



# Budget Brief

**Uganda 2017**





# Economic Commentary

## 2016/17 Economic Performance

The overall performance of the Uganda economy as measured by the real GDP is estimated to have grown by 4% for the financial year 2016/17 which is lower than 5% projected at the beginning of the year. The slower growth is mainly attributable to drought which was experienced at half year mark and the slowdown in execution of externally-financed public investment.

Uganda continues to trail other East Africa countries, in particular, Kenya, Tanzania and Rwanda which are projected to have grown at 5.3%, 7% and 7.1%, respectively.

The public debt is reached US\$ 9.8 billion in 2017/18 compared to US\$ 8.4 billion in 2016/17. The increase in public debt is as a result of increase in borrowings to finance the ambitious infrastructural developments. Although the public debt has increased at a higher rate compared to past trends, it is sustainable in relation to the size of the economy. The debt to GDP ratio stood at 39% compared to 33.8% in the previous financial year. The current debt to GDP ratio is below the Public Debt Management Framework threshold and the East African Community Monetary Union convergence criteria requirement of 50% however this is projected to hit 43.5% of GDP by the year 2020 if the current trend is not reversed.

## Macro-Economic indicators

### Inflation

Inflation has edged up in 2016/17 with annual headline rate of 7.2% in May 2017 (5.3% in May 2016), recoding an annual average of 6.8%.

The trend in annual inflation initially reduced in the first half of the year to a low of 4.1% in October 2016 and took an upward trend in the second half of the year. The pressure on inflation is mainly attributed to the effects of the drought experienced in the first half of the year. Food price inflation rose from -5.7% in May 2016 year on year to 23.1% in May 2017. Headline inflation is forecast to peak at 8% Q117/18 because of the deteriorating outlook of food prices.

Despite the significant increase in food price inflation, core inflation stands at 5.1%, in line with the Bank of Uganda's 5% target.

### Interest rate

Bank of Uganda reduced the Central Bank Rate (CBR) from 17% in April 2016 to 11% in April 2017. The reduction in the CBR was in a bid to reduce lending rates, spur business activity and support private sector credit and economic growth momentum.

Nominal weighted average lending interest rates reduced over the 12 months to 22.45% per annum in May 2017 from a high of 24.48% in May 2016. Overall, the lending rates have reduced, reflecting the easing of the

monetary policy stance.

The deposit rates also reduced in line with the reduction in other interest rates in the economy.

In line with the continued easing of monetary policy stance, money market rates in general have correspondingly softened. The yields on treasury bills have fallen to 10.47%, 11.87% and 13.84% on the 91-days, 182 days and 364 days treasury Bills respectively in May 2017 from 14.0%, 14.9% and 15.4%, respectively in Q416.

## Exchange rate

The shilling opened trading at UGX 3,405 against the US dollar at the beginning of July 2016 and closed at UGX 3,603 at May 2017, representing a 6% depreciation. This is largely attributed to strengthening of USD against other hard currencies with which Uganda trades with widening the balance of payment deficit.

## Budget Commentary

The theme for this year's budget was "Industrialisation for job creation and shared prosperity." The budget focussed on the following four strategic areas:

- Industrialization through value addition
- Increasing production and productivity in the key primary growth sectors of Agriculture, Tourism and Oil, Gas and Minerals
- Enhanced Private Sector Development; and
- Increased Public Sector Efficiency.

## Expenditure Framework

The total approved budget for the FY 2017/18 is UGX 29,006 billion and is allocated as follows:

- UGX 20,081 billion - Ministries, Departments, Agencies and Local Governments
- UGX 4,999 billion - domestic debt refinancing for maturing domestic debt
- UGX 949 billion - external debt repayments; UGX 2,675 billion - interest payments;
- UGX 300.86 billion - settlement of domestic arrears; and

## Resource envelope

The resource envelope for 2017/18 is projected to be UGX 29,006 billion of which UGX 15,062.4 billion (52.6%) will be from domestic resources and UGX 13,927.6 billion (47.4%) from external assistance. Domestic resources will include, collections from the Uganda Revenue Authority - UGX 14,686.1 billion; non-tax revenue - UGX 376.3 billion, (issuance of government securities); External include, UGX 7,077 billion, domestic debt refinancing and borrowing is at UGX 5,953 billion, draw down from petroleum fund is UGX 125 billions, budget support at UGX 35 billion and Appropriation in Aid is UGX 754 billion.



