Uganda Budget Brief 2024/2025

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Introduction

For the year 2024/2025, no major changes in tax rates have been proposed for the financial year. According to the Minister of Finance, much of the anticipated tax revenue will be generated from compliance measures undertaken by the Uganda Revenue Authority (URA). These are:

— Expanding URA presence and coverage by opening up 5 liaison offices;

— Strengthening the enforcement and use of Electronic Fiscal Receipting and Invoicing System (EFRIS) and Digital Tax Stamps (DTS) and the rental tax solution;

— Strengthening the exchange of information with tax authorities in other countries to combat illicit financial flows and under-declarations; and

— Strengthening enforcement interventions.

The tax amendments for the year 2024/2025 affect the Income Tax Act (Cap 340), Value Added Tax Act (Cap 349), Excise Duty Act 2014, Stamp Duty Act 2014, and the Tax Procedure Code Act, 2014.

The proposed amendments will come into effect on 01 July 2024 if the President of Uganda assents to them in their current form.

We highlight below the major tax provisions for the financial year 2024/2025.

Economic highlights

Economic performance

The theme of the budget for the financial year 2024/2025 is "Full Monetisation of Uganda's Economy through Commercial Agriculture, Industrialisation, Expanding and Broadening Services, Digital Transformation and Market Access".

The economic growth for the current financial year is projected at 6% in real terms compared to 5.3% in the previous financial year. Over the next five years, the economy is projected to grow at an average of 6.4% - 7.0% per year. This growth will arise from:

i. Increased oil and gas activities as we move towards first oil production in FY2025/26.

ii. Growth in exports, supported by the increase in regional trade in the EAC and COMESA, intra-Africa trade, and harnessing existing and new trading partners in the Middle East and Asia.

iii. Increase in tourism activities supported by investment in tourism infrastructure, branding and marketing, and effective implementation of the Meetings, Incentives, Conferences and Events (MICE) Programme.

iv. Agro-industrialisation and light manufacturing supported by access to affordable credit through Uganda Development Bank (UDB), investments supported through Uganda Development Corporation (UDC); the Parish Development Model, Small Business Recovery Fund, Emyooga, the Presidential Industrial Hubs for Youth Entrepreneurs, and programmes to support exporters as well as growth and productivity of women enterprises.

v. Private investment growth supported by Foreign Direct Investment, remittances and a stable macroeconomic environment.

vi. Continued investment in industrial parks, construction and maintenance of roads and bridges; and

vii. Rehabilitation of the Metre Gauge Railway and commencement of the Standard Gauge Railway, expansion of ICT infrastructure, and provision of reliable and affordable electricity.

Economic highlights

Domestic revenue in financial year 2024/25, is estimated at Ushs 31.982 trillion; about 14.2 percent of Gross Domestic Product (GDP). The government plans to collect Ushs 29.67 trillion as tax revenue in the next financial year 2024/25. The projected domestic revenue outturn for FY2023/24 is Shs 27.725 trillion against the target of Shs 29.672 trillion, leading to a revenue shortfall of over Shs 1.9 trillion.

As a result of the fiscal consolidation agenda which is intended to enhance revenue collection, limit borrowing for only critical and strategic investments, and control government expenditure. Government's fiscal deficit has reduced to 4.5 percent of GDP this financial year from 5.5 percent of GDP last year.

Export revenue of goods and services was US$ 7.471 billion for the calendar year ending April 2024 compared to US$ 4,938 for the year ending April 2023. This increase was largely driven by increased exports of gold (75.7 percent), coffee (21.9 percent), oil re-exports (21.8 percent), sim-sim (20.2 percent), tobacco (10.3 percent), cotton (6.9 percent), and light manufactured products (4.9 percent) which were exported mainly to regional markets.

By the end of financial year (FY) 2024/25, Uganda's GDP is projected to grow up to Ushs. 225.5 trillion (equivalent to US$ 60 billion. This in turn is projected to grow our GDP per capita to US$ 1,146, up from US$ 1,081 in FY 2022/23.

Macro-Economic indicators

Inflation

Uganda has contained inflation. At an average rate of 3.2% in the twelve (12) months to May 2024, Uganda's inflation is one of the lowest in the region. Annual headline inflation has reduced from the peak of 10.7% in October 2022 to 3.6% last month. The reduction has been a result of good coordination of monetary and fiscal policies, leading to low inflation for most food crops, manufactured foods, and essential commodities like laundry bar soap, sugar and cooking oil.

Interest rate

The commercial bank lending interest rates for shilling-denominated credit reduced to 17.7% in April 2024 compared to 19.3% in April 2023. Interest rates in the domestic debt market have remained broadly stable averaging 11.2% on the one-year Government Treasury Bills.

To further reduce lending rates, Government will continue to provide long-term affordable capital through various interventions. In particular, Government will continue to capitalise the Uganda Development Bank, the Parish Development Model, the Agricultural Credit Facility, and the Small Business Recovery Fund to provide capital for wealth creation.

Economic highlights

Private sector credit

Private sector credit increased to Shs 21.54 trillion in April 2024 from Shs 20.47 trillion in April 2023, an increase of 5.2%. There has also been a slight increase in the share of credit going to productive areas of the economy. For example, the share of credit going to agriculture increased slightly to 11.3% by April 2024 compared to 11.1% by April 2023, while the share of credit to manufacturing remained the same at 13.4%.

Exchange rate

Despite the depreciation pressure on the shilling since the beginning of this year, the value of our currency has remained largely stable against key global currencies. Between May 2023 and May 2024, the official exchange rate against the US dollar has averaged Shs 3,771. The depreciation pressure, on the account of exit of some of the offshore investors searching for more attractive interest rates offered on government papers in competing markets, has been contained due to the good export performance and Foreign Direct Investment (FDI) inflows

Budget highlights

The Budget for FY 2024/25 is the fifth, and therefore the last to implement the Third National Development Plan (NDPIII). It will also set the foundation for implementing the Government's strategy for expanding the size of our GDP from about USD 50 billion in FY2022/23 to USD 500 billion by the year 2040.

