Uganda 2023/24 budget brief

Theme: Full monetisation of the Uganda's Economy through commercial agriculture, industrialisation; expanding, and broadening services, digital transformation and market access.

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Economic Commentary

Economic Performance

The economic growth for the current financial year (FY) is projected at 5.5% in real terms compared to 4.6% in the previous financial year. Over the next 5 years, the economy is projected to grow at an average of 6.5% - 7.0% per year due to the following:

i. Economic stability because of low inflation.

ii. Establishment of more manufacturing plants.

iii. Continued implementation of the Parish Development Model (PDM).

iv. Support to Small and Medium-Scale Enterprises through Emyooga Savings and Credit Cooperative Organisations (SACCOs), the Youth and Women funds and other initiatives.

v. Increased Oil and Gas Sector activities.

vi. Growth in regional trade and the positive impact of the continued recovery of economies in the Middle East, Asia, Europe, and USA which provide markets for our exports.

Domestic revenue in financial year 2022/23, was estimated at Ushs 25.55 trillion; about 13.7 percent of Gross Domestic Product (GDP). The government plans to collect Ushs 29.67 trillion in the next financial year 2023/24.

Export revenue of goods and services in 2022/23 FY was US$ 6.0484billion, out of which export of goods merchandise was US$ 4.272 billion. The main exports were coffee, fish, beans, sugar, maize and industrial products. Many of these products were exported mainly to regional markets.

Uganda's GDP is projected to grow to Ushs.207.22 trillion (US$ 55.17 billion) in the FY 2023/24, translating to US$ 156.76 billion in PPP terms. This in turn is projected to grow the GDP per capita to US$ 1,186, up from US$ 1,096 in FY 2022/23.

Macro-Economic indicators

Inflation

Inflation is falling steadily on account of coordinated fiscal and monetary policy. Inflation has significantly decreased from 10.7% in October 2022 to 6.2% in May 2023. The Prices of key items such as soap, sugar, fuel at pumps, among others, have significantly reduced.

Similarly, according to Uganda Bureau of Statistics, food inflation eased to 15.7% in May 2023 from 25.3% over the same period in the last FY. Inflation for goods, including imported items, declined to 7.4% in May from 8.8% in April 2023

In addition, services inflation has remained low, averaging 4.2% since January 2023.

Interest Rate

Bank of Uganda (BOU) maintained the Central Bank Rate (CBR) at 10% and maintains it within +/- 2% owing to the strength and resilience in Uganda's economy; easing of inflationary pressures and economic recovery despite the unpredictable ongoing global economic dynamics.

Commercial bank lending interest rates increased slightly to 19.3% in April 2023 from 18.8% in April 2022. This was mainly as result of the +/- 2% fluctuation in the CBR as the Central Bank fights inflation.

Exchange Rate

In the FY 2022/23, the Uganda Shilling experienced mild depreciation against the US dollar. During the 10 months period to April 2023, the shilling depreciated by 5.2 percent, to an average mid-rate of Ushs.3,759.2 per US dollar from an average of Ushs.3,571.8 per US dollar in the previous year. In the first half of the FY, the exchange rate movement was largely driven by external developments including the Russia-Ukraine conflict that led to a surge in crude oil prices, as well as high global inflation that led to tightening of monetary policy in Advanced Economies.

Budget Commentary

The budget for the FY 2023/24 is aimed at achieving the following broad objectives:

1. Completion of key public investments with higher multiplier effects;
2. Enhanced revenue mobilization;
3. Full-scale operationalization of the Parish Development Model (PDM); and
4. Enhanced government efficiency and effectiveness through rationalization of public expenditure, payroll audit, etc.