## Key Highlights

### 1. Enhanced Production and Productivity

#### Agriculture Production and Productivity

Agriculture is key to creating wealth and employment. The prolonged drought witnessed recently is as result of the destruction of wetlands and deforestation

The low productivity is caused by:

- Limited access to appropriate technologies,
- Declining soil fertility and poor farming methods.
- The severe and prolonged droughts
- Lack of requisite skills by the farmers and poor infrastructure.

Government will continue transforming the agriculture sector through mechanization, efficient access to inputs and appropriate technologies, increasing storage and market access. Specifically, Government will continue to implement the following:

- As a stopgap measure, distribute emergency food relief and fast maturing seedlings to ensure food security
- Rehabilitation of major irrigation schemes and valley tanks
- Distribution of inputs under Operation Wealth Creation
- Improved markets under the Community Agricultural Infrastructure Project (CAIIP) and MATIP programmes
- Value addition
- Improving quality to meet domestic and

international market standards

- Conducting agricultural research and development
- Construction of irrigation infrastructure including on-farm valley tanks, valley dams and medium to large scale irrigation schemes for communities.
- Construction of a number of irrigation schemes including Kabale micro-irrigation model, Rwengaju Irrigation scheme in Kabarole, Olweny irrigation scheme in Lira and 14 windmill-powered water systems in Karamoja sub-region among others
- Supporting development of private sector post-harvest handling infrastructure and investment in cooperative society-run post-harvest handling storage infrastructure at parish level
- UGX 853.42 billion has been approved for the Agricultural Sector in the budget up from UGX. 823.42 billion in Financial Year 2016/17

### Unlocking Uganda's Tourism Potential

Uganda now ranks among the top 5 tourist destinations for 2017 and expect the number of tourists to increase from the current 1.5 million to 4 million per year by 2020.

This will come along with increased business activities in the tourist sector, increased jobs in the hospitality industry and increase in tourism earnings from the current USD 1.4 billion to USD 4.3 billion by 2020. Government will continue to implement the 2015-19 Tourism Development Plan.

The plan aims to diversify tourism products, aggressively promote tourism and, nature conservation, develop skills and infrastructure, and the regulation of the sector.

Key interventions next year include the following:-

- Development of the requisite skills in the hospitality industry, while marketing and promoting Uganda as a world-class tourist destination;
- Conclusion of certification of hotels and restaurants in 2018;
- Organize 6 domestic tourism fairs to showcase Uganda's tourism potential;
- Participate in 4 regional marketing events and 6 international tourism marketing exhibitions to showcase Uganda's tourism potential;
- Produce and distribute 30,000 promotional materials in the various promotional engagements and markets;
- Classify 100 hotels and sensitize 600 tourism facility managers on standards;
- Inspect and register 4,000 tourism facilities; and
- Train 432 Local Government staff of the major tourism districts in quality assurance;
- UGX 116.6 billion has been allocated to the sector in 2017/18 up from UGX. 89.6 billion in Financial Year 2016/17.



## 2. Development and Maintenance of Strategic Infrastructure

Funding strategic transport, energy and Information Communications Technology (ICT) infrastructure has been a key priority of government. Government's prioritisation of these sectors and their funding currently constitute more than 32.8% of the total government expenditure every year.

### Transport Infrastructure Road/Bridges

Government has maintained financing of ongoing road and bridge projects, with special focus on those that directly boost value addition and exports. The objective is to complete these projects in time and provide sufficient resources for proper maintenance of completed ones. An allocation of UGX 4,572.3 billion towards the transport sector has been approved for the next financial year.

