INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

COMMENTS ON THE TAX AND REVENUE BILLS, 2025
APRIL 2025

Comments by ICPAU

	CLAUSE	OBSERVATIONS/ ISSUES	COMMENT(S)
INCOME TAX (AMENDMENT) BILL, 2025			
1.	**Clause 2 Amendment of Section 21 of the Principal Act**	**Exemption of startup businesses established by a citizen for three years from tax** The principal Act is amended in section 21— (b) by inserting immediately after paragraph "z" the following- "(za) the income derived from a business established by a citizen after 1st July, 2025, for a period of three years where the— (i) business is registered with an investment capital not exceeding five hundred million shillings; (ii) citizen or their associate has not previously benefited from the exemption; and (iii) citizen files a tax return including business information return referred to in section 147 of this Act in the format prescribed by the Commissioner General."	**Our Proposal** We agree with this amendment as it promotes entrepreneurship and supports small business growth by reducing the initial tax burden, which has been a very big challenge for small business start-ups. A. We propose that the bill be amended to extend the period to five years, and also allow carry over of any losses to the start of the taxable period. With the above in mind, we propose to amend clause (za) for the new Clause to read as follows: **"(za) the income derived from a business established by a citizen after *1st July, 2020*, which business *engages in:*** ***a. processing agricultural goods;*** ***b. manufacturing or assembling of medical appliances, medical sundries or***

		Our Observations The bill seeks to provide for the exemption of startup businesses established by a citizen for three years from tax. We note that: a. The tax exemption for startups is a strategic move to provide financial relief to new businesses, particularly those in capital-intensive sectors. b. The tax exemption provides immediate cash flow relief, allowing startups to reinvest savings into product development, marketing, and other critical areas without the immediate burden of taxes. c. However, i. We believe 3 years would be such a short time. It is evident that businesses, regardless of their capital investment, rarely generate profits within the first three years of operation. At the three-year mark, businesses are merely finding their footing, whilst simultaneously grappling with complex URA systems and tax procedures. The fifth year typically marks a period when businesses have gained sufficient experience and established a stable foundation. This period should be dedicated to mastering tax filing protocols, enabling a seamless transition into the sixth year. In the past, businesses have faced challenges with tax, resulting in penalties and interest, which often become insurmountable, leading to business dissolution. ii. The bill in its current form does not define many of the concepts used – for example, what is a registered business in the context of this bill - is this going to follow the relevant domain law under which the business came into existence, or the Company's Act	***pharmaceuticals, building materials, automobile, house hold appliances;*** ***c. manufacturing of furniture, pulp, paper, printing and publishing of instructional materials;*** ***d. establishing or operating vocational or technical institutes;*** ***e. carrying out business in logistics and warehousing, information technology or commercial farming;*** ***f. manufacturing tyres, footwear, mattress or toothpaste; or*** ***g. manufacturing chemicals for agricultural use, industrial use, textiles, glassware, leather products, industrial machinery, electrical equipment, sanitary pads and for diapers-*** ***h. hospitality and tourism*** ***i. Education*** **for a period of *five* years where the—** **(i) ……** B. We also recommend that clarity be provided on the treatment of any assessed losses that would have been carried forward from the date of establishment of a business to the end of the five years proposed. We propose an insertion of the following clause ***"For avoidance of doubt, the provisions of Section 36 shall take effect from the first taxable period."*** **Justification** • To provide clarity • To provide relief and support for businesses that were affected by Covid.

		or tax laws? What is a start-up business? - leaving room for interpretation and potential exploitation. This may allow established businesses to restructure or rebrand themselves as startups to take advantage of the tax exemption. d. This creates ambiguity within the law and subsequently implementation challenges.	• This is also in public interest to support SMEs as a way of streamlining them into formality. C. We further propose the following to enhance the effectiveness of this provision: 1. Provide clarity on the investment capital computation/ determination – what constitutes this capital, and for how long? 2. Consideration should be given to whether incremental investments beyond the threshold during this period would affect eligibility for the exemption. **<u>Justification</u>** To provide clarity on certain matters and also allow these start-ups ample time to stabilize before the tax burden comes in.
	Other Recommendations under the ITA that should be considered		
2.	**Section 25 (3) and (5) of the Income Tax Act**	This provision is such that, apart from financial institutions, insurance companies, and other entities as provided under S.25(3), all other sectors must abide by the 30% cap to claim interest deductibility. This tends to constrain economic growth and development as the economy undertakes massive infrastructure developments and a general big push to all other sectors. Interest capping in the nature premised in this section is likely not to yield the desired goal. Take an example of the following: (i) The Banking sector as of March 2023 comprised 33 financial institutions – 25 commercial banks, 4	**<u>Our proposals</u>** We propose the following: a. To amend S.25(3) to read as follows: *The amount of deductible interest in respect of all debts owed by a taxpayer* ***arising from borrowing within a multinational group to which the taxpayer is a member*** *shall not exceed thirty percent of the tax earnings before interest, depreciation, and amortization.* b. To amend S.25(5)(b) to define multi-national group as follows: *In this section-*