The theme of the budget is:

> **"Full Monetisation of Uganda's Economy through Commercial Agriculture, Industrialisation, Expanding and Broadening Services, Digital Transformation and Market Access"**

The economic growth strategy underlying the budget includes:

i. Increased domestic revenue mobilization and a reduction in non-concessional borrowing to ensure debt sustainability;

ii. Implementation of the Parish Development Model and Emyooga initiatives;

iii. Implementation of the various export strategies and enhancing access to global and regional markets;

iv. Support for the private sector by reducing the cost of doing business

v. Provision of affordable credit for micro and small enterprises and low-income groups

vi. Provision of quality seedlings, pesticides, fertilizers, storage and marketing in the agro-industrialization value chain to increase agricultural production and productivity;

vii. Rapid development of oil and gas production, specifically the construction of the East African Crude Oil Pipeline and the National Oil Refinery;

viii. Expansion of skilled labour force to meet the demand of a diversified economy;

ix. Mitigation of the negative impact of climate change on the economy and livelihoods;

x. Implementation of the Greater Kampala Metropolitan Infrastructure Development Master Plan;

xi. Maintenance of peace and security of persons and property as the bedrock on which the above are based.

Key Priorities for the FY 2023/24 Budget

i. Boosting household incomes and micro enterprises;

ii. Commercializing agriculture to enhance productivity and improve competitiveness of agricultural products;

iii. Supporting private sector growth;

iv. Investing in the People of Uganda;

v. Improving Infrastructure; and

vi. Expediting implementation of strategic interventions in innovation, research and development, and the minerals, oil and gas industry.

Resource Envelope

The resource envelope for the FY 2023/24 is Ushs 52.7 trillion broken down as follows:

Budget allocation	FY 2023/24	
	(Ushs, billion)	Percentage
Domestic revenues	29,670	56%
Domestic borrowing	3,380	6%
Budget support	2,780	5%
External financing	8,260	16%
Appropriation in Aid	287	1%
Domestic debt refinancing	8,358	16%
Total	**52,735**	**100%**

Expenditure (Outflows)

The total expenditure for the FY 2023/24 is Ushs 52.7 trillion and is allocated as follows;:

Budget allocation	FY 2023/24	
	(Ushs, billions)	Percentage
Debt financing	25,616	49%
Wages and Salaries	7,300	14%
Non-wage Recurrent Expenditure	13,464	26%
Development Expenditure	6,068	12%
Appropriations in Aid	287	1%
	27,119	51%
TOTAL BUDGET	**52,735**	**100%**

Key Highlights and Action Plan on Priority Areas

1. Boosting Household Incomes and Micro Enterprises

The Parish Development Model (PDM) will boost household incomes as well as the development of micro-enterprises. Since the launch of the PDM in February 2022, a total of Ushs 590.2 billion has been disbursed to all the 10,459 parishes nationwide, translating into Ushs 50 million per parish.

The Emyooga initiative will further boost household incomes and micro enterprises at parish and sub-county levels by directly funding parish and sub-county level enterprise groups. By March 2023, seed capital worth Ushs 249 billion had been disbursed to 6,721 constituency-based Emyooga SACCOs.

These SACCOs have also mobilized savings of Ushs 76 billion, and a further Ushs 80 billion recovered from the loans given to beneficiaries. Next financial year, Ushs 100 billion has been allocated to the Emyooga initiative.

In order to grow local enterprises, 19 skilling centers have been established across the country under the Presidential Industrial Hubs initiative. So far, 28,750 trainees have successfully completed training in skills programs and 6,110 are under-going training in various fields.

This initiative has also empowered the less privileged urban youths across all the five city divisions through 9 skilling centers under the Kampala Capital City Authority.

2. Commercialising Agriculture

During this financial year, additional funding amounting to Ushs 110 billion was provided for food security interventions in Government institutions with farms including the UPDF, Uganda Prisons, Ministry of Agriculture, the National Agricultural Research Organisation and the National Agricultural Genetics Resource Center and Databank.

The priority actions to commercialize agriculture next financial year include the following:

i. Support agricultural research for the development of climate resilient crops and animal species;

ii. Promote environmental conservation, restoration and protection of degraded water catchment areas and forest cover;

iii. Construct irrigation schemes in water stressed areas.

iv. Implement large-scale mechanization and irrigation; and

v. Improve farmer mobilization, education and partnerships with large commercial farmers for the production of strategic commodities, such as coffee, maize and tea to meet national and international demand.