### Railway, Water and Air Transport

**Railway Transport** - Government is committed to revitalize the railway network to reduce damage on roads, lower cost of freight and increase competitiveness. Expediting preparatory activities for full implementation of the Standard Gauge including rehabilitation of the Tororo – Pakwach Railway Metre Gauge line to support of the developments in the Oil and Gas sector.

In addition, designs for the Kampala Light Rail Train (LRT) covering Eastern, Southern and Northern Kampala Metropolitan areas will be completed, ready to commence construction in 2019.

**Water Transport** - Government initiatives under the water transport sub-sector have mainly focused on commissioning of new ferries, construction and rehabilitation of the inland water landing sites and marine infrastructure so as to reduce the cost of transportation and increase connectivity. An investment plan for interconnectivity of islands in Lake Victoria has been formulated and is due for implementation. In the next



financial year, government will focus on the Development of Pakwach – Butiaba Ferry/barge water transport. A number of other bridges to support the development in the Oil and Gas sector are planned to be constructed in the FYE 2017/18.

**Air Transport** - The upgrade of Entebbe International Airport has commenced. Works will include remodelling of the existing passenger terminal building, and the construction of a new cargo centre complex. In addition, several regional aerodromes are being improved including construction of Watch Towers, the community access road and perimeter fence. Government has also planned the construction of the Hoima Airport in a bid to support the Oil and Gas development

The automation of the Aeronautical Information Management processes at Entebbe International Airport was completed in FY 2016/17. A new Baggage Handling System in the check-in area at a cost of USD 4.8 million was installed between May and September 2016. Work on construction of the new Cargo Centre is progressing well.

### Electricity Infrastructure

Electricity generation capacity in Uganda has been increasing since 2010 from 596 MW to close to 1000 MW in 2016/2017.

The number of households accessing electricity across the country has doubled, with the central region registering the highest increase from 19.1 to 41.8 percent.

District coverage stands at 97.3 percent with 109 of 112 districts connected to the national electricity grid. Energy losses reduced from 21.3% to 19.5%.

### Oil, Gas and Mineral Development

The commercialization of Oil and Gas resources is one of the key objectives of the government. The process of development of the Oil and Gas sector is ongoing smoothly. 98% of PAPs for the Refinery land have been compensated. 2% of PAPs delayed due to the legal complaints. The process of identifying the refinery investor is on-going and about 30 companies expressed interest to invest. Negotiations should be concluded during 2017.

The Hoima-Tanga route was agreed upon to transport Uganda's crude oil to the East African Coast. A total of eight (8) production licences were granted on 30th August 2016. Government is also planning massive investments in oil and gas infrastructure over the next few years including support infrastructure like roads, bridges and others ahead of planned oil production in 2020.

### Information and Communication Technology (ICT) Infrastructure

ICT is recognised as being critical for Uganda's social-economic transformation as enshrined in the National Development Plan II and the 2030 agenda for sustainable development.

In the FY 2016/17, phase 3 of the National Data Transmission Backbone Infrastructure and e-Government Infrastructure Project (NBI/EGI) covering the Districts of Masaka, Mbarara and Kabale was completed in December, 2016. This phase extends connectivity to the border points with Tanzania and Rwanda at Mutukula and Katuna respectively

Government has prioritised extending the NBI together with construction of ICT incubation hubs/Centers and ICT parks across the country. The goal is to complete the NBI as well as the last mile connections so as to access



high speed internet bandwidth and reduce internet costs (from USD 300 per Mbps per month in 2016 to USD 150 by 2020).

In the FY 2017/18, and in the medium term, government will focus on expanding the existing interventions which include investment in expansion of ICT infrastructure network, investment in research, innovation and promote the use of e-business; investment in human capital development, implementation of policy reforms to ensure increased local participation, and ownership of ICT infrastructure and businesses, and provision of an enabling environment to attract more investments in the ICT

### 3. Human Capital and Skills Development

#### Education and skill development

The Government seeks to increase access to quality primary, secondary and tertiary education, with better learning and skills outcomes.