		microfinance deposit-taking institutions, and 4 credit institutions (as per the Bank of Uganda website accessed on 30 August 2023). The top 10 banks (by assets) controlled over 75% of the market share in 2021 and 80% of the top 10 banks were largely foreign-owned hence the likelihood of repatriation of funds out of the economy in the form of interest payments would equally be detrimental to economic progress especially that the practice cannot be curtailed as the spirit of the current law seems to suggest. (ii) While the preliminary estimates of the Gross Domestic Product (GDP) indicate that the economy grew by 5.3% in the fiscal year 2022/23, and while the services sector continued to be the biggest contributor to the GDP with a share of 42.6% in 2022/23, the financial and insurance activities registered a decline of 1.5% in 2022/23 unlike other sectors that registered growth such as the agriculture, forestry and fishing (5.0%), manufacturing (3.9%), among others[1]. (iii) If the clause is intended to boost access to loans by ensuring that financial institutions easily access loanable funds from their parent companies to extend cheap credit to the private sector, since they would be allowed 100% deductibility of interest from the group, the outcome seems to be contrary. Lack of affordable financing has continued to be a key impediment to doing business in Uganda. Loans are generally short-term, with interest rates ranging from 15-24%. In addition to high rates, little liquidity exists for loans of a long period	***"'Multi-national group' means persons other than individuals with common underlying ownership operating in more than one jurisdiction, including through a permanent establishment."*** **<u>Justification</u>** To allow tax deduction on interest payment only on debts contracted within a multinational group without any exception. This will not only re-echo the intentions of thin capitalization but will also affirm the Organization for Economic Cooperation and Development (OECD) objectives under BEPS.

[1] Uganda Bureau of Statistics, 2013, The Preliminary Annual Gross Domestic Product 2022/23

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The above demonstrates that any concerted efforts to use the institutions enlisted under this section as drivers of economic progress may not achieve the desired success. Even with stronger transfer pricing rules, we are not convinced that transfer pricing would be the most effective way to prevent profit-shifting using high-priced related party debt. When borrowing from a third party, commercial pressures will drive the borrower to try to obtain as low an interest rate as possible, for example, by providing security on a loan if possible. These same pressures do not exist in a related-party context. There are no commercial tensions driving interest rates to a market rate. Indeed, it can be profitable to increase the interest rate on related-party debt – for example, if the value of the interest deduction is higher than the tax cost on the resulting interest income. Therefore, introducing the interest cap to all other sectors and only excluding financial institutions and insurance sectors may not yield the desired goals.</td><td></td></tr>
<tr><td>3.</td><td>S.6(1) of the Income Tax Act</td><td><u>PAYE Threshold/ Bands</u>
S.6(1) of the Income Tax Act (ITA) prescribes tax rates and thresholds applicable to the chargeable income of individuals as prescribed in Part 1 of the Third Schedule to the Act.

<u>Our Observations</u>
We note that:
a. The current PAYE threshold of UGX 235,000 per month was last revised in 2012 (about 13 years ago) from UGX 130,000. At an exchange rate of UGX 3,702 to the US dollar, taxation of income thus begins at USD 2.12 per day. This brings low-income earners into the tax net at very low-income levels, stifling their capacity to save,</td><td><u>Our Proposal</u>
We propose the following:
a. The government should consider a review of the PAYE threshold from UGX 235,000 per month to UGX 410,000 per month and the tax bands that have not changed for over 25 years. This proposal is illustrated in the table below:
<table><tr><th>Chargeable income</th><th>Rate of Tax</th></tr><tr><td>Not exceeding Ushs. 4,920,000 (410,000 pm)</td><td>Nil</td></tr></table></td></tr>
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invest, and consume as their disposable income shrinks in real terms, which works against the poverty alleviation objectives of the government. The government's DRMS[2] recognizes that "*the current personal income tax thresholds start at low levels of income and the progressivity of the rates is steep, which may encourage non-compliance or less-than-full compliance and reduce incentives to work in the formal sector, as well as disproportionately disadvantage employees whose incomes are taxed at source under PAYE*".