The budget for next financial year is aimed at achieving the following broad objective to expand the size of the economy from about USD 50 billion last year to USD 500 billion by 2040. This objective is premised on the four anchor sectors abbreviated as (ATMS);

- Agro-Industrialisation;
- Tourism Development;
- Mineral Development, including oil & gas,;
- Science Technology and Innovation (STI), including ICT.

Budget highlights

Achieving this to achieve this ambitious goal in the next 15 years involves doing the following;

- Doubling the size of GDP every 5 years for the remaining three National Development Plans;
- Raising per capita GDP six-fold from the current USD 1,146 to about USD 7,000 in FY 2039/40;
- Doubling the level of savings in the economy from 20 percent of GDP to 40 percent of GDP in 2040;
- Raising the share of exports in GDP from 12 percent in 2022 to 50 percent, and the share of manufactured products in merchandise exports from 13 percent to 50 percent; and medium high-tech products from 21 percent to 50 percent over the same period;
- Increasing the annual FDI inflows from USD 2.9 billion in 2022 to USD 50 billion by 2040; and
- Accumulating the stock and quality of human capital (skilled workers); physical capital (energy, railway, roads, air travel and internet infrastructure); and natural capital (forests, swamps, rivers and lakes).

The key success factors for the strategy are the following:

- Enhancing the capacity for effective national defence and security to avert any internal or external security risks.
- Maintaining constitutional order, an effective and efficient Judiciary, and a people-centred Legislature.
- Economic stability in line with commitments contained in the Charter for Fiscal Responsibility.
- A reformed Government-wide coordination of rationalised Ministries, Departments, Agencies, and Local Governments.
- Effective and accountable public institutions prepared to fight corruption and impunity.
- Policy consistency to ensure effective implementation of Government programmes and interventions.
- Enforcement of local content in Government programmes and investments, and support to culture and the creative industry.
- Digitisation and automation including e-payments, e-commerce, e-Government procurement, e-health, e-education, etc.
- Support and take advantage of the full implementation of the EAC Common Market and economic integration under the African Continental Free Trade Area.

Budget highlights

The key priorities for the FY 2024/2025 Budget are the following:

i. Investing in the people of Uganda through education, health and water, sanitation and hygiene.

ii. Peace and security of all persons in Uganda.

iii. Maintenance of all roads, construction of a few strategic roads, as well as rehabilitation of the Metre Gauge Railway and construction of the Standard Gauge Railway.

iv. Investing in wealth creation initiatives, including commercial agriculture, value addition (UDB and UDC), the Parish Development Model (PDM), Emyooga, Agriculture Credit Facility, tourism, science-based research, and youth skilling, export promotion programme, and the GROW Project.

v. To facilitate electricity transmission, distribution and utilisation of existing energy stock.

vi. Natural disasters (Contingency Funding) and

vii. International commitments for regional and global partnerships.

Budget highlights

Resource envelope

The resource envelope for the financial year 2024/2025 is Ushs 72.1 trillion comprised of both domestic and external sources as detailed below;

FY 2024/25		
Budget allocation	(Ushs, billions)	Percentage
Domestic revenues	31,982	44.3%
Domestic borrowing	8,968	12.4%
Budget support	1,394	1.9%
External financing	9,583	13.3%
Treasury bonds for settlement	7,779	10.8%
Domestic debt refinancing	12,022	16.7%
Petroleum Fund drawdown	115.4	0.2%
Local Government revenue collections	293.9	0.4%
Total	72,137	100%

Budget highlights

Expenditure (Outflows)

The total expenditure for the FY 2024/25 is Ushs 72.1 trillion and is allocated as follows;

FY 2024/25		
Budget allocation	(Ushs, billions)	Percentage
Project support (External financing)	9,584	13.3%
Domestic Refinancing	12,022	16.7%
External Debt repayments	3,149	4.4%
Interest payments	9,064	12.6%
Appropriation in aid	294	0.4%
Domestic arrears	200	0.3%
Domestic debt payment	9,100	12.6%
BOU Discretionary resources	28,724	39.8%
TOTAL BUDGET	72,137	100%

Key highlights and action plans on priority areas

1. Investing in the people of Uganda through education, health and water, sanitation and hygiene

Health

To further enhance the health of Ugandans, a total of Shs 2.946 trillion has been provided next financial year, 2024/25. The following interventions will be prioritised:

- Promotion and implementation of interventions for the disease prevention and health education initiatives against communicable, non-communicable and neglected tropical diseases and injuries;
- Provision of essential medicines where an additional Shs 100 billion has been provided;
- Improvement of the welfare of the health workers including medical interns and doctors designated as senior house officers. I have provided more wage allocations to facilitate the recruitment of staff for the upgraded HC IIIs;
- Construction and rehabilitation of more health infrastructure and provision of medical equipment to improve quality of care and provision of specialised healthcare. These include, among others: the Uganda Cancer Institute and Regional Cancer Centres; the Uganda Heart Institute, Intensive Care Units and an imaging centre for referral hospitals.
- Digitisation of the national health system to facilitate service delivery and tracking of medical supplies and health workers' performance.
- Construction, rehabilitation and equipping of dilapidated hospitals across the country including in the Kampala Metropolitan Area.
- Strengthening of the network of medical reference laboratories including the establishment of the East African Community Regional Centre of Excellence for Virology at the Uganda Virus Research Institute, and the National Public Health Institute in Uganda.
- Establishment of a Pharmaceutical Industrial Park; and strengthening the National Drug Authority Regulatory Framework.

Key highlights and action plans on priority areas

Education

The Minister provided Shs 2.497 trillion to further improve the quality of education, and the following are among the priorities:

- Supporting the new curriculum for S1-S4 students;
- Operationalisation of all the 111 seed secondary schools and completing the 27 seed secondary schools under the UGIFT Programme;
- Commencing the construction of 60 secondary schools and expansion of 61 existing secondary schools under the Uganda Secondary Education Expansion Project;
- Providing loans to 5,192 degree and 1,125 diploma students who are on the Government-funded loan scheme, both continuing students and new beneficiaries; and
- Government take-over of Bunyoro and Busoga Universities for inclusive and equitable access to university education.