During 2017/18, priorities for implementation in the formal education sector will include;

- Having an Early Childhood Development Centre in every village across the county and ensuring efficient and effective monitoring, supervision and inspection of education institutions.
- For primary education, government plans to have a salary enhancement for primary teachers, provision of close to 650,000 education instructional materials, construct 966 new classrooms and rehabilitation of 51 classrooms and ensuring an enrolment growth rate of 0.14% among others
- For secondary education, the focus in the coming FY is to increase enrolment by 0.9% in addition to construction of new secondary schools, new classrooms, procure and distribute 22,000 instructional materials, 120 science kits to schools and regulate schools fees structure to curb exploitation of parents among others.
- On university education, the government focus for the coming FY will be payment of top-up allowances and funding research in public universities, monitoring of public and private universities, accreditation of programs, licensing of private universities and other tertiary institutions; establishment of a task force for Soroti University efficiency approaches in public universities through capacity building, and increasing delivery of tertiary education innovations through R&D.

#### Skills Development

Business, Technical, Vocational Education and Training (BTVET) is core in promoting entrepreneurship, job creation and attracting investments in the country. Government will continue to strengthen institutional capacity of BTVET institutions and implement their strategic plan 2012/13 to 2022/23 in order to boost the creation and of employable skills and competences relevant in the labour market.

In 2017/18, Government will undertake the following interventions:-

- Provide capitation grants for students in BTVET institutions to support 1,600 students in UCCs and UTCs;
- Support 8,000 students under non-formal training; construct 5 accommodation facilities and establish 2 new BTVET institutions and 1 workshop facility;
- Procure assorted equipment for skills laboratories for Fort Portal and Gulu School of Comprehensive Nursing; and assorted tools and equipment for engineering students; and
- Implement the rehabilitation and expansion programme of all the five national Teachers colleges (NTCs).

#### Health

Government has continued to direct efforts towards provision of inclusive and comprehensive health care services to all Ugandans while undertaking key steps to improve health infrastructure in order to address constraints related to both healthcare access and quality.

These initiatives include :

- Ongoing construction of a 320 bed Specialized Maternal and Neonatal Health Care Unit at Mulago National Referral Hospital;
- Completion of Out Patient Department (OPD), theatre, accident and emergency departments in Hoima and Kabale hospitals;
- Ongoing construction, expansion, rehabilitation and equipping of Mulago National Referral Hospital estimated at US\$ 47 million.
- Earmarked resources totalling to UGX 8.2 billion to support 14 General Hospitals and 2 HCIV that were in dire need of renovations and facelift of the old structures.

Government has also continued to prioritise development of centres of excellence in order to increase efficiency of health systems, while reducing costs and creating market differentiation through clinical excellence. Uganda Cancer Institute has been chosen to be a centre of





excellence for cancer treatment in East Africa.

fragile ecosystems

In 2017/18, the government's focus will be on;

- Planned investments is revamping and making functional all Health Centres
- Upgrading of existing Health centre
- Priority will be given to the 93 sub counties without any public health facility and subsequently determine the total cost for upgrading these HC IIs

Plans are underway to introduce a National Health Insurance Scheme. The National Health Insurance Bill, 2016, is presently before Parliament. It is envisaged that the scheme will reduce out of pocket health care costs through regular premiums of 4 percent for both employers and employees.

#### Water, Sanitation and Environment

Government is still focusing on inclusive access to safe water. As of 2016, Uganda had an estimated 109,695 and 11,232 water sources that serve a total population of 20,383,789 and 4,519,823 people in rural and urban areas, respectively.