b. The change in rates from 10 - 20 - 30% is too narrow, which makes the tax burden too high on the people in formal employment. Furthermore, the 3rd band is very wide, applying to annual incomes between UGX 4,920,001 and UGX 120,000,000. This indicates how quickly the brackets climb – UGX 4,920,001 per annum equates to just UGX 13,667 per day or USD 3.69 per day.

c. Uganda has the highest tax bracket in the region, which makes it uncompetitive as a location for many regional head offices and projects. In the long term, high taxes impede efforts to increase the tax base. A review of our tax bands and rates is long overdue. As a country, we should harmonize our bands with those of our neighbours who compete with us for critical human resources and investment destination. The current threshold in some of the EAC countries translated into UGX is as below:
   - Kenya – UGX 621,000
   - Tanzania – UGX 402,988

d. Over the years, inflation has increased considerably, and the thresholds are not indexed yearly for the cost of

Exceeding Ushs. 4,920,000 (410,000 pm) but not exceeding Ushs. 7,440,000 (620,000 pm)	*10% of the amount by which chargeable income exceeds Ushs. 4,920,000 (410,000 pm)*
Exceeding Ushs. 7,440,000 (620,000 pm) but not exceeding Ushs. 9,960,000 (830,000 pm)	*Ushs. 120,000 plus 20% of the amount by which chargeable income exceeds Ushs. 7,440,000 (620,000 pm)*
Exceeding Ushs. 9,960,000 (830,000 pm)	***Ushs. 300,000 plus 30% of the amount by which chargeable income exceeds Ushs. 9,960,000 (830,000 pm).***

b. ***The elimination of the 40% income tax rate.*** This also impedes the ability of its highest earning category to save more and drive local entrepreneurship, which would enhance jobs. This tax rate also encourages tax evasion, leaving many who earn such amounts to remain informal by under-declaring their earnings. This amount is mainly only collected from those covered by PAYE, creating an inherent injustice in the country's economic system.

Justification

While the government has concentrated a lot of effort on boosting domestic production through different programs such as the Parish Development Model and other legislations to incentivise the business community, including tax exemptions, there is no effort at all to boost domestic consumption.

[2] Domestic Revenue Mobilisation Strategy 2019/20 – 2023/24

		living. e. Among the many persistent effects of the COVID-19 pandemic have been the loss of income and rising precautionary savings, which have in turn led to a broad-based reduction in private investment and consumption. There is limited effective demand among the population.	This proposal will increase the disposable incomes of the majority of salary earners, which stimulates both savings and investments as a result of increased levels of consumption of goods and services. We are aware that, besides income taxes, Uganda's main source of tax revenue is consumption-based taxes. In the short run, it may seem like the government is losing by raising the threshold; however, in the long run, the proposal will yield double benefits. With expanded PAYE bands, people's disposable income increases, resulting in a wider effective demand, thereby stimulating production, profitability, and government revenue. The government is likely to benefit from the consumption taxes levied on the taxable items as a result of enhanced aggregate demand.
4.	**Sections 118 and 119 of the Income Tax Act**	**<u>Furnishing of return of income</u>** Sections 118 and 119 of the ITA provide for the furnishing of a return of income and also list those persons who may not furnish a return of income. The current requirements for furnishing a return of income constrain the administration of tax and the expansion of Uganda's tax base in several ways: a. Several would-be taxpayers are exempted, and nothing is known about their income sources and whether their status has changed or not to warrant continuous enjoyment of the exemption. b. There is no conclusive collection of income/ expenditure data to assess possible areas for tax expansion. c. Most Ugandans have taken it for granted when it comes to income record keeping because there is no obligation.	**<u>Our Proposals</u>** We propose to amend *Sections 118 and 119 of the ITA to remove the exclusions for the filing of a return and* ***make it mandatory for every holder of the NIN above 21 years to file a return***. **<u>Justification</u>** a. Ensure that everyone who lives or earns a living from Uganda is a taxpayer and that income earned or derived can be duly assessed for tax purposes. b. The resources and tools to assess the information furnished in a return are already in place and the administration of tax will greatly improve to expand the tax base.