Ushs. 2.2 trillion, has been allocated for food security, irrigation, climate change mitigation, value chain development, agricultural research and disease control, among others.

3. Supporting Private Sector Growth

The private sector will receive support through industrial parks' development, promoting Small and Medium Enterprises (SMEs) and facilitating tourism.

i. Industrial Development and Investment

Eight government owned industrial parks are currently operational. These are Namanve, Jinja, Bweyogerere, Mbale, Soroti Mbarara and Kasese, Luzira.

Uganda's reputation as an investment destination recently received a boost when it was named the Number One investment destination in East Africa, by the AIM Global 2023 Abu Dhabi.

ii. Small and Medium Enterprise Development

SMEs in the manufacturing and export sectors will receive US$ 200 million from the World Bank Investment for Industrial Transformation and Employment (INVITE) Project that will provide grants and concessional credit to qualifying SMEs.

The government will provide an additional allocation of Ushs 209.3 billion through the INVITE Project for next financial year.

iii. Tourism

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. The government will invest in marketing the country 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.

4. Investing in people

Uganda has registered visible improvements in healthcare outcomes, access to knowledge, and standard of living, resulting in higher life expectancy.

i. Health

Access to health care by Ugandans remains a key priority. Consequently, 381 Health Center IIs have been upgraded to Health Center IIIs. In addition, 250 Health Center IIIs have been upgraded to Health Center IV and equipped and are now functional.

Construction and equipping of 31 new Health Center IIIs in sub counties without any health facility is 90% complete.

The Mulago Super Specialized Hospital and the new state-of-the-art Intensive Care Unit at the Uganda Cancer Institute will be fully operationalized.

ii. Education

Uganda has registered significant progress in access to education. Uganda's literacy rate improved from 70.2% in 2012 to 79% in 2021.

To improve delivery of the recently launched curriculum, 3,100 teachers were trained, and inspection of learning institutions was enhanced using the e-inspection system.

iii. Safe water

The 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.

In rural areas, gravity flow schemes have been completed at Lirima in Manafwa, Lukalu-Kabasanda in Butambala and Nyabuhikye-Kikyenke in Ibanda.

In urban areas, 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.

5. Enhancing Infrastructure Stock and Quality

The stock and quality of infrastructure is a key enabler for economic growth, development and social transformation.

i. Transport Infrastructure

The road sector in 1986 totalled 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.

Emergency repairs of the Kampala - Malaba meter-gauge was completed this year. The full rehabilitation of the Kampala – Malaba and Tororo – Gulu Metre Gauge railways will commence next financial year.

ii. Power Infrastructure

Power generation, transmission and distribution infrastructure have continued to expand. 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. With the commissioning of the Karuma Hydropower Project planned for September 2023, generation capacity will increase to 1978 MW.

iii. Digital Transformation

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 namely Lwakhakha, Mpondwe, Mutukula, Busia, Vura, Katuna, and Elegu.

Wi-Fi will be deployed to 820 locations, targeting schools, hospitals, markets in the selected sub-regions.

6. Expediting Strategic Initiatives

The development of the oil and gas, the beneficiation of minerals and investment in science innovation and research are key strategic initiatives that will significantly support socio-economic transformation.

i. Oil and gas

The final investment decision for the development of the East African Crude Oil Pipeline was taken on 2nd February 2022. The Ministry is fast tracking the construction of the East African Crude Oil Pipeline (EACOP) and the National Oil refinery.

Government is supporting several innovation and scientific research initiatives that will propel Uganda industry into the high technology economy. These include:

i. vaccines research and development, including therapeutics and diagnostics to enable Uganda to enter into the Pathogen economy (ii) automotive industry technology development, and (iii) chipset and robotics manufacturing.

ii. Mineral Beneficiation

Uganda's mineral deposits will be quantified to ascertain their value before beneficiation. The ministry shall also operationalize the recently approved mineral legislation to regulate Artisanal and Small-Scale Miners (ASMs).