In 2017/18, the target is to;

- Construct new boreholes and kick start the rehabilitation of water supply systems across the country.
- Rehabilitate Greater Kampala Metropolitan Area (GKMA) water and sewerage systems.
- Construct sewerage treatment plants and rehabilitate the existing dilapidated lines will be undertaken
- Roll out piped water infrastructure in rural areas through construction of high yielding construction wells fitted with solar pumps replacing the current hand-pump point sources especially in water stressed sources
- Develop urban water supply system and provide framework for sustainable operation and maintenance
- Government will resurvey and maintain new plantations in all plantation areas ensure compliance with respect to the utilization of

#### 4. Improving Good Governance

The government's objective is to promote good governance in all aspects including peace stability and national security, the rule of law, improve the efficiency and accountability of the public institutions, and tackle corruption, are essential for national building.

##### Peace and National Security

In 2016/17 and the medium term, government will continue to build the capacity of the security forces to maintain security at both national and regional levels. UGX 1,588.023 billion has been allocated to this sector to continue with the on-going interventions.

##### Law and Order

In 2016/17 and over the medium term, Government will continue to strengthen the legal reforms and ensure harmonization of justice delivery standards. In support for productivity the judiciary will enhance efficiency to reduce commercial case backlog by introducing new technology.

The sector will also reduce regulatory requirements for starting a business, including expediting of business licensing reform. UGX. 1,159.77 billion has been allocated to the sector to carry out its mandate.

##### Improving Government Effectiveness in Service Delivery

- The following measures will be implemented in 2016/17 to improve government efficiencies in service delivery:
- Government will restructure Ministries, Departments and local governments to enhance the efficiency and effectiveness of their systems and processes;
- Further consolidate the decentralized payroll and pensions' management system by integrating payroll system with the Budgeting System and strengthening the Human Resource Management function;
- Deepen Fiscal Decentralisation by devolving more financial decisions closer to the frontline service

delivery units including consolidating the decentralised budgeting and payment of salaries, pension and gratuity;

- Cross payment of allowances between Ministries, Departments Agencies and Local Government will not be permitted, with the exception of Local Government officials required to attend Central Government organised workshops; and
- Workshops and seminars must be held in Government facilities. In addition, benchmarking trips abroad will be limited and conducted under respective Votes.



### Anti-Corruption Measures

Government is fully committed to combating corruption. In the next financial year government will adopt the following measures to fight corruption:

- Strengthen the capacity for prevention and detection of corruption through implementing risk management and enhancing internal controls across government in accordance with the PFM Act 2015. All Accounting Officers are required to implement effective systems of internal controls, risk management and internal audit;
- Accounting Officers who do not account in full and in time for funds provided under their respective Ministries, Agencies and Local Governments will be recommended for removal in public interest.
- Deterrence of corruption will be enhanced through increased support to the Judiciary and other similar organisations for custodial sentences, plea bargain and asset recovery of ill-gotten wealth.

# Tax Amendments

## Introduction

For the financial year 2017/18, the government's revenue enhancement objectives shall largely be through enhancing efficiency in tax administration, supporting private sector investments and improving production and value addition in the agricultural sector.

The proposed tax changes will be effective 1 July 2017.

## Value Added Tax

### Supplies made to aid-funded projects

Supplies made to the government (whether it is a ministry, or agency, or department) under an aid-funded project will be VAT exempt. This is to ensure that money meant for aid-funded projects is not utilized to finance the government.

This amendment extends the "VAT deeming provision" to procurements by government in respect of aid-funded projects. The "VAT deeming provision" ensures that VAT charged on an invoice is deemed to have been paid and is therefore not paid by the purchaser of the goods or services and the seller is not required to account for VAT. For clarity, what constitutes an aid-funded project has been defined under the amendment to mean "a project financed by a foreign government or a development agency through loans, grants and donations."

### Capping of interest – In duplum rule

This rule provides that the interest accrued on unpaid tax should not exceed principal tax. Similarly, where a penalty is applicable the interest should not exceed the aggregate of principal tax and penalty.

Interestingly, where the accrued interest as at 30 June 2017 exceeds the aggregate of the principal and penal tax, the excess interest shall be waived.

### Exempt Supplies:

The following supplies shall be VAT exempt.