Key highlights and action plans on priority areas

Social protection

- Government will continue to support the welfare of the elderly to keep them healthy and productive to their communities.
- Government will also continue to support the youth and women beneficiary groups using the recovered funds from the Youth Livelihood Programme (YLP) and the Uganda Women's Enterprise Programme (UWEP).

The Minister provided an additional Shs 355.79 billion for social protection next financial year.

Key highlights and action plans on priority areas

Water, sanitation and environmental protection

In FY2024/25, clean water coverage will increase to 70 percent and 85 percent in rural and urban areas, respectively. In the rural areas, the target is to reduce the distance to the nearest source of clean and safe water for human and animal consumption to less than one kilometre while in urban areas to less than 500 metres. The following are among the priorities we have budgeted for next financial year:

- Construction of 52 large solar-powered water supply systems in 19 districts that are currently at less than 50 percent water coverage.
- Construction of another 15 solar-powered water supply systems in the Rural Growth Centres
- Completion of the construction of 31 town water supply systems and sanitation facilities
- Construction of 17 rural water supply systems in the refugee-hosting districts
- Progress the construction of 26 water supply systems at various stages in
- Increasing the water for production storage capacity for commercial farmers from 52.6 million cubic metres to 76.8 million cubic metres.

To support the restoration of our environment and reverse the effects of climate change, Government shall undertake the restoration of 42,450 hectares of degraded wetlands.

Government shall demarcate a 750-kilometre boundary with concrete pillars along the following wetlands.

A total of 15 million seedlings of assorted tree species shall be procured and distributed to individual farmers in several districts, as well as to refugee-hosting communities in the Albertine region and in West Nile, as well as individual farmers.

The Minister provided Shs 516.78 billion next financial year for climate change mitigation, natural resources, environment and water resources management.

Key highlights and action plans on priority areas

2. Increasing effectiveness of wealth creation initiatives

The parish development model

Government will deepen the use of WENDI and other digital technologies and innovations to enhance financial inclusion and drive efficiency, accessibility, and effectiveness of the programme

Government will also ensure effective implementation of Pillar One which includes input certification, provision of extension services, storage, value addition, and market linkages.

Shs 1.059 trillion has been provided next financial year for an additional Shs 100 million per parish to benefit more households. Government will also ensure effective implementation of Pillar One which includes input certification, provision of extension services, storage, value addition, and market linkages.

Emyooga

607,636 individuals across the country have benefitted from the Emyooga funds, and Shs 80.28 billion has been recovered from the first-round beneficiaries and it is being advanced to others.

An additional Shs 100 billion has been provided under Emyooga to support more Ugandans to create wealth and boost their incomes.

Key highlights and action plans on priority areas

Agricultural credit facility (ACF)

Government has invested Shs 303 billion, causing a cumulative loan disbursement of Shs 860 billion. This money has enabled a total of 3,868 agricultural projects to access patient capital for commercial on-farm investment, post-harvest management, agro-processing, and trade in agricultural produce. Next financial year, Government will continue to capitalise the ACF with an additional Shs 30 billion.

Capitalisation of UDB

During FY2024/25, the Bank will continue to provide capital to businesses involved in value addition, including promotion of innovation in the areas of science and technology. It will also support youth-led enterprises, manufacturers, and also provide working capital to exporters and those involved in import substitution. Green financing is also going to be enhanced to ensure climate adaptation and mitigation. To achieve this, Government is going to further capitalise UDB with another Shs 55 billion. Government is also in the process of acquiring for UDB credit lines worth Shs 1.083 trillion to lend more to wealth creators.

Key highlights and action plans on priority areas

Support to SMEs

At a disbursement of Shs 18.4 billion so far, supporting 1,459 businesses, uptake of this fund has been low. Government and Bank of Uganda are going to relax the requirements to ensure increased uptake of the SBRF to support SME growth. At a disbursement of Shs 18.4 billion so far, supporting 1,459 businesses, uptake of this fund has been low. Government and Bank of Uganda are going to relax the requirements to ensure increased uptake of the SBRF to support SME growth.

Invite and grow programmes

Government is also implementing two programs namely; the Generating Growth Opportunities and Productivity for Women Enterprises (GROW) worth USD 217 million (Shs 824 billion); and the “Investment for Industrial Transformation and Employment (INVITE)” worth USD 210 million (Shs 800 billion). These funds are intended to support women-owned enterprises and value addition for exports.

Key highlights and action plans on priority areas

Agro - industrialisation

In the FY 2024/25 Budget, the Minister allocated a total of Shs 1.878 trillion towards deepening agro-industrialisation with increased focus on commercialisation and value addition in agriculture. The priority areas include;

i) More investment in research and genetic development of selected value chains for animal, fish and crop varieties;

ii) Support for pest, vector and disease control and prevention.

iii) De-risking agriculture through supporting increased production and productivity as well as value addition for all the priority value chains;

iv) More support for agricultural mechanisation;

v) Increased investment in small and large irrigations systems, particularly solar-powered irrigation;

vi) Support for seed multiplication through the Uganda Prisons to increase seed availability for PDM beneficiaries; and

vii) Additional credit support to large-scale commercial farmers to ensure food security and increased exports.

Key highlights and action plans on priority areas

3. Tourism development

Tourism has a high return on investment. In FY2024/25, the Minister provided Shs 289.6 billion to the tourism development programmes to undertake the following:

- Support international and domestic tourism marketing and promotion activities;
- Modernise our tourism products to make them more competitive. These include completion of the pier and related infrastructure at the Source of the Nile; upgrading the Uganda Museum; construction of 8,000 metres of climbing ladders and boardwalks on the Rwenzori Mountains to make hiking safer;
- Continue with the grading, supervision and classification of tourism facilities to enhance the quality of services and ensure adherence to the required global standards;
- Complete the upgrade of the Uganda Hotel and Tourism Training Institute infrastructure in an effort to make it an International Centre of Excellence for training and skills development in tourism and hospitality; and
- Enhance the conservation of Uganda's 22 Wildlife Protected Areas with a focus on the mitigation of human wildlife conflicts. Government is going to construct an additional 150 kms of electric fence and maintain the existing 106-km fence; carry out boundary surveillance through more than 13,904 patrols; uproot invasive species and construct four (4) water dams in protected areas.