	VALUE ADDED TAX (AMENDMENT) BILL, 2025		
5.	**Clause 2 Insertion of Section 47 (1) (a) (ab)**	**<u>Anti-Fragmentation Rule for Imported Goods</u>** The bill seeks to amend Section 47 to provide for the anti-fragmentation rule for imported goods. **<u>Our observations</u>** We note that: a. The amendment seeks to trigger VAT registration on the importation of goods under separate consignments that, when aggregated, would qualify the importer for VAT registration. The proposal seems to imply that if separate import consignments are aggregated and their value exceeds the VAT registration threshold, the importer becomes obliged to register for VAT. b. In our view, this contradicts Sections 7 and 8 of the VAT Act, which obligates a taxpayer to apply for or be forcefully VAT registered based on having "made or making taxable supplies" above the annual threshold. The keyword is <u>supplies,</u> not purchases. c. Importation or procurement is not making a supply, and therefore, the proposed amendment seems to lack a legal basis when read together with S.7 and S.8 of the VAT Act. The Act predicates VAT registration on the making or intention to make taxable supplies, not merely on the importation or acquisition of goods. d. The introduction of VAT on imports reintroduces the VAT withholding mechanism, which not only breeds cash flow challenges for businesses but also may promote unwanted uncertainty, resulting in the use of varying assumptions under varying conditions in	**<u>Our Proposal</u>** We propose that the clause be deleted and the status quo be maintained. **<u>Justification</u>** It contradicts the provisions of Sections 7 and 8 of the VAT Act regarding VAT registration, which are based on making taxable supply(ies). The proposal seems to deviate from the above legal requirement and introduces a different registration basis of focusing on "import or purchase values," which are practically different from making a supply. For example, one can import consignments worth billions and keep goods in their store for a year while looking for clients to make supplies. Therefore, URA forcefully registering an importer without considering whether or not the imported goods were supplied, or still at hand, or were for own use will in its own add to the cost of doing business and may escalate non-compliance.

		determining the would-be sales figure. For instance, purchases may not immediately result in taxable supplies - goods may be held in inventory for extended periods or procured for internal consumption, such as spare parts, raw materials, or consumables in manufacturing operations. In such cases, the importer or acquirer may not qualify as a taxable person under Sections 7 and 8 of the VATA but may nonetheless be compelled to register for VAT, thereby creating a legal and operational inconsistency.	
	Other recommendations under the Value Added Tax Act that should be considered		
6.	**Section 7(2) of the VAT Act**	**<u>The Annual VAT registration threshold under Section 7(2) of the VAT Act</u>** Section 7(2) of the VAT Act provides for an annual registration threshold of one hundred and fifty million shillings. **<u>Our observations</u>** • The current VAT registration threshold of taxable sales of UGX 150 million per annum was last revised in 2015 (about 8 years ago) from the initial UGX 50 million per annum. • The rise in inflation over the years and the increase in the cost of doing business make the current threshold of UGX 150 million too low for VAT registration. A low VAT registration threshold has the following implications: a. Increases the cost of compliance for small taxpayers who may not have the resources and systems to meet	**<u>Our Proposal</u>** We propose instead to increase the annual VAT registration to UGX 500 million from UGX 150 million. The proposed subsection 7(2) that reads as follows: 'The annual registration threshold is ***<u>five hundred million shillings.'</u>*** **<u>Justification</u>** • This will promote entrepreneurship and support SME - the exemption threshold will ensure harmony across the board. • The extension of the threshold will reduce the tax compliance burden on early-stage businesses and eliminate policy contradictions that discourage formalization.

