

TAX MEASURES FY 2015/16

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TAX POLICY DEPARTMENT

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

2015

Outline



- Summary of Revenue performance FY2014/15 for the period July 2014 to June 2015
- Objective of taxation
- Tax Measures for 2015/16
 - Excise
 - VAT
 - Income tax
 - Finance

Main objective of taxation

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▶ **Domestic resource mobilization**

Taxation is a source of financing Government re-current and development expenditure i.e

- payment of salaries for civil servants
- funding long term projects
 - ✓ construction of roads i.e Ishaka-Kagamba (35KM), Hoima-Kaiso-Tonya (85KM), Mpigi-Kabulasoke-Muddu(135KM), Mbarara-Kikagate(70KM)
 - ✓ schools (about 500 schools have been constructed in Uganda)
 - ✓ hospitals.

Other objectives of taxation


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- To encourages investment
- To protect society from undesirable or harmful products and also protect local industries from foreign competition
- To promote equality in the distribution of wealth and income

Projected Revenue Performance FY 2015/16



	2014/15		2015/16
Tax Categories	Budget estimate	Outturn	Estimated Revenue
TOTAL (NET)	9,576.59	9,715.60	11,333.03
Total - Gross (excl. Gov tax)	9,792.29	9,892.20	11,636.72
DIRECT DOMESTIC	3,119.67	3,405.34	3,638.72
PAYE	1,631.71	1,613.24	1,824.96
Corp tax	597.04	714.77	781.85
WHT	455.88	546.86	571.62
INDIRECT DOMESTIC	2,250.96	2,148.63	2,570.44
Excise	648.77	638.46	785.63
VAT	1,602.18	1,510.17	1,784.81
INTERNATIONAL TRADE	4,263.00	4,338.23	4,840.68
Petroleum	1,119.80	1,197.75	1,372.62
Import Duty	904.63	838.41	946.42
Excise Duty	288.33	292.03	227.05
VAT	1,715.26	1,783.52	1,994.03
Tax Refunds	(215.70)	- 176.61	(235.54)
FEES AND LICENCES	158.67	156.36	173.18
Infrastructure levy	60.00	57.27	68.15



Summary of the
expected
revenue from
tax measures

Additional revenue	Amount
A. Policy measures available	192.2
B. URA efficiency	150.0
Domestic	113.0
Customs	37.0
Total available (A+B)	342.2
Total to achieve 0.5 of GDP	342.2
Gap	0.0

The 2015/ 2016 financial year fiscal policies are expected to raise Shs 342.2 to achieve tax to GDP growth of 0.5



Tax Policy Measures FY 2015/16

EXCISE DUTY

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FY 2015/16

1. Increased Excise Duty on beer whose local raw material content excluding water is at least 75% from 20% to 30%.

and Harmonize with the rate of local malt at 30%

To generate Shs. 35bn



- **The increase in rate will increase the contribution of beer to tax revenue without necessarily removing the incentive and preference over the premium beers.**

2. Increase excise duty on wine spirits to 80%.

(except wines made from locally produced raw materials)

- To generate Shs. 1.0bn**



To harmonize the excise duty on wine with that on spirits

Excise duty ct'd

3. Increased excise duty on Petrol from Shs.950 to Shs.1,000 and Increased excise duty rate on diesel from Shs.630 to Shs.680 per litre

- Raise additional revenue of from petrol and diesel respectively which is to be utilized in road construction and maintenance.
- The increase in excise duty is not expected to have significant increase on the pump prices as an increase of 50/= per litre in excise duty is estimated to increase pump prices by only 50/= assuming the entire increase in duty is passed on to the consumer and the exchange rate and international fuel prices remain constant.

4. Increased excise duty on soft Cap from Shs.35,000/= to Shs.45,000/= and Hinge Lid to from Shs.69,000/= to Shs.75,000/=.

Shs. 10 bn expected



Discourage new consumers, reduce consumption for the current users of cigarettes.

Excise duty ct'd

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5. excise duty on motor vehicle lubricants at 5% imposed

- Shs. 30bn expected
- The increase revenue which is intended for road maintenance.