An additional Shs 1.629 trillion has been provided for several critical interventions associated with tourism including support to Uganda Wildlife Authority, construction of tourism roads, road rehabilitation and upgrade under Kampala Capital City Authority, support to AFCON'27 and completion of key stadia, strengthening security, law and order in our tourism destinations, and extension of the internet to tourism destinations, among others.

The Minister provided an additional Shs 55 billion to Uganda's Missions Abroad to support the Uganda Tourism Board (UTB) to market Uganda to potential tourists, market our exports and attract more investors

Key highlights and action plans on priority areas

4. Science, technology and innovation

Government has earmarked Science, Technology, and Innovation (STI) as a key catalyst for the qualitative leap to achieve tenfold growth of our economy. This financial year, building on investments made in recent years, the following are the key achievements attained

Kiira Motors Corporation (KMC)

Government has supported Kiira Motors to construct and equip a magnificent 2,500 vehicles per year manufacturing plant in Jinja Industrial Park.

The Government is going to support Kiira Motors with Shs 32.5 billion to complete the plant and access working capital.

Presidential Initiative on Banana Industrial Development (PIBID)

Government has supported PIBID to establish semi-automated plant in Bushenyi with a daily processing capacity of 14 metric tons of fresh matooke. This project has shown potential for import substitution by replacing wheat, and also by providing gluten-free starch products.

Government has provided an additional Shs 50 billion to complete the capitalisation of the company to transition into a self-sustaining business.

The Pathogen Economy

The pathogen economy has made tremendous progress in developing vaccines, therapeutics, diagnostics and other healthcare tools for our public health security and import substitution.

Other Government support under the pathogen economy has been directed towards the following special initiatives:

i) Dei Biopharma Ltd is establishing Africa's largest pharmaceutical and vaccine manufacturing facility here in Uganda. Government is in the process of finalising equity acquisition in exchange for its Shs 723 billion investment.

ii) The anti-tick vaccine project at Makerere University, spearheaded by Dr. Margaret Saimo-Kahwa, has undergone clinical trials. The Minister has provided an additional Shs 25 billion to produce and commercialise the anti-tick vaccines.

iii) Government has also supported Jena Herbals of Prof Patrick Ogwang (known for COVIDEX) to undertake clinical trials of his natural therapeutics and establish an internationally certified production facility to manufacture and commercialise them. The Minister has provided an additional Shs 2.07 billion for this purpose next financial year.

iv) Support to Prof Jennifer Serwanga Sempala to advance her research in human vaccines. The Minister provided an additional Shs 25.24 billion needed to complete the research and start producing the vaccine.

Key highlights and action plans on priority areas

Coffee Value Chain Development

Government will support the completion and expansion of these facilities, their operationalisation and market penetration of the products on the local, regional and international markets. The target is to aggregate, add value and market at least 1 million bags of medium-to-high quality green coffee beans by 2025. This will earn Uganda USD 560 million from value added coffee in the next five years, which would catalyse the whole sector to bring in at least USD 5 billion in line with our tenfold growth strategy. Shs 75 billion has been provided next financial year to improve coffee value chain development.

Space Programme

Government has supported rapid human capital development of the Aerospace Programme by training our engineers in Japan, China and Egypt. Government has partially refurbished the headquarters of the Space Programme, the Mpoma Satellite Earth Station to enhance weather prediction, and monitoring of landslides and the environment.

Government will support completion of the initiatives including the establishment of a satellite development laboratory and a modern Geospatial Centre to be able to obtain data from a broad spectrum of satellites from partner nations. The Minister has provided Shs 3.3 billion for Space Programme activities next financial year.

Key highlights and action plans on priority areas

5. Mineral development

The Minister has allocated Shs 41.55 billion to undertake the following interventions for further mineral development:

- Fast-tracking quantification and market studies for all minerals for the purpose of investor promotion;
- Operationalising the National Mining Company;
- Further reviewing and strengthening the fiscal regime for minerals, including regulation of artisanal and small-scale miners;
- Developing the e-government mineral production system and data bank for mineral statistics;
- Commencing construction of the Busia and Moroto beneficiation centres; and strengthening the Ntungamo and Fort Portal centres; and
- Facilitating private sector participation in exploration, mining and value addition to minerals.

Key highlights and action plans on priority areas

6. Oil and gas

Next financial year the Minister has provided Shs 920.86 billion for the oil and gas sector to prioritise the following:

- Development of the East African Crude Oil Pipeline (EACOP) hub in Tanga;
- Continued construction of the EACOP including the necessary infrastructure to facilitate adherence to high quality environmental standards;
- Procurement and dissemination of the 57,000 Liquefied Petroleum Gas (LPG) cylinders to promote clean cooking; and
- Establishment of the Petroleum Geoscience Laboratory; and
- Equity contribution for the Refinery Project.

Key highlights and action plans on priority areas

7. Integrated transport infrastructure and services

During the FY 2024/2, more focus will be put on maintenance of the roads we have built, building of a few new strategic roads, accelerated rehabilitation of the Metre Gauge Railway, and commencement of construction of the Standard Gauge Railway. The Minister provided a total of Shs. 4.989 trillion for that purpose. In particular, the following transport infrastructures will be undertaken:

Roads and Bridges

- Tarmacking of an additional 306 km of roads under the ongoing projects;
- Completion of the upgrading of 210 km of roads
- Commencing the upgrading/construction of 643 km of roads projects.
- Upgrading to bitumen standard (tarmac) 16.9 km of roads in the Greater Kampala Metropolitan Area (GKMA), and Gomba District;
- Completing the construction of 20.2 km of Kayunga-Nabuganyi Road;
- Completing the construction of Kakiri-Masulita-Mawale Road (23 km);
- Rehabilitation of over 10,000 km of national and community access roads in various parts of the country.
- Commencing the reconstruction works for Masaka-Kyotera-Mutukula Road (89.5 km) and Rehabilitation of Nyendo-Villa Maria Road (11 km) and access roads (7 km).
- Continuing with the ongoing construction of up to 30 bridges and structures on the national roads.