		the standards of VAT compliance. This also increases the risk of VAT revenue loss. b. Increases the cost of tax administration for URA as more staff would be needed to vet registration, track, and review compliance of a large pool of taxpayers who join the VAT register due to a low threshold. If the threshold is increased, the URA staff would be deployed to handle other areas of tax administration.	
	STAMP DUTY (AMENDMENT) BILL, 2025		
7.	**Clause 2 Amendment in Schedule 2 of the Principal Act**	**Agreement or memorandum of an agreement** The bill proposes an amendment to Schedule 2 of the Stamp Duty Act to provide for nil duty for agreements or memorandum of an agreement and all mortgage deeds. **Our observations:** We note that Item 5 of Schedule 2 includes agreements like employment contracts, which initially have been charged a duty of 15,000 per agreement and in the worst-case scenario per party. This brought a lot of ambiguity to taxpayers, and the enforcement of the same has not yielded much.	**Our Proposal** We welcome and support the proposal. **Justification** To reduce the taxpayer burden.
	TAX PROCEDURES CODE (AMENDMENT) BILL, 2025		
8.	**Clause 2 Amendment of Section 4 of the Principal Act**	**Tax Identification Number** The bill seeks to provide for the use of the national identification number issued by the National Identification Registration Authority for individuals and the registration number issued by the Uganda Registration Services Bureau for non-individuals as tax identification numbers.	**Our Proposal** We welcome the proposal as this will ensure that everyone who lives or earns a living from Uganda is captured on the taxpayer register and that in case of any income earned or derived, the same can be duly traced for tax purposes.

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<td><u>Our Observations</u>
a. We note that this comes as part of the efforts by the tax authority to expand the taxpayer register.
b. The current requirements for furnishing a return of income constrain the administration of tax and the expansion of the tax base in several ways;
• Several would-be taxpayers are exempted, and nothing is known about their income sources and whether their status has changed or not to warrant continuous enjoyment of the exemption.
• There is no conclusive collection of income data to assess possible areas for tax expansion.
• Citizens have taken it for granted when it comes to income record-keeping because there is no obligation.
c. The authority will now be able to collect data on both individuals and non-individuals that are in business but not paying their fair share of taxes.</td>
<td>On the lack of internet facilities across the country, technological advancements such as the use of USSD codes, zero-rated tax platforms, and linking the same to the presumptive tax regime can be deployed to manage the tax return process.
<u>Justification</u>
The resources and tools to assess the information furnished are already in place, and the administration of tax will greatly improve to expand the tax base.</td>
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<td>9.</td>
<td>Clause 3 Insertion of Section 47B in the Principal Act</td>
<td><u>Waiver of interest and penalty on payment of principal tax</u>
The bill seeks to extend the period of the waiver of interest and penalty outstanding as at 30th June, 2024, where the taxpayer pays the principal tax by 30th June, 2026.
<u>Our Observations</u>
We appreciate that the tax authority has continued to listen to the calls of many taxpayers for a general common time framework that allows both URA and the taxpayers to reconcile the tax account position.
The challenges aired represent ongoing business community concerns, warranting a permanent resolution. Temporary</td>
<td><u>Our Proposal</u>
a. We support the proposal and further suggest extending the period of the waiver of interest and penalties outstanding as provided in the current S.40 (E) of the TPCA, for a period of three years.
As an interim measure, the new clause would read as follows:
“47B. Waiver of interest and penalty on payment of principal tax
(1) Any interest and penalty outstanding as at 30th June, 2024, shall be waived where the taxpayer pays the principal tax by <u>30th June, 2028</u>.</td>
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		measures create uncertainty, and policy reversals could eliminate waiver provisions. We believe URA has continued with this approach because of its demonstrated effectiveness. The impact and wider benefits of the waiver include availing interest/ penalty cash to be used by businesses for further investments and growth, but also to promote trust and confidence in the tax system, fostering voluntary tax compliance efforts. However, the one year always given is not enough time to create a fair and certain environment for all players to act.	b. We further suggest that the exercise of taxpayer account reconciliation should be fast-tracked to ensure that it is demonstrative of the changes in the law over time. For instance, the reconciliation should deliberately cater for the following: i. The waiver of interest due and payable as at 30th/06/2017, where the interest exceeds the aggregate of the principal tax and the penal tax [S.136(8), of the ITA]. ii. The waiver of interest and penalty on unpaid principal tax outstanding as at 30/06/2020 [S.40 (C) of the TPCA]. iii. The moratorium of interest and penalty on the deferred principal payments between 1/04/2020 and 30/06/2020 for the specified sectors [S.40 (B) of the TPCA]. iv. The waiver of interest and penalty outstanding as at 30/06/2023, where taxpayers made payments of principal tax by 31/12/2023 [S.40 (D) of the TPCA]. v. The waiver of interest and penalty outstanding as at 30/06/2023, where taxpayers made payments of principal tax by 31/12/2024 [S.40 (E) of the TPCA]. **Justification** The amendment other than giving ample time for reconciliation of ledgers, would benefit both the taxpayers and the tax authority in driving tax compliance through: • Encouraging tax compliance without punitive measures, • Promoting voluntary compliance,