- Animal feeds and premises;
- Crop extension services;
- Irrigation works, sprinklers and ready to use drip lines;
- Deep cycle batteries and composite lanterns;
- Menstrual cups;
- Agriculture Insurance Premium or Policy

### Non-exemption of wheat

Imported wheat grain will not qualify as an exempt supply and as such, it shall be VATable at 18%

## Income Tax

### Tax exemption of professional bodies

To promote professional activities, the Income Tax Amendment Bill proposes to incorporate bodies established by law for the purposes of regulating the conduct of professionals, as part of exempt organisations.



As a result, statutory bodies established for the purpose of regulating different categories of professionals such as accountants, lawyers, engineers, architects among others will qualify as tax exempt organisations.

### Rent Estimates by the Minister

The Income Tax Amendment Bill proposes to grant powers to the Minister to estimate rent based on the rating of the rental property in a specific location. However, this shall only be applicable to persons who fail to file rental income return or whose return appears misleading and is contested by the Commissioner.

This proposal targets errant taxpayers who have not been filing rental income returns as well the unscrupulous ones who have been under declaring their rental income.

### Tax exemption of Bujagali Hydro Power Project

The Income Tax Amendment Bill proposes to exempt the income of Bujagali Hydro Power Project up to 30th June 2022 as part of the measures to reduce the cost of electricity to stimulate economic growth.

### Exemption of Savings and Credit Cooperative Society (SACCO)

The Bill proposes to exempt the incomes of SACCOs from corporation tax up to 30 June 2027. This is to promote access of affordable credit from SACCOs which should ultimately drive economic growth.

### Reinstatement of Initial Allowance

The Bill proposes to reinstate initial allowance for particular property previously repealed in July 2014. A person who places an item of eligible property into service for the first time outside a radius of fifty kilometres from the boundaries of Kampala, during a year of income is allowed a deduction for that year of fifty percent of the cost base of the property at the time it was placed into service.

The re-introduction of initial allowance is seen as a means of encouraging and boosting industrialisation in areas outside Kampala.

### Transactions between associates

To seal tax avoidance loopholes, the Bill proposes to replace the word "taxpayer" with the word "associate"

in the provision which gives powers to the Commissioner to re-characterise transactions that are not at arm's length. The definition of "associate" in the law has a wider scope compared to the definition of "taxpayer".

### Withholding tax on winnings from sports betting

The Bill proposes to impose withholding tax at 15% on payments made for winnings of sports betting or pool betting. The withholding tax on winnings from betting was introduced for the first time in 2014 but was subsequently repealed in 2016. The reintroduction is largely informed by the increase in gambling activities. In addition the operators will now be taxed at 20% down from 35% on the net of total amounts staked less total pay-outs for the period.

### Advance Tax

Currently, the law imposes an advance tax on a taxpayer who provides passenger transport service or a freight transport service where the goods vehicle used has a loading capacity of at least two tonnes. For passenger vehicles, the Income Tax Amendment Bill clarifies that the rate of UGX 20,000 is per seat per year rather than the current wording of per passenger per year.

### Capping of interest on principal tax

This rule provides that the interest accrued on unpaid tax should not exceed principal tax. Similarly, where a penalty is applicable the interest should not exceed the aggregate of principal tax and penalty. Where interest due and payable as at 30 June 2017 exceeds the aggregate of the principal tax and penal tax, the interest in excess of the aggregate shall be waived.

### Motor vehicle benefit

The Bill proposes a change to the valuation of a motor vehicle made available for private use to an employee. The value of such a benefit will now be calculated using the market value of the motor vehicle at the time when it was first provided for the private use of the employee, depreciated on a reducing balance basis at a rate of 35% per annum for the subsequent years. This implies that a motor vehicle benefit will be based on the depreciated value of the vehicle per annum. Currently, the motor vehicle benefit is based on the fixed market value of the car at the time it was first made available to the employee.

## Tax Procedures Code Act:

### Provisional tax returns

The Finance Bill provides clarity on the timelines within which to furnish provisional returns. A provisional tax return should be filed by the due date of paying the first instalment of provisional tax. This implies that an individual should file a provisional return by the end of the third month of the year of income while a non-individual should file by the end of the sixth month of the year of income.