Development of Water Ferries

The construction of two (2) Lake Bunyonyi Ferries is currently underway, and will be completed next financial year.

Air Transport

Shs 162 billion has been provided for completion and operationalisation of Kabalega International Airport in Hoima; and plans are underway to acquire at least two (2) mid-range aircraft and 2 cargo aircraft to facilitate exports in the medium term.

Key highlights and action plans on priority areas

8. Information and communications technology (ICT)

Next financial year, the Minister has provided over Shs 246 billion to continue developing the ICT and digital transformation through the following interventions:

- Further expansion of internet connectivity and digital infrastructure across the country;
- Continuing the rollout of digital services across Government to improve efficiency of service delivery, transparency and accountability
- Leveraging Business Process Outsourcing (BPO) and ICT to create employment opportunities for the young people;
- Digital skilling to increase adoption of the digital services; and
- Cyber security, data protection and privacy.

Key highlights and action plans on priority areas

9. Energy development

The country's power generation capacity has increased by 600MW from 1,378.7MW to 1,978.1MW following the connection of Karuma Hydropower Dam to the national grid. The electricity transmission capacity has now increased to 4,218 km of high voltage from 3,500 km in 2020.

The Minister has provided Shs 982.56 billion to undertake the following:

- Increased access to electricity through grid expansion and connectivity projects;
- More investment in the construction of transmission and distribution networks targeting load centres to promote value addition;
- Improving the quality of power supply through the systematic operation and maintenance of existing power infrastructure;
- Increasing access to clean energy by supporting clean cooking technologies;
- Development of five (5) micro-grid power plants using wind and solar hybrids in Karamoja; and
- Preparatory activities for the 8,400MW Nuclear Power Plant in Buyende District.

Key highlights and action plans on priority areas

10. Industrial development and manufacturing

Government is continuing to develop industrial parks to provide investors with the required infrastructure and utilities. Work is progressing in the Namanve Park (with 190 companies operating); Liao Shen Park in Kapeeka (19 companies); Sino-Uganda Industrial Park in Mbale (18 companies); Luzira Park (11 companies); Bweyogerere Park (8 companies); and MMP in Buikwe (6 companies).

Other operational industrial parks include: Jinja, Soroti, Kasese, Mbarara, and Tian Tang-Mukono Industrial Parks. So far, over USD 3.5 billion have been invested in these parks in the form of Foreign Direct Investment. Over 266,812 direct and indirect jobs have so far been created.

Key highlights and action plans on priority areas

11. Security, good governance and rule of law

Next financial year, the Minsiter provided a total of Shs 9.588 trillion, of which Shs 481.4 billion is for the administration of justice to ensure that Uganda remains a peaceful and accountable country with law-abiding citizens. Some of the priorities in these programmes include:

Security of the Person and Property

- Strengthening the capacity of security agencies to address emerging security threats, and ensuring combat readiness of security agencies to protect life and property;
- Enhancing military capability through acquisition of various assets, and strengthening the surveillance infrastructure;
- Supporting joint military operations in the region;
- Building effective crime response systems targeting sophisticated crimes such as terrorism, other transnational crimes, arms proliferation, illegal entry into the country, money laundering, cybercrime, espionage, smuggling of contraband, human trafficking, and others;
- Supporting the civil authorities in combating threats as well as managing the refugees in line with our Refugee Policy; and
- Improving the welfare of the military, police, prisons, ISO and ESO personnel through salary enhancement.

Key highlights and action plans on priority areas

Justice, Law and Order

- Strengthening justice, law and order service delivery systems by:
- Recruiting 10 more High Court Judges in Commercial and Land Divisions to enhance adjudication of commercial and land cases to eliminate backlog;
- Recruiting 5 more Justices of Court of Appeal in line with the Judicature (Amendment Act), 2024;
- More investment in court automation to cover an additional 10 Courts to enhance efficiency, reduce human contact and by extension reduce incidents of corruption;
- Promotion of the Alternative Dispute Resolution (ADR) Mechanism to complement the formal adjudication of cases;
- Starting construction of Regional Courts of Appeal in Mbarara and Gulu; High Courts in Hoima and Mpigi; Chief Magistrate Courts in Amolatar, Bubulo, Rakai and Katine; and Magistrate Grade One Courts in Busembatia, Nyarushanje, Rubuguri and Adwari;
- Promoting the use of scientific evidence in investigation and prosecution of cases, including construction of the National DNA Databank at the Government Analytical Laboratories at Wandegeya;
- Mass enrolment for and renewal of National IDs, and automation of immigration and business registration services;
- Reforming laws and the due process to ensure faster and expeditious resolution of disputes, among others.

Key highlights and action plans on priority areas

12. Natural disaster response and management

During FY2023/24, Government supported 53,930 households with relief food and non-food items such across the country. Next financial year, the Minister has provided Shs 18.1 billion plus a Contingency Fund of Shs 146.26 billion to support disaster response and management, including:

- Operationalisation of the National Disaster Risk Management Plan;
- Support 50,000 households with food and non-food items across the country;
- Provision of funds to Uganda Red Cross Society to support disaster victims;
- Supporting the resettlement of 1,000 households that were displaced by landslides and floods in the Elgon Region including the districts of Bududa, Manafwa, Bulambuli, Namisindwa and Sironko.

A Income Tax (Amendment) Act, 2024

1. Expansion of the definition of a Retirement fund

The definition of a retirement fund has been expanded to include the provision of benefits for members of the fund in the event of termination of service or upon the occurrence of an event specified in the written law, agreement, or arrangement.

