

**PARLIAMENT OF UGANDA**

**Thursday, 29 April 2021**

*Parliament met at 2.33 p.m. in Parliament House, Kampala.*

PRAYERS

*(The Speaker, Ms Rebecca Kadaga, in the Chair.)*

*The House was called to order.*

COMMUNICATION FROM THE CHAIR

**THE SPEAKER:** Honourable members, I welcome you to this afternoon sitting. Yesterday, I informed you about the death of our former colleague, Hon. Mathias Kasamba. I now want to give you the details of the funeral arrangements so that those of you who are able can fit in.

Today, Thursday 29 April 2021, there is a requiem Mass at St Joseph Catholic Parish Church in Ndeeba. By now they ought to have left for Sanje in Kyotera. There will be another requiem Mass at 5.00 p.m. at Sanje Parish in Kyotera.

Between 6.00 and 6.20 p.m., they will travel home to Katovu where there will be a Mass and vigil from 6.20 p.m. until morning. There will also be speeches during the night. On Friday 30 April 2021, between 7.00a.m. and 9 o’clock in the morning, there will be a viewing of Hon. Kasamba’s body at Katovu.

At 9.30 a.m., they will travel from Hon. Kasamba’s home to the playground where there will be speeches from 10.00 a.m. to 12 noon. Between 12.00 p.m. and 2.00 p.m., there will be Mass at Katovu Playground. Then, later, the burial will take place at Hon. Kasamba’s home at Katovu. On Saturday and Sunday, the family and clan members will remain in the place. The members who are able to go should go and support our colleague’s family.

Honourable members, I also would like to take this opportunity to remind you that, starting Monday, we shall convene in the morning so that we can try to complete what is in our docket. Therefore, the effective week of work of the Fifth Session of the Tenth Parliament will take place next week; we shall be reconvening from Monday at 10 o’clock in the morning daily until Friday of that week. Thank you very much.

STATEMENT BY MINISTER ON THE LAYING OF THE HOST GOVERNMENT AGREEMENT, TARIFF AND TRANSPORTATION AGREEMENT AND SHAREHOLDERS AGREEMENT FOR THE EAST AFRICA CRUDE OIL PIPELINE

**THE SPEAKER:** Is the Minister of Energy here? They are not here. Okay, let us go to the next item.

LAYING OF PAPERS

2.28

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to lay the following papers on Table:

1. The National Payments Systems Regulations, 2021 (S1 No 18 of 2021;
2. The National Payments Systems (Agents) Regulations, 2021 (No. 19; and
3. The National Payment Systems (Sandbox) Regulations, 2021 (No. 20 of 2021).

**THE SPEAKER:** Honourable members, the same has been sent to the Committee on Finance, Planning and Economic Development for perusal and report back. However, if any other members have issues or interest therein, please study the regulations.

BILLS

SECOND READING

THE SEXUAL OFFENCES BILL, 2019

**THE SPEAKER:** I do not yet see the Minister of Justice here.

2.30

**MS MONICAH AMODING (NRM, Woman Representative, Kumi):** Madam Speaker, I do not see the chairperson of the committee but they say they are on their way coming. I think it is due to the technicalities of the first session and now. I pray that we push it forward a little as we wait for them. We would not want to miss this opportunity this afternoon. Thank you.

**THE SPEAKER:** Honourable members, let us defer it for now; we shall come back to it a bit later. Let us go to item 6.

BILLS

SECOND READING

THE INCOME TAX (AMENDMENT) BILL, 2021

2.40

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg that the Income Tax (Amendment) Bill, 2021, be read the second time.

**THE SPEAKER:** Is the motion seconded? What is the justification?

**MR BAHATI:** Madam Speaker, the object of this Bill is to amend the Income Tax Cap. 340-

1. to redefine beneficial owner;
2. to revise the tax rate applicable to individuals and companies for purposes of rental income;
3. to provide for a formula for deductible expenses on rental income;
4. to provide for incentives to manufacturers;
5. to define the date for submitting applications for tax refund;
6. to provide for the due date of payment of income tax; and
7. to discontinue the co-current deduction of initial allowance and deductions on depreciation of assets.

We believe this Bill will contribute to our revenue efforts to be able to finance the priorities of the Government.

Madam Speaker, I beg to move.

**THE SPEAKER:** Thank you very much. If our committee has completed their report, could we receive it?

2.33

**THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Henry Musasizi):** Thank you, Madam Speaker. The Committee on Finance, Planning and Economic Development considered the Bill entitled, “The Income Tax (Amendment) Bill, 2021” and made the following observations:

Clause 2(a) proposes to amend section 2 to introduce a new definition of “a beneficial owner”. This is due to the fact that the current definition falls short of the internationally accredited definition of “beneficial owner” as per the organisation for economic cooperation and development.

Other jurisdictions within the East African Region, which have adopted a similar definition in their legislation, include Kenya. Therefore, Uganda should adopt this definition in order to align with the internationally agreed definition.

Clause 2(b) proposes to introduce a definition of “consideration”. The purpose is to eliminate any ambiguity as regards what amounts “consideration” under the Income Tax Act.

Clause 2(c) proposes to clarify the definition of an “exempt organisation” to include a religious, charitable or educational institution whose object is not for profit.

This will provide a wording that is clearer than the current wording of the law. The current law provides that the institution should be of a public character which is subjective in interpretation.

Clause 3 proposes to amend section 5 of the principal Act to provide that a person who earns rental income from more than one rental building, shall account for the income and expenses of the buildings and shal1 pay tax for each of the buildings separately.