7. Maintaining Security, Good Governance and the Rule of Law

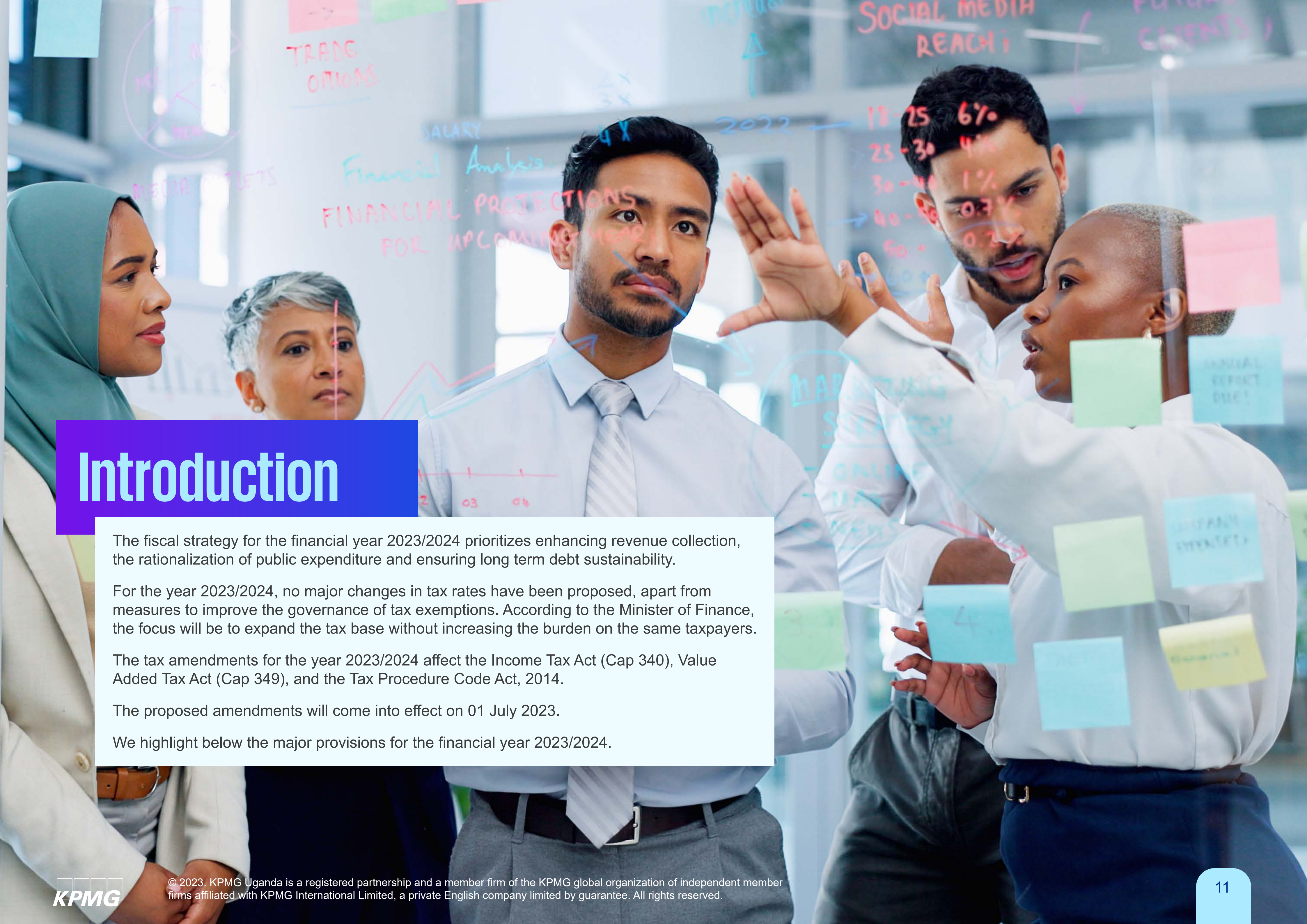
Good governance and the rule of law are the bedrock for the success of socio-economic interventions. To guarantee the security of persons and property, the capacity of security and intelligence agencies will be strengthened to address security threats and build national defence capability.