Currently, a retirement fund is a pension or provident fund maintained for the provision of benefits for members of the fund in the event of retirement or in case of death.

This amendment is intended to align the definition of a retirement fund in the Income Tax Act with that in the Uganda Retirements Benefits Regulatory Authority Act to include, accessing benefits by members upon the termination of employment with their respective employers.

Upon the passing of this amendment, the contributions by an employer to a retirement fund in the event of termination of service or upon the occurrence of a specified event will not be included in employment income, therefore not taxed.

Income Tax (Amendment) Act, 2024

2. Exemption of certain Incomes

The Act seeks to exempt:

a. Income derived from or by private equity or venture capital fund regulated by Capital Markets Authority.

b. Income derived from the disposal of government securities on the secondary market.

c. Income earned by investors from manufacturing an electric vehicle, electric battery, or electric vehicle, charging equipment or fabricates the frame and body of an electric vehicle is exempt upon fulfilling the set conditions of capital investment, use of local content, and local raw materials.

d. Income from operating a specialized hospital facility is exempt upon fulfilling the set conditions. These are: capital investment requirements, use of local content, and use of local raw materials.

This amendment is intended to attract investment into the Country.

Upon the coming into force of the Amendment, the income indicated above will be exempt from Income Tax.

Income Tax (Amendment) Act, 2024

3. Introduction of the Concept of a Permanent Establishment (PE)

The Amendment seeks to replace a Branch with the concept of Permanent Establishment for income tax purposes. This is in order to align the definition of a branch to the definition of a branch per the United Nations Model Double Taxation Convention between Developed and Developing Countries, 2017 and Uganda Taxation Agreements.

A permanent establishment is defined to mean a fixed place of business through which the business of the enterprise is wholly or partly carried on and includes:

a. a place of management;

b. a branch;

c. an office;

d. a factory;

e. workshop;

f. a warehouse, in relation to a person providing storage facilities to others;

g. a mine, an oil or gas well, a quarry or any other place of exploration for or extraction or exploitation of natural resources;

h. a farm, plantation, or other place where agricultural, forestry plantation or related activities are carried on;

i. a sales outlet;

j. a building site or a construction, installation or assembly project, or supervisory activities in connection with the site, project or activity that lasts for at least 90 days in any 12 months period;

k. the furnishing of services, including consultancy services, by a person through employees or other personnel engaged by the person for such purposes provided that such activities continue in Uganda for a period of, or periods amounting in aggregate to, 183 days or more in any 12-month period that commences or ends during the year of income; or

l. substantial equipment or machinery that is operated, or is available for operation, in Uganda for a period of, or periods amounting in aggregate to, 90 days or more in any 12-month period that commences or ends during the year of income.

The Amendment further indicates activities that do not lead to creation of a PE. These include the use of facilities solely for the purpose of storage or display of goods or merchandise belonging to the person, among others.

Income Tax (Amendment) Act, 2024

4. Taxation of Income of a PE

According to the amendment, income of a non-resident person attributable to activities of a permanent establishment shall be taxed in Uganda.

A PE shall not be allowed a deduction in respect of amounts paid by the PE to the head office of the non- resident person or any of its other offices by way of, royalties, fees or other similar payments in return for the use of patents or other rights; commission, for specific services performed or for management; or interest on moneys lent to the PE, except, in case of financial institution.

A PE shall be a distinct and separate entity from the head office and the transactions between the PE and the head office are subject to Transfer Pricing Regulations.

Therefore, where a person creates a PE in Uganda, that person will be required to register for tax and declare the income earned from Uganda and pay the corresponding income tax at the rate of 30% in case of a Company.

The PE will also be required to determine whether income was repatriated for each year of income and pay tax on the repatriated income at the rate of 15%.

Income Tax (Amendment) Act, 2024

5. Sourcing of Income from Uganda

The Amendment expands the circumstances under which a non-resident is construed to have sourced specified income from Uganda.

According to the Amendment, income is derived from sources in Uganda to the extent to which:

a. It is a pension or an annuity where the annuity is paid by a non-resident person as expenditure of a business carried on by the non-resident person through a PE in Uganda;

b. It is derived from the payment of insurance premium if the premium relates to the insurance or reinsurance of a risk in Uganda.

Where a non- resident receives the income indicated above, that income will be sourced in Uganda and that person will be required to pay tax in Uganda unless there exists a Double Tax Treaty that exempts the payment of that tax in Uganda.

Income Tax (Amendment) Act, 2024

6. Withholding tax on commissions paid to a Banking Agent / Agent offering financial services

The Amendment seeks to impose withholding tax at the rate of 10% on a payment of commissions to a banking agent or any other agent offering financial services.

This is intended to bring commissions paid within the banking sector within the scope of the withholding tax mechanism.

Previously only commissions paid to Insurance and mobile money agents were subject to WHT.

Upon the coming into force of this law, Banks/persons will be required to withhold tax (WHT) at a rate of 10% on commission payments to a banking agent or any other agent offering financial services.

The 10% withholding tax is not final and can be used as a credit to offset the service provider’s tax liability for the year.

7. Expansion of Listed Institutions

The list of listed institutions has been expanded to include:

a. African Reinsurance Corporation (Africa Re);

b. International Regulatory Board of the East African Power Pool; and

c. Islamic Cooperation for the Development of the Private Sector.

This implies that the income earned by those persons will be exempt from income tax in Uganda.

The Amendment is intended to incentivise the development of the insurance and reinsurance industry in Africa; promote investment in the power sector and facilitate smooth cross border energy initiatives within the East African Region; and to fulfil the Government’s commitment to promotion of Islamic finance and encouraging increased financing towards private sector projects

B Value Added Tax (Amendment) Act, 2024

1. Recipient of the proceeds liable to pay tax on the goods sold through Auction

The Act has been amended to provide that in the case of supply of goods through auction, VAT is to be paid by the recipient of the proceeds of the auction.

Furthermore, the Act provides that the supply of goods through auction by an auctioneer in the course of auctioning goods is treated as a supply of goods by the recipient of the proceeds of the auction.