6. excise duty on chewing gum, sweets, and chocolates at 10% impose .

- Shs. 32bn
- The increase revenue.

7. excise duty on furniture of 10% imposed .

- Shs.5bn
- to tap into the fast growing import sector.

8. excise duty of USD 0.09 per minute on all incoming calls from Northern Corridor Member States (Kenya, Rwanda and South Sudan) removed

- In line with the directive from the EAC Heads of State under the Infrastructure Summit in a bid to reduce the cost of telecommunication and doing business in the EAC
- Other Member states have also removed the tax.

The image features a dramatic sunset scene with a warm orange and yellow sky. In the foreground, the silhouettes of an oil pumpjack on the left and a worker wearing a hard hat on the right are prominent. The sun is low on the horizon, creating a bright glow and lens flare. The overall mood is industrial and contemplative.

VALUE ADDED TAX

VAT measures

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The VAT threshold from 50 million to 150 million increased.

- Shs. 2bn expected
- Cater for inflation and changes in the economy since 1997
- Harmonize with region - Kenya is Shs.150 million, Rwanda Shs.84 million, Tanzania Shs.62 million, Zambia Shs.180million and South Africa Shs.240 million.
- Minimize cost of administration

VAT on bulbs imposed.

- Shs. 2.0bn
- Difficulty in distinguishing between energy saving bulbs and ordinary bulbs.

Review VAT regime on IOC and Mining Corps

- Allow input tax credit on imported services
- Deem VAT to be paid by IOC to Contractors
- Refund IOCs input VAT

Justification

- To relieve the cash flow constraints on IOCs (Cost Recovery)
- Speed up the exploration of Oil & Gas
- International best practice

VAT measures

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Zero-rate the supply of cereals where they are grown, milled or produced in Uganda.

- Foster further growth in this sector.
- Create tax neutrality with informal sector

List Uganda Red Cross and Global Fund to fight AIDS, Malaria and Tuberculosis as Public International Organizations

- Comply with worldwide practice.

INCOME TAX

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Income tax Measures

	Measure	Justification
1	Increase the presumptive Tax threshold from UGX 50 Million to UGX 150 Million.	<ul style="list-style-type: none">• Expected revenue - Shs. 5bn• Simplify income tax payment.• Increase compliance• Reduce compliance cost• Increase Revenue
2	Imposition of new Presumptive tax rates: Based on Towns, Municipalities and division. Based on type of trade i.e. General Trade, Workshops, Garages, Salons etc	<ul style="list-style-type: none">• Capture the informal sector.
3	Restrict Allowable deductions for expenses accrued from non - registered persons.	<ul style="list-style-type: none">• Expected revenue – Shs. 5.0bn• Capture the informal sector.• Enhance compliance.

Income tax measures

Measure	Justification
4. Enforcement of Advance Tax for operators of PSVs and Goods motor vehicles.	<ul style="list-style-type: none">• ²⁰ expected revenue - Shs. 3.0bn• To enhance compliance in the transport sector by taking advantage of licensing catchment points.
5. Include WHT at 6% on income of suppliers of agricultural produce	<ul style="list-style-type: none">• Shs. 10bn expected• To capture large farmers and economically active households involved in agriculture at a commercial level.
6. Reduce Withholding Tax on reinsurance services from 15% to 5%	<ul style="list-style-type: none">• To encourage international reinsurance companies to accept reinsurance risks on the Ugandan market

Income tax measures

Measure	Justification
7. Impose Tax on e-commerce provided by Online Platforms	<ul style="list-style-type: none">• Over the past 5 years e-commerce has taken route in Uganda and this has led to a lot of online business transactions which go untaxed.• Online service providers are providing advertising and other services to Ugandans but the income they earn is not taxed.
8. Increase the foreign debt to foreign equity ratio from 1:1 to 1.5 :1. A deduction is disallowed for the interest paid by a company on that part of the debt which exceed 1.5 :1 ratio.	<ul style="list-style-type: none">• To leverage businesses.• To encourage capital inflow.