To enhance good governance, Parliament's legislative and oversight role will be strengthened to ensure proper use of public funds, among others.

To improve efficiency and effectiveness of Government, the Ministry will further automate financial management systems.

The Integrated Bank of Projects has recently been re-launched to improve Public Investment Management, including the tracking of project performance.

Introduction



Introduction

The fiscal strategy for the financial year 2023/2024 prioritizes enhancing revenue collection, the rationalization of public expenditure and ensuring long term debt sustainability.

For the year 2023/2024, no major changes in tax rates have been proposed, apart from measures to improve the governance of tax exemptions. According to the Minister of Finance, the focus will be to expand the tax base without increasing the burden on the same taxpayers.

The tax amendments for the year 2023/2024 affect the Income Tax Act (Cap 340), Value Added Tax Act (Cap 349), and the Tax Procedure Code Act, 2014.

The proposed amendments will come into effect on 01 July 2023.

We highlight below the major provisions for the financial year 2023/2024.

A. Income Tax (Amendment) Act, 2023

1. Removal of the Definition of "Petroleum Agreement" from the Interpretation Section

The Interpretation Section of the Income Tax Act currently defines a "petroleum agreement" under Section 2 (yya) to mean an *agreement for the grant of a licence for petroleum exploration, development and production between the Government and a contractor*.

The Amendment Act has removed that subsection from the interpretation section of the Income Tax Act.

The purpose of the removal is to avoid the duplication and the contradiction caused by that subsection alongside the more detailed and specific definition of a petroleum agreement under Part IXA of the Income Tax Act that specifically deals with the taxation of petroleum operations.

A petroleum agreement is defined under Part IXA to mean *an agreement entered by the Government of Uganda with another person in accordance with the Petroleum (Exploration, Development, and Production) Act, 2013, or the Petroleum (Refining, Conversion, Transmission, and Midstream Storage) Act, 2013.*

2. Exemption of the Income of a Prosecutor

Currently, a prosecutor in the office of the Director of Public Prosecutions (DPP) pays income tax on their employment income.

The Law has been amended to exempt employment income earned by a prosecutor in the office of the DPP from income tax.

This means that, upon the coming into force of the Act, a Prosecutor will not incur a deduction from their employment income as a result of employment income tax (PAYE).

3. Micro-finance institutions to deduct all interest incurred in a year

The Act has been amended to include "microfinance deposit taking institution and tier 4 micro- finance institution" in the entities that will be allowed to claim all the interest incurred in respect of all debts as a deduction for tax purposes.

Tier 4 microfinance institutions are defined under the "Tier 4 Micro Finance Institutions and Money Lenders Act" to comprise of (a) SACCOs, (b) Non deposit taking micro finance institutions, (c) Self help groups, and (d) Community based micro finance institutions.

It means the capping of allowable interest under section 25 of the Income Tax Act to 30% of EBITDA will not apply to the Tier 4 microfinance Institutions and Microfinance Deposit taking institutions..

4. Removal of Initial Allowance

The Act has been amended to remove the deduction of initial allowance.

Currently, a taxpayer who brings eligible property or an industrial building into service for the first time outside the radius of 50 Kilometres from the boundaries of Kampala in a given year, is allowed a deduction for that year, of an amount equal to 50 percent of the cost base of eligible property or 20% of the cost base in case of an industrial building (initial allowance).

The initial allowance was put in place to incentivise persons to invest in areas outside Kampala.

A taxpayer who has invested in eligible property or industrial building outside Kampala will no longer enjoy the benefits of claiming 50% deductions in the assets' first year of use; or 20% deduction in the first year of use of an Industrial building. This will eventually lead to a higher chargeable income and higher tax payable in the first year such assets are put into use.