Currently, the supply of goods by auction is treated as a supply of goods made by the auctioneer.

This amendment is intended to clarify that the recipient of the proceeds of the auctioned goods is responsible for accounting for VAT on the sale of those goods.

Furthermore, the amendment is intended to clarify that where a debtor's property is disposed of through a sale, then the supply is treated as to be made by the debtor and not the auctioneer or the creditor.

Upon the coming into force of this law, the recipient of the proceeds of the sale will be required to remit the VAT to the Tax Authority.

The auctioneer, or the creditor will not be required to remit the VAT or offset any input tax credit incurred against the VAT imposed on the sale of the goods through auction.

Value Added Tax (Amendment) Act, 2024

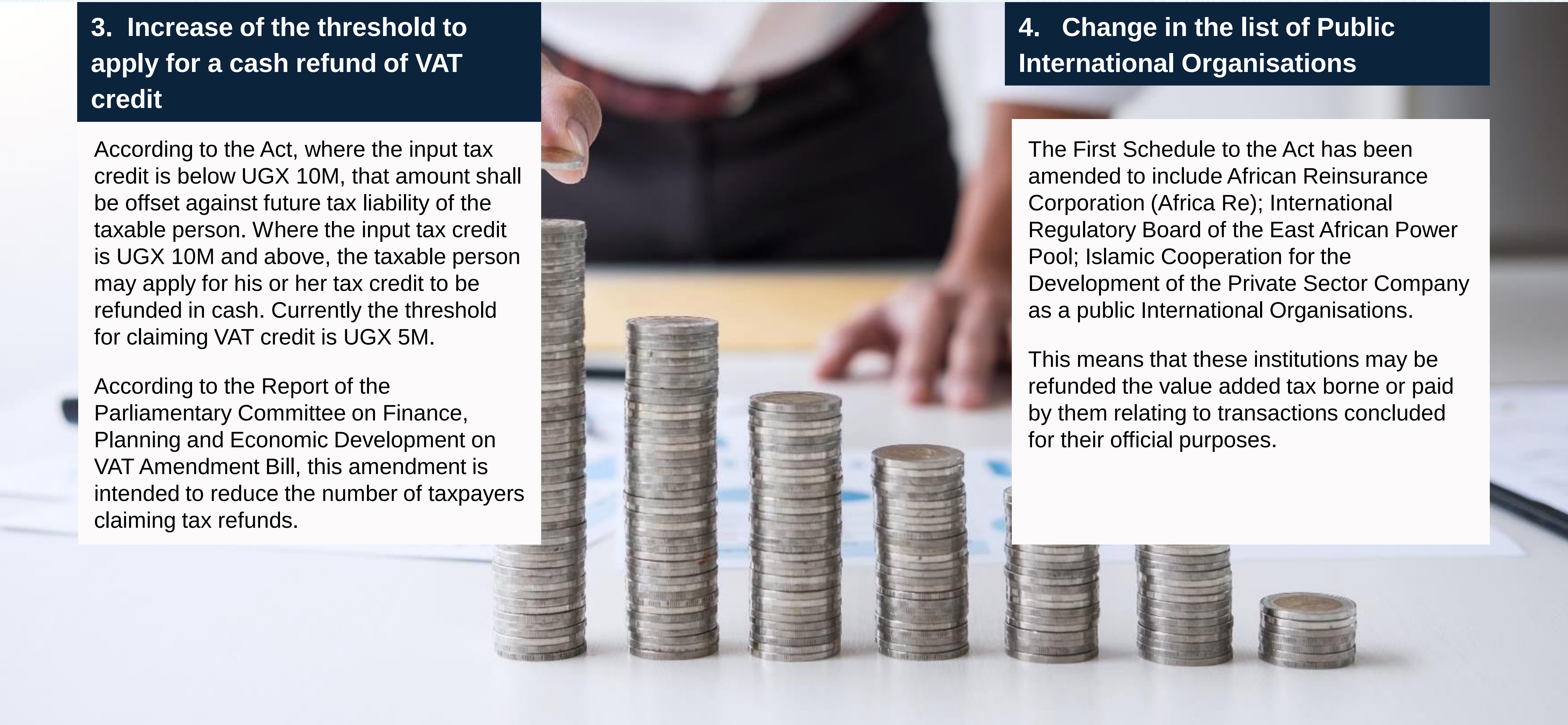
2. Employer to remit VAT on supply of services or goods to employees

The supply of goods or services by an employer who is a taxable person to an employee, for no consideration shall be regarded as the supply of goods or services for consideration as part of the person's business activities.

This Amendment is intended to ensure that the tax authority recovers VAT on the goods and services supplied by the employer to his or her employee for free since the employer would have claimed VAT on them when acquiring them or producing them.

We however note that currently, those supplies are treated as supplies for own use and the taxable person is required to pay VAT on them.

Value Added Tax (Amendment) Act, 2024



3. Increase of the threshold to apply for a cash refund of VAT credit

According to the Act, where the input tax credit is below UGX 10M, that amount shall be offset against future tax liability of the taxable person. Where the input tax credit is UGX 10M and above, the taxable person may apply for his or her tax credit to be refunded in cash. Currently the threshold for claiming VAT credit is UGX 5M.

According to the Report of the Parliamentary Committee on Finance, Planning and Economic Development on VAT Amendment Bill, this amendment is intended to reduce the number of taxpayers claiming tax refunds.

4. Change in the list of Public International Organisations

The First Schedule to the Act has been amended to include African Reinsurance Corporation (Africa Re); International Regulatory Board of the East African Power Pool; Islamic Cooperation for the Development of the Private Sector Company as a public International Organisations.

This means that these institutions may be refunded the value added tax borne or paid by them relating to transactions concluded for their official purposes.

Value Added Tax (Amendment) Act, 2024

5. Removal of certain goods from the Exempt supplies schedule

The Second Schedule to the Act has been amended to exclude:

a. Postage stamps.

b. Supply of software and equipment installation services to manufacturers.

The above will not be exempt 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.