### Penalty for delay in furnishing information to URA

The Bill proposes a penal tax of UGX 50,000,000 where a person, upon request by the Commissioner, fails to provide records in respect of transfer pricing within 30 days after the request.

Furthermore, failure to provide information other transfer pricing, the penalty is UGX 20,000,000; however unlike the timeline for provision of transfer pricing information, no time limit is specified for this penalty to apply.

### Tax Stamps

To curb smuggled and counterfeit goods, whether locally or imported, the Bill introduces a requirement to affix tax stamps on goods prescribed by the Minister. The Minister shall prescribe such goods in a Statutory Instrument. The Bill introduces penalties for non-compliance with the requirement to affix tax stamps on prescribed goods.

## The Lotteries and Gaming

The Bill proposes to reduce the gaming tax from 35% to 20%. This amendment takes into consideration that the winnings from sports betting and pool betting are subject to withholding tax of 15%.



## Excise Duty

Excise duty increased on some items. A fixed duty rate introduced together with the advalorem rate in order to curb undervaluation at importation and enhance revenue collection.

Item	Old rate	New rate
Soft cup –		
i) Locally manufactured	UGX 55,000 per 1000 sticks	UGX 55,000 per 1000 sticks
i) Imported		UGX 75,000 per 1000 sticks
Hinge Lid		
i) Locally manufactured	UGX 80,000 per 1000 sticks	UGX 80,000 per 1000 sticks
i) Imported		UGX 100,000 per 1000 sticks
Malt beer	60%	60% or UGX. 1,860 per Litre, whichever is higher
Beer whose local raw material content, excluding water, is at least 75% by weight of its constituents.	30%	30% or UGX 650 per litre, whichever is higher
Beer produced from barley grown and malted in Uganda	30%	30% or UGX 950 per litre, whichever is higher.
Spirits made from locally produced raw materials	60%	60%
Undenatured spirits	UGX 4000 per litre or 140% whichever is higher.	100% or UGX 2500 per litre, whichever is higher.
Other spirits	70%	80%
Non-alcoholic beverages not including fruit or vegetable juices.	13%	13% or UGX 240 per litre, whichever is higher.
Fruit juice and vegetable juice, except juice made from at least 30% of pulp from fruit and vegetables grown in Uganda	N/A	13% or UGX 300 per litre, whichever is higher.
Specialized hospital furniture	Nil	Nil
Furniture manufactured in Uganda using local materials but excluding furniture which is assembled in Uganda.	N/A	Nil
Other Furniture	10%	20%