5. Amendment of the provision for Withholding tax on payments for winnings of Betting or Gaming

Section 118 C of the Principal Act provides for Withholding of tax on payments for winnings of betting or gaming and states that a person who makes payment for winnings of betting or gaming shall withhold tax on the gross amount of the payment at 15%.

The Act has been amended to limit the withholding tax to payments for winnings of betting only.

Therefore, winnings from gaming would no longer be subject to withholding income tax.

6. Removal of the Redundant Waiver of Excess interest provision

Section 136 (8) of the Principal Act currently provides for waiver of interest due and in excess of the aggregate of principal tax and penalty as at 30 June 2017.

The Act has been amended to remove that provision. This is because, a general provision that covers the waiver of excess interest already exists under section 136(7) of the Income Tax Act.

7. Exemption of Income earned by ZEP- Re

The Act has added ZEP-RE (PTA Reinsurance Company) on the list of organisations whose income is exempted from tax under the First Schedule of the Income Tax Act.

B. Value Added Tax (Amendment) Act, 2023

1. The disposal of goods at an auction is a supply made by the auctioneer

The Act has been amended by treating the disposal of goods at auction as a supply of goods made by the auctioneer. The Act further provides that 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.

Where the auctioneer deals in goods and or services that attract value added tax, that auctioneer will be required to register for value added tax provided the sales meet the turnover threshold.

The auctioneer will also be required to charge VAT on the auctioned goods, and auction services, remit it to URA and also file monthly value added tax.

2. Place of Supply of Services by non- resident persons

The Act has been amended to provide that '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 UGX 150 million or a government entity that is not registered for value added tax.

Currently, Section 16 (2) of the Act provides that a supply is made in Uganda where the supplier is not a taxable person in Uganda, and meets the conditions set out in subsections a-f of Section 16(2) of the VAT Act.

These amendments are aimed at clarifying when a non-resident person, who does not have a business is Uganda, is said to have supplied services in Uganda.

3. Expanding the scope for electronic services

The Act has been amended to expand the definition of electronic services to mean services supplied through an online or digital network by a supplier from a place of business outside Uganda to a recipient in Uganda including—

i. websites, web-hosting or remote maintenance of programs and equipment;
ii. software and the updating of software;
iii. images, text, and information;
iv. access to databases;
v. music, films, and games; including games of chance;
vi. political, cultural, artistic, sporting, scientific and other broadcasts, and events; including television;
vii. advertising platforms;
viii. streaming platforms and subscription-based services;
ix. cab-hailing services;
x. cloud storage;
xi. data ware housing; and
xii. any other service as the Minister may by statutory instrument determine.

The definition of electronic services has been widened to include advertising platforms; streaming platforms and subscription-based services; cab-hailing services; cloud storage; and data ware housing.

Persons providing those services will be required to register and account for VAT in Uganda, if the sales from these services meet the turnover threshold.

4. Restriction on the Credit for Input Tax

The Act has been amended to provide that a taxpayer will not qualify for input tax credit in respect of;

a. payment for 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

b. goods or services offered by a non-resident person who is registered for VAT in accordance with Section 16(2) of the VAT Act

The Act has also been amended to limit the input credit claimable to that incurred for "business use" or "use in the business" purposes to apply only to the related business, generating a taxable supply.

This implies that any input incurred on the goods and services indicated above will not be claimable by a taxable person.

5. Removal of the Redundant Waiver of Excess Interest Provision

Currently, the VAT Act waives interest in excess of the aggregate of the principal and penal tax payable as at 30 June 2017.

The Act has been amended to remove this provision. This is because, a general provision that covers the waiver of excess interest already exists in the VAT Act.

6. Provision to file VAT returns and pay tax in United States Dollars

The Act has been amended to allow a non- resident taxpayer to file VAT returns and pay the resultant tax in United States Dollars. This applies to non-resident persons who supply services to persons who are not registered for VAT in Uganda or where the non-resident's sales exceed the turnover threshold

This implies that a non-resident who supplies services to a person in Uganda not registered for tax or where the non-resident's sales exceed the turnover threshold will be allowed to account for the VAT in United States Dollars.