Mining and Exploration

Proposed Measure

Justification

- | Proposed Measure | Justification |
|--|--|
| <p>9.</p> <ul style="list-style-type: none">• Taxation of the oil and gas sector has been treated together with mining operations.• Key terms such as Contractors, Licensees, Contract areas etc. have been defined.• Part IX of the Income Tax Act takes precedence in instances of inconsistency . | <p>Streamline taxation of the petroleum and mining sectors</p> |

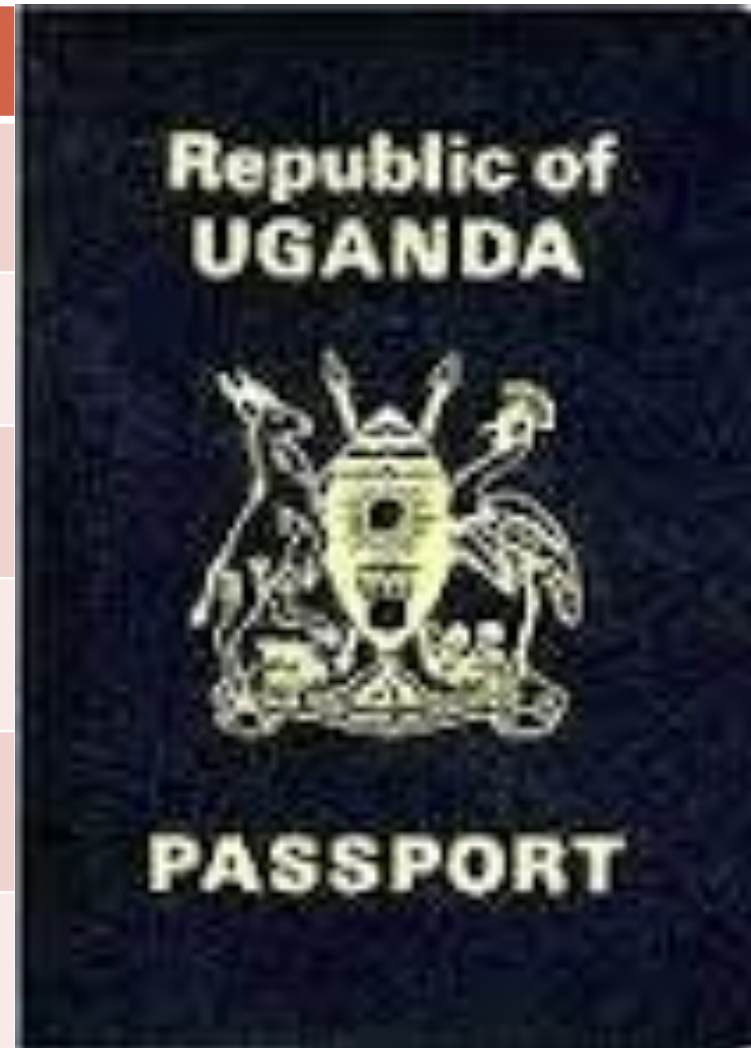
Finance Act 2015

	Revenue Measure	Justification
1.	Environmental Levy Motor vehicles (excluding goods vehicles) between 5-10 years old - 35% of the CIF value	<ul style="list-style-type: none">• Protect the environment• Generate revenue
2.	Motor vehicles (excluding goods vehicles) between 10 years old and above - 50% of the CIF value;	<ul style="list-style-type: none">• Protect the environment• Generate revenue

Passport fees

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PASSPORT	FEE
Diplomatic	Shs. 150,000/=
Official	Shs. 150,000/=
Ordinary	Shs. 150,000/=
East African	Shs. 80,000/=
Conventional Travel Documents (CTD's)	Shs. 120,000/=
Passports processed within two working	Shs.300,0000/=



Cont...

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Category	Fee
Single Entry Visa	\$ 80
Non refundable prepayment fee on application for a work permit	\$ 500
New Operator license fees for: <ul style="list-style-type: none">• Commercial Vehicles,• Cargo vessels (inland water vessels)• Passenger vessels• Research and leisure vehicles	

THANK YOU

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Q & A