			• Alleviating penalty burdens, and • Enhancing URA's public image.
		<u>Our Observations</u> • Generally Acceptable Accounting Principles (GAAP) require that if debt exceeds 2 years uncollected, a provision is given in the accounts because it becomes hard to collect. After 3 years, such debt may be written off, subject to a business's bad debts write-off policy. • Section 123(2) of the Income Tax Act provides that Applications for refund should be made within 5 years. This provision is in line with Section 15(1)(c) of the Tax Procedures Code Act, which requires a taxpayer to retain the accounts and records for a period of 5 years after the end of the tax period to which it relates or other period as specified by law. • As a long-term measure to address the challenge of ledger reconciliations and the overdue outstanding tax liability, which in some instances traces beyond 7 years, there should be deliberate efforts in declaring bad debts to clean up these ledgers. Our concern then remains on what the Country's debt write-off policy is. A write-off policy, if adopted, would help improve URA's efficiency in assessing and collecting all taxes within 3 to 4 years. • Our observation is premised on the fact that 7 years and beyond, the tax laws have changed, officers at the tax body have changed, officers for clients may also have changed, thereby making the retrieval of information that may aid in resolving any pending tax liability cumbersome. • Reconciling a ledger, say from 2009 to 2025, where the period has various conflicting business rules, and yet on a	**<u>Our Proposal</u>** We propose to amend S.47 of the TPCA to read as follows: Introduce Section 47C to read as follows: ***<u>Section 47C(a) "Where tax assessed remains unpaid for more than seven years from the date of assessment other than through court process or fraud, the said tax is deemed remitted.</u>*** ***<u>Section 47C(b) The Commissioner shall prepare a list of such cases referred to in 47C(a) and forward them to the Minister to be presented before Parliament for approval."</u>*** **<u>Justification</u>** • To ensure the ledgers are updated with fewer errors that are easily reconciled. • To harmonise with other provisions of the law that require referring of any uncollected taxes due to hardships to the Minister for waiver.

		number of occasions, URA prefers application of the latest business rules in allocating assessments and payments retrospectively, becomes difficult.	
	Other recommendations under the Tax Procedures Code Act that should be considered		
10.	**Section 16(5) of the TPCA**	**Furnishing of Tax Returns** Section 16(5) of the TPCA requires a taxpayer with an annual turnover of the amount prescribed in Schedule 3 to furnish with the taxpayer's return of income, audited financial statements prepared by an accountant registered by the Institute of Certified Public Accountants of Uganda (ICPAU). In a bid to give effect to this provision, URA issued a public notice in October 2024, communicating the need for taxpayers to comply with this requirement of the law. However, there is confusion about preparing and auditing the financial statements. **Our Observations:** • The implementation of the law intends to cure the mischief of taxpayers filing based on management accounts or unaudited Financial Statements. • The Government generates over 70% of revenue from about 1,000 taxpayers, implying that the 'sanctity' of the financial statements needs to be emphasised. • Also, with a taxpayer register of about 5M taxpayers and an estimated 96% having an annual turnover below 500M, it is prudent that the limited 4% (200,000 taxpayers) with annual turnover above 500M are effectively managed. The 4% taxpayer bracket can be ably serviced by the growing CPA enrolment of over 4,600 CPAs.	**Our proposal** We propose that the provision be amended to provide much-needed clarity. The new Section 16(5) would read as follows: **Section 16 (5) A taxpayer with an annual turnover of the amount prescribed in Schedule 4 shall furnish with the taxpayer's return of income *financial statements prepared by an accountant and audited by a practising accountant* registered by the Institute of Certified Public Accountants of Uganda.** **Justification** • To provide clarity. • The proposal reinforces professionalism and accuracy of tax return preparation by encouraging the use of qualified accountants regulated by the ICPAU under the Accountants Act, Cap 294, thereby enhancing the integrity of tax disclosures submitted, as regulated accountants are bound by a code of ethics.