7. Change in the list of Public International Organisations

The First Schedule to the Act has been amended to include Zep-Re (PTA Reinsurance Company) as a public International Organisation.

This means that Zep-Re may be refunded the value added tax borne or paid by them relating to transactions concluded for its official purposes.

8. Changes in certain supplies exempted from VAT

The Act has been amended to exempt the following additional supplies:

a. The supply of mixed components such as eggshells, feed additives, wheat bran, maize bran, concentrates and seed cake.

b. The supply for billets for further value addition in Uganda.

9. Removal of certain goods from the Exempt supplies schedule

The Second Schedule to the Act has been amended to exclude some of the previously exempted supplies from the list of the exempt supplies.

a. The following are no longer exempt supplies:

b. Diapers.

c. 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;

The above supplies will not be exempted from VAT and as such suppliers of those items will be required to register and account for VAT on them if they meet the turnover threshold.

C. Tax Procedures Code (Amendment) Act, 2023

1. Requirement for a TIN to register a document

The Act has been amended to provide for the requirement for one to have a TIN before an instrument is registered. The Act provides that 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

2. Penal Tax relating to Tax Stamps Machines

The Act has been amended to introduce a fine not exceeding UGX 100 million or imprisonment not exceeding ten (10) years or both to any person who makes an unauthorised interference to, or tampers with a digital tax stamps machine, upon conviction.

Currently, the Tax Procedures Code Act (TPCA) only penalizes taxpayers for offences committed in relation to tax stamps and not tax stamp machines.

3. Order of payment

The Act has been amended to provide that a payment will be applied first to the principal tax outstanding at the date of payment.

The Act further provides that any payment by a taxpayer shall be applied to the principal tax first, until it is fully paid up.

4. Approval of Parliament Required to Remit tax by the Minister

The Act has been amended to provide for the requirement of approval by Parliament before the Minister remits tax in whole or part.

5. Waiver of interest and penalty on payment of principal tax

The Act has been amended to waive the payment of interest and penalty by a taxpayer where the taxpayer pays all the principal tax outstanding on 30 June 2023 by 31 December 2023.

The Act further waives payment of interest and penalty on a pro rata basis, where the taxpayer pays part of the principal tax outstanding on 30 June, 2023, by 31 December, 2023.

This presents an opportunity for taxpayers who pay all or part of the principal tax that was due on 30 June 2023 by 31 December 2023, to pay less interest and penalties.

The provision is meant to incentivise taxpayers to pay principal tax due by 30 June 2023 by 31 December 2023.

6. Limitation on presenting new information at objection or ADR

The Act seeks to prohibit taxpayers from providing any information not submitted upon request by the Commissioner for the purpose of administering any provision of the tax law, during objection or alternative dispute resolution proceedings.

However, this limitation does not apply where the information is more than three years from the date the document was authored or beyond the past three financial years.

If passed into law, this implies that information requested by the Commissioner but not provided by the taxpayer during the tax review/audit process will not be considered by URA when making any tax decisions at the Objections or Alternative Dispute Resolution (ADR) levels of tax review, unless that information is more than three years from the date the document was authored or beyond the past three financial years

7. Penalty for Fixing Tax Stamp on Wrong goods, Brand or Volume

The Act has been amended to introduce a fine not exceeding UGX 100 million or imprisonment not exceeding 10 years or both applicable to a taxpayer who fixes and activates a tax stamp on a wrong good, brand or volume other than that for which the tax stamp is created.

D. Excise Duty (Amendment) Bill, 2022

By the time of concluding this brief, the Excise Duty (Amendment) Bill had not yet been passed by the Parliament. However, below is a summary of the proposed amendments to the law.

