFFIC AND ROAD SAFETY ACT 1998 (AMENDMENT) BILL, 2018

RESTRICTION ON IMPORTATION OF EIGHT YEARS OLD MOTOR VEHICLES

The bill is proposing a restriction on the importation of a motor vehicle which is eight years old or more from the date of manufacture except for the following vehicles; Road tractors for semitrailers; motor vehicles for the transport of goods with a gross vehicle weight of at least six tonnes; 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 refuelers, spraying trucks, workshop vans and mobile banks; agricultural or forestry tractors; and earth moving motor vehicles, tamping machines and road rollers; and motor vehicles which are in transit and will arrive in Uganda by 30th September, 2018.

The bill also proposes payment of an environmental levy on a person who imports a motor vehicle which is five years old or more from the date of manufacture as herein below.

Item	Motor Vehicle	Levy payable
(a)	A motor vehicle which is five years old but which does not exceed eight years from the date of manufacture; excluding goods vehicles	35% of the CIF value
(b)	A motor vehicle which is eight years old or more from the date of manufacture which was imported or is in transit before the commencement of this Act, and which arrives in Uganda by 30th September, 2018.	50% of the CIF value.
(c)	A motor vehicle which is five years old or more and which is principally designed to carry goods	20% of the CIF value.

THE LOTTERIES AND GAMING (AMENDMENT) BILL, 2018

According to this bill, the National Lotteries and Gaming Regulatory Board should have powers to seize and destroy confiscated equipment or devices without recourse to courts of law, in accordance with Regulations made by the Minister; to enter and search any premises where gaming and betting is taking place, with or without a warrant, in accordance with Regulations made by the Minister; to direct the closure of any non-compliant gaming or betting premises; to levy and collect express fines as may be prescribed by regulations made by the Minister; and to designate any person as an inspector of the Board.

BOARD TO ISSUE LICENSES

In the bill, the Board shall be mandated to issue a certificate of suitability of premises to be used as a casino or for other gaming and betting operations; and also approve a franchisee or an agent of a licensee before the license appoints the franchisee or agent.

INTEREST ON UNPAID TAX

The bill proposes a waiver on any interest due and payable which exceeds the aggregate of the principal tax and penal tax.

THE STAMP DUTY (AMENDMENT) BILL, 2018

INSTRUMENTS TO EXECUTE ISLAMIC FINANCIAL TRANSACTIONS.

- The bill proposes that any instruments used to execute Islamic financial transactions shall be chargeable with a stamp duty prescribed by the Minister by statutory instrument, with the approval of Parliament.

The bill further proposes exemption of the following from stamp duty;

- i. Instruments executed in respect of land acquisition for purposes of strategic investment projects;
- ii. Instruments for financing of strategic investment projects;
- iii. To vary the stamp duty chargeable on certain instruments.



THANK YOU

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