Value Added Tax (Amendment) Act, 2024

6. Inclusion of certain goods and services as Exempt supplies

The Second Schedule to the Act has been amended to include:

a. the supply of an electric vehicle locally manufactured or supply of frame and body of an electric vehicle locally fabricated.

b. the supply of electric vehicle charging equipment or the supply of charging services of an electric vehicle.

c. the supply of cooking stoves, that use fuel ethanol, assembled in Uganda, up to 30 June, 2028.

Persons supplying those goods or services will not be required to charge VAT on them or claim VAT incurred in providing those goods and services.

C Excise Duty (Amendment) Act, 2024

The Act proposes to amend Schedule 2 of the Excise Duty Act, 2014 to substitute certain items; and vary excise duty in respect of certain excisable goods as follows:

Item	2023/2024	2024/2025 Proposal
Opaque beer	20% or Shs. 230 per litre, whichever is higher	10% or shs 150 per litre whichever is higher.
any other alcoholic beverage locally produced	20% or Shs. 230 per litre, whichever is higher	10% or shs 150 per litre whichever is higher.
Powder for reconstitution into beer	NIL	shs 2500 per kg
Un-denatured spirits of alcoholic strength by volume of 80% or more made from imported raw materials;	100% or shs. 2500 per litre, whichever is higher	100% or shs. 2500 per litre, whichever is Higher ***Proposal: Currently, the duty payable is irrespective of the Volume.***
Any other un-denatured spirits—that is locally produced of alcoholic strength by volume of less than 80%;	60% or shs. 1500 per litre, whichever is higher	80% or shs. 1700 per litre whichever is higher
any other un-denatured Spirit that is imported of alcoholic strength by volume of less than 80%.	100% or shs. 2500 per litre, whichever is higher	80% or shs. 1700 per litre whichever is higher
Other wines	80% or shs 8000 per litre, whichever is higher	100% or shs 10,000 per litre whichever is higher

Excise Duty (Amendment) Act, 2024

Item	2023/2024	2024/2025 Proposal
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 locally grown.	12% or Shs. 250 per litre whichever is higher.	10% or shs. 250 per litre, whichever is higher. ***Proposal: Exclusion of Juice made from 30% juice by weight or volume of the total composition of the drink from fruits and vegetables locally grown from excisable goods.***
any other non-alcoholic beverage locally produced made out of fermented sugary tea solution with a combination of yeast and bacteria.	12% or shs. 150 per litre whichever is higher.	10% or shs 150 per litre whichever is higher
Mineral water, bottled water and other water purposely for drinking	10%	10% or shs 50 per litre whichever is higher”
Cement, adhesives, grout, white cement or lime	Shs 500 per 50kgs	shs 500 per 50 kgs ***Proposal: Inclusion of adhesives, grout, white cement, or lime in excisable goods***
Motor spirit (gasoline)	Shs 1450 per litre	shs 1550 per litre

Excise Duty (Amendment) Act, 2024

Item	2023/2024	2024/2025 Proposal
Gas oil (automotive, light, amber for high-speed engine)	Shs 1130 per litre	shs 1230 per litre
Incoming international calls from Burundi, Republic of Tanzania,	USD 0.09 per minute	Nil
Payment service of withdrawals of cash provided through a payment system but does not include withdrawal services provided by a financial institution or a micro finance deposit taking Institution and an agent of a financial institution	Not provided for	0.5% of the value of the transaction
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. ***Proposal: This applies to beverages from locally produced raw materials***
construction materials of a manufacturer of an electric vehicle, electric battery or electric vehicle charging equipment or fabricator of the frame and body of an electric vehicle whose investment capital is, at least USD 35M for a foreigner and USD 5M for a citizen	Not provided for	NIL

D Tax Procedures Code (Amendment) Act, 2024

1. Destruction of Goods

A taxpayer who intends to claim a deduction of or credit for the goods destroyed shall inform the Commissioner in writing.

This amendment is aimed at enabling the Tax Authority to validate the deduction as a result of destroyed goods before it is claimed by the taxpayer.

2. Waiver of Interest and penalty outstanding as at 30 June 2023

All interest and penalty to be waived where the taxpayer pays all the principal tax outstanding as at 30 June 2023, by 31 December 2024.

Part of the interest and penalty to be waived on a pro rata basis, where the taxpayer pays part of the principal tax outstanding on 30 June 2023, by 31 December 2024.

The provision is meant to incentivize taxpayers to pay principal tax due by 30 June 2023, by 31 December 2024.

There is no requirement to undertake the voluntary disclosure process under this provision.

E Stamp Duty (Amendment) Act, 2024

1. Instruments by venture capitalists shall not attract stamp duty

These instruments are:

a. Instruments with respect to shares acquired by investors in or a private equity or venture capital fund.

b. Instruments with respect to nominal share capital or any increase of shares, acquired by an investor in or a private equity or venture capital fund.

c. Transfer of shares or other securities, to or by an investor in or to or by a private equity or venture capital fund.

Where these instruments are executed, there will be no requirement to pay Stamp Duty on them before they are registered or relied on by Government entities to convey an interest

2. Changes in the conditions to benefit from NIL stamp Duty by Strategic Investment Projects

These have been amended as below:

a. capacity to use at least 80 percent of the locally produced raw materials, subject to availability.

b. capacity to use at least 80 percent of the locally produced raw materials, subject to availability

c. employ at least 80 percent of its employees being citizens earning an aggregate wage of at least eighty percent of the total wage bill.

In order for the strategic businesses to benefit from the NIL stamp duty, they will have to satisfy the conditions indicated above in addition to the capital investment requirements

Stamp Duty (Amendment) Act, 2024

3. NIL stamp duty on instruments by Manufacturers of Electric Vehicles and accessories

Certain Instruments executed by a manufacturer of an electric vehicle, electric battery or electric vehicle charging equipment or fabricator of the frame and body of an electric vehicle attract NIL stamp duty.

That person however ought to fulfil the conditions set such as investment capital and local content requirements.

This is to incentivize the investment in manufacturing electric vehicles and accessories in Uganda.

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