1. Definition of “Fruit-Juice”, “un-denatured spirits” and “vegetable juice”

The Bill proposes to include the following definitions under Section 2 of the Excise Duty Act:

a. “Fruit juice” to mean unfermented liquid extracted from the edible part of a fresh fruit, whether the extracted liquid is diluted or not.

b. “Un-denatured spirits” to mean spirits that are not mixed with any substance to render the spirit unfit for human consumption or capable of being rendered unfit for human consumption and includes neutral spirits or alcoholic beverages made from neutral spirits that are fit for human consumption.

c. “Vegetable juice” to mean unfermented liquid extracted from the edible part of a vegetable, whether the extracted liquid is diluted or not.

By including definitions of these excisable items, the proposal seeks to provide for their meaning when referred to in the Act.

Currently, the ordinary English meaning of those terms is being used when defining them.

2. Amendment of Schedule 2 of the Excise Duty Act, 2014

The Bill proposes to amend Schedule 2 of the Excise Duty Act, 2014 as follows:

Item	Excisable good or services	Current Duty (2022/2023)	Proposed Duty (2023/2024)
	Beer		
	Opaque beer	20% or Shs. 230 per litre, whichever is higher	12% or Shs 150 per litre; whichever is higher
	Spirits		
(a)	Un-denatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw materials	60% or Shs. 1500 per litre, whichever is higher.	60% of Shs. 1,500 per litre, whichever is higher. **(Proposed Change:** Prescribing the Alcoholic Volume. Currently, no alcoholic volume is prescribed)
(b)	Undenatured spirits of alcoholic strength by volume of 80% or more made from imported raw materials	100% or Shs. 2500, whichever is higher	100% or Shs. 2,500 per lire, whichever is higher (Proposed Change: Prescribing the alcoholic volume. Currently, no alcoholic volume is prescribed)
(c)	Any other un-denatured Spirits: That are locally produced of alcoholic strength by volume of less than 80%; or	-	80% or Shs. 1,700 per litre, whichever is higher
	That are imported of alcoholic strength by volume of less than 80%	-	100% or Shs. 2,500 per litre, whichever is higher
(d)	Undenatured spirits made from locally produced raw materials that is used in the production of disinfectants and sanitizers for the prevention of the spread of COVID 19 of alcoholic content by volume not less than 70%	-	NIL

Item	Excisable good or services	Current Duty (2022/2023)	Proposed Duty (2023/2024)
	Non- Alcoholic		
	Fruit Juice and Vegetable juice, except juice made from at least 30% pulp or at least 30% juice by weight or volume of the total composition of the drink from fruits and vegetables grown locally.	12% or shs.250 per litre, whichever is higher	12% or Shs. 250 per litre, whichever is higher. (Proposed Change: removal of the phrase “and vegetables grown in Uganda” that was a repetition and caused confusion)
	Any other non- alcoholic beverage locally produced other than a beverage referred to in paragraph (a) made out of fermented sugary tea solution with a combination of yeast and bacteria	12% or Shs. 250, whichever is higher	12% or Shs. 150 per litre, whichever is higher.
	Telecommunication Services		
	Incoming international calls, except calls from the Republic of Kenya, the United Republic of Tanzania, the Republic of Rwanda and the Republic of South Sudan	USD 0.09 per min-ute	USD 0.09 per minute (Proposed Change: Inclusion of the United Republic of Tanzania in the exception countries)
	Any other fermented beverages		
	any other fermented beverages including cider, perry, mead or near beer produced from locally grown or produced raw materials	30% or Shs 550 per litre; whichever is higher	30% or Shs. 550 per litre whichever is higher (Proposed Change: inclusion of any other fermented beverages produced from locally grown or produced raw materials)
26	**Construction Materials**		
	Construction materials of a manufacturer, other than a manufacturer referred to in Item 21, whose investment capital is at least USD 35M in case of a foreigner or USD 5M in case of a citizen	NIL	NIL (Proposed Change: Reducing the investment capital threshold for foreigners from USD 50M to 35M and for nationals to USD 5M)

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