## Customs./ Import Duty

	DESCRIPTION OF GOODS	AMENDMENT
1.	Road Tractors for Semi-Trailers	Import duty is applicable at a rate of 0% instead of 10% for one year.
2.	Motor Vehicles for Transport of Goods With Gross Vehicle Weight Exceeding 5 Tons But not Exceeding 20 Tons.	Import duty is applicable at a rate of 10% instead of 25% for one year.
3.	Motor Vehicles for transport of goods with gross vehicle weight exceeding 20 tons	Import duty is applicable at a rate of 0% instead of 25% for one year.
4.	Buses for transportation of more than 25 persons	Import duty is applicable at a rate of 10% instead of 25% for one year;
5.	Wheat (Wheat grain)	Import duty is applicable at a rate of 10% instead of 35% for one year.
6.	Barley	Import duty is applicable at a rate of 10% instead of 25% for one year.
7.	Maternity (Mama) kit	Import duty is applicable at a rate 0% instead of 25% for one year.
8.	Base cycle Kits for the assembly of motor cycles	Import duty applicable at a rate of 10% for one year.
9.	Other soap in other forms – Soap Noodles	Stay of Import duty applicable at a rate of 10% for one year.
10.	Base Oil	Import duty applicable at 0% for one year.
11.	New pneumatic tyres of rubber, of a kind used on motorcycles.	Import duty applicable at 25% instead of 10% for one year.
12.	Flat rolled products of iron or non alloy steel	Introduced a specific duty at a rate of USD 250/MT so that the applicable rate is 25% or USD 250/MT whichever is higher for 1 year.
13.	Flat Rolled Products of Iron or non-alloy steel products of Iron or Non Alloy steel	Introduced a specific duty at a rate of USD 200/MT so that the applicable rate is 25% or USD 200/MT whichever is higher for 1 year.
14.	Cesspool emptiers and concrete mixers – pulled by a prime mover (not self-propelled).	Import duty applicable at 0% for one year.
15.	Jacquard Material for Making Spring mattresses (printed with Logo	Stay of application at a rate of 10% for one year.
16.	Plain weave fabrics of polyester staple fibre (Woven Grey Fabric of higher (finer) yarn counts for wet.	Stay of application at a rate of 10% for one year.
17.	Poly Cotton Mattress covers	Stay of application at a rate of 10% for one year.
18.	Liquid Gas Cylinders (LPG)	Stay of application at a rate of 25% for one year instead of 0%.
19.	Wire of iron or non-alloy steel	Stay of application at a rate of 25% for one year.
20.	Grant duty remission on iron and steel products of HS Code 7228.20.00 used to manufacture leaf spring	Granted duty remission on HS Code 7228.20.00 for manufacturers of leaf spring.
21.	Wind driven Roof Ventilators	Split Heading 8414.80.90 into - 8414.80.91 --- Window driven roof ventilators - 8414.80.99 --- Others
22.	Poly Vinyl Alcohol	Grant Stay of application to 0% instead of 10%
23.	D drain corks, PU moulds, Rubber Kits, Products of iron and non-alloy steel. Products of other alloy steel. Expanded metal Air filter inputs	Granted Duty Remission to manufacturers of Filters in the Region.
24.	Sugar for industrial use	Granted a stay of application on the reduction of Remission level on sugar for industrial use and apply a duty rate of 10%
25.	Electronic Fiscal Device (EFD) - Machines designed for use in business for efficient management controls in areas of sales analysis and stock control system.	Granted 0% import Duty on HS Code 8470.50.90 for EFT machines.
26.	Ships in the Fifth Schedule – Construction materials. Mild Steel Plates Steel Bars and rods	Granted 0% on Inputs for use in the assembly of Ships.
27.	Paragraph 30 of the 5 <sup>th</sup> Schedule to the EAC CMA	Paragraph 30 of the 5 <sup>th</sup> Schedule to the EAC CMA was amended to include distribution.
28.	Equipment specially designed for use by disabled , blind and physically handicapped persons	Granted Duty remission to inputs for assemblers of equipment specially designed for use by disabled, blind and physically handicapped persons.

Raw Materials and Industrial Inputs to be considered For Duty Remission for a period of one year

No.	DESCRIPTION OF GOODS	REMISSION
1.	Odoriferous mixtures of a kind used as raw materials in the food and drink industries	0% Import duty
2.	Organic surface active agents (Anionic, Cationic, Other) (LABSA)	Import duty applicable at 0% for one year.

# Contacts

## **KPMG Uganda**

Rwenzori Courts, 3rd Floor  
Nakasero Road, Plot 2 & 4A  
PO Box 3509 Kampala, Uganda  
T: + 254 (0) 41 4340315/6  
F: + 256 (0) 41 4340318  
E: [info@kpmg.co.ug](mailto:info@kpmg.co.ug)

The budget proposals included in this BudgetBrief may be amended significantly before enactment of the Finance Act. Please note that our interpretation of tax legislation may differ from that of the various Revenue Authorities. Similarly, the content of this BudgetBrief is intended to provide a general guide and should not be regarded as a basis for ascertaining tax liability or as a substitute for professional advice. If you would like specific advice on the contents of this publication, please get in touch with your regular contact at KPMG. KPMG International, a Swiss cooperative, is a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

© 2017 KPMG Uganda, a Ugandan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss cooperative. All rights reserved. Printed in Kenya.