	THE EXTERNAL TRADE (AMENDMENT), BILL 2025		
11.	**Clause 2 Insertion of Section 3A in the Principal Act**	<u>**Infrastructure Levy**</u> The bill introduces an infrastructure levy on all goods imported into the country for home use. <u>**Our Observations:**</u> We note that the IM_4 – Entry for Home Use designates commodities that are imported for immediate domestic consumption, not being entered into a private bonded warehouse, a freezone, and transhipped. The danger of subjecting all goods to an infrastructure levy is that items such as raw materials may inadvertently be scoped in. This will likely result in an unwanted increase in the prices of the ultimate outputs, thereby making domestically produced products non-competitive, with a greater likelihood of loss of jobs, loss of consumption power, loss of Indirect taxes like VAT and excise duty on what these persons would consume, and loss of profits on which income tax would have been paid.	<u>**Our proposal**</u> We propose to amend the clause by inserting subclause 3A (d) that reads as follows: ***3A(d) raw materials*** <u>**Justification**</u> • To ensure that foreign-manufactured goods do not take over locally manufactured goods. • To ensure stability in local production, employment, and consumption.
12.	**Clause 3 Insertion of Section 4A in the Principal Act**	<u>**Imposition of Export Levy on wheat bran, cotton cake, and maize bran**</u> We note that the bill introduces a levy of USD10 per metric tonne on wheat bran, cotton cake, and maize bran consigned out of Uganda. <u>**Our Observations:**</u> We note that: • This is likely to increase the cost of production, as Uganda's cost of doing business is already so high. • Wheat and maize bran export is done because Uganda has no market for the same. If the excess wheat and maize	<u>**Our Proposal**</u> We propose that the levy be dropped. <u>**Justification**</u> Not to deprive the economy of the much-needed forex, but also to stabilize local production, employment, and consumption.

		bran cannot be exported, it becomes a total waste, and this lost revenue shall be deemed a loss, which will drive up the cost of production. This will more likely drive the milers to downsize, cause loss of jobs, and make Uganda a supermarket for imported goods. • If this happens, Uganda's products will stop being competitive in the region, and local consumers will likely prefer imported items instead of locally made products.	
	Other Recommendation under the Tax Appeals Tribunal Act that should be considered		
13.	**Section 16(1) of TAT**	<u>**Review of Timelines for Alternative Dispute Resolution**</u> **Section 16(1) -** Application for review of a taxation decision 'An application to a tribunal for review of a taxation decision shall – (a) be in writing in the prescribed form; (b) include a statement of the reasons for the application; and (c) be lodged with the tribunal within thirty days after the person making the application has been served with notice of the decision. <u>**Our Observations:**</u> The ADR Regulations, 2023 provide for 7 days within which to apply for resolution of a dispute using the ADR procedure, and that the process of resolving tax disputes through the ADR process does not affect the timelines within which a taxpayer should apply to TAT (i.e., 30 days from the date of receiving the objection decision). We note that: a. 7 days is very little time for a taxpayer to prepare and submit evidence challenging the objection.	<u>**Our Proposal**</u> We recommend that S.16 of TAT be amended by inserting the words 'other than an application arising from ADR' immediately after the word 'decision' and also introducing a new subsection (2) immediately after the current subsection (1) and re-number the rest, for the amendment to read as follows: a. ***Section 16(1) -*** *Application for review of a taxation decision* *An application to a tribunal for review of a taxation decision* <u>***other than an application arising from ADR,***</u> *shall –* *(a) be in writing in the prescribed form;* *(b) include a statement of the reasons for the application; and* *(c) be lodged with the tribunal within thirty days after the person making the application has been served with notice of the decision* b. <u>***16(2) - An application to a tribunal for review of a taxation decision arising from ADR shall comply with the provisions under (1)(a) and (b) above***</u>

		b. There is confusion among taxpayers as to when to start counting the days – is it when they receive an email or when the physical copy of the letter of the tax decision has been delivered to them? c. In practice, URA is rarely able to review the ADR application and conclude on it before the expiry of the TAT timelines of 30 days from the date of the objection decision. This has led to taxpayers making dual applications to ADR and TAT to resolve the disputes through ADR and at the same time not lose out on the opportunity to apply to TAT in case the ADR outcome is not positive. This dual application is inefficient as the taxpayer incurs more costs while URA and TAT resources are also made to address the same matter.	***and shall be lodged with the tribunal within fourteen days from the date the person making the application is served with the ADR report.*** *c. Re-number the rest of the clauses* **Justification** a. This will help to avoid the duplication costs incurred when taxpayers make dual applications to ADR and TAT. b. This proposal aligns with the purpose for which ADR was set up.