Whereas the proposal is meant to increase revenue raised from rental income by stopping the practice of commingling of income or expenses from one building with another, the proposal is bound to present administrative difficulties since tax payers shall have to develop policies for apportioning common expenses to each property.

Clause 4 proposes to repeal paragraph (z) of section 21(l) of the principal Act which provides for an income tax exemption for agro-processors. This proposal is meant to eliminate duplication of the same exemption because a similar exemption is already provided for under Section 21(1)(af) of the Income Tax Act.

Clause 4(b) proposes to introduce additional sectors to the list of strategic sectors qualifying for the ten-year income tax incentive; manufactures of chemicals for agricultural and industrial use, textiles, glassware, leather products, industrial machinery and electrical equipment, sanitary pads and diapers. This is meant to encourage investment in the specified sectors.

Clause 4(c) proposes to introduce a ten-year income tax exemption for a manufacturer whose investment capital is at least 50 million United States Dollars.

The committee noted that over the past three years there have been varying tax exemptions/incentives to investors. The committee therefore noted that there is need to further study the various tax exemptions being offered to create certainty and predictability in doing business.

Clause 5 proposes to amend section 22(1)(c) of the principal Act to provide a cap of 60 percent on allowable deductions in case of rental income of the rental income as expenditure and losses incurred by a person in the production of such income.

This proposal will remove distortions in the rental tax regime which arise from capping the allowable deductions for a year of income of individual rental taxpayers, but allows unlimited deductions for non-individual rental taxpayers.

This reform will remove the incentive for individual property owners to own properties through companies in order to claim fictitious deductions. This reform therefore provides for equitable taxation of rental income irrespective of the legal nature of the person deriving income.

Where the verified expenditure is below the 60 per cent cap, a deduction will accordingly be granted for the actual expenditure incurred. Where verified expenditure is above the 60 per cent cap, only 60 per cent of gross income will be granted and the excess deferred to be deducted in the subsequent years of income.

Clause 6 proposes to amend section 27(2) of the principal Act by substituting for the word “four” with the word “three” as a consequential amendment to amending Part I of the Sixth Schedule. In this regard, a proposal is made to reduce the classes of assets for depreciation purposes from “four” to “three”.

Clause 6 in addition proposes a deduction for the depreciation of an asset that qualifies for initial allowance under section 27A(1) to be deferred to the next year of income. This proposal will discontinue concurrent deduction of initial allowances and depreciation in the first year of use of the qualifying asset.

The purpose of this proposal is to make the depreciation deduction regime less generous, increasing chargeable income and tax payable for the first year of income in which the depreciable assets are first used.

Clause 7 proposes to amend section 29 of the principal Act to provide for deferral of a deduction for the depreciation of an industrial building that qualifies for initial allowance under section 27A(4) to the next year of income.

This is meant to make the regime for deduction of depreciation of an industrial building less generous, increasing chargeable income and tax payable for the first year of income in which the industrial building is first used.

Clause 8 proposes to amend section 50 of the principal Act to provide for indexation in the calculation of capital gains tax in order to account for inflation. However, indexation shall not apply to an asset that is sold within twelve months from the date of purchase.

This proposal is intended to reduce the gain arising on sale of business assets by the amount of inflation. This will eliminate over-taxation of taxpayers and encourage investment.

Clause 9(a) proposes to amend section 54 of the principal Act to provide for preferential treatment of capital gains tax for a venture capital fund registered under the Capital Markets Authority Act.

Venture capital is a form of private equity and a type of financing that investors provide to start-up companies and small businesses that are believed to have long-term growth potential.

This proposal will reduce the cost of capital by promoting investment into high-risk enterprises.

Clause 10 proposes to amend section 88 of the principal Act to provide that where an international agreement provides for automatic exchange of information for tax purposes, the commissioner shal1 in accordance with the regulations made by the minister facilitate the automatic exchange of information.

This proposal will facilitate automatic exchange of information of non-resident and resident persons with their tax residence jurisdictions, in accordance with the Organisation of Economic Co-operation and Development (OECD) Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

This proposal will further enable analysis of reports on financial account information available domestically with what is submitted in tax returns to ensure proper tax reporting of financial institutions and their clients.

Uganda will therefore be able to access financial account information from offshore financial institutions by exchanging reciprocal financial account data with mutual treaty partners under Section 6 of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters which came into effect on 01 September 2016.

This proposal will be expected to generate approximately Shs 45 billion in revenue from information generated both domestically, and from the reciprocal information obtained from treaty partners.

Clause 11 proposes to amend section 93(a) to reintroduce the payment due date for income tax purposes. This provision was previously contained in the Income Tax Act that was repealed with the coming into force of the tax Procedures Code Act and the same was never replaced.

This proposal will provide for a due date of filing returns since the law is silent on the due date of tax payment. The absence of a due date in the law has resulted into tax payers taking their time to pay taxes, with no reservations of interest accruing from delayed payment of taxes.

Clause 12 proposes to amend Section 113 of the principal Act to provide that a taxpayer shall be deemed to have submitted an application for a refund on the date the application is received by the commissioner.

However, where the commissioner requests for additional information, the application for refund shall be deemed to have been submitted on the date when additional information is received by the commissioner.

This is meant to cater for situations where the delay in refund is due to the delay in the taxpayer submitting the requisite documents for verification.

Clause 13 proposes to amend section 118(b) by exempting a person who the commissioner is satisfied has regularly complied with their tax obligations from the application of section 118(b) of the Income Tax Act.

This is in line with similar treatment of compliant taxpayers under section 119(5)(f) and 118(a)(2) of the income tax Act. To note is the omission of the time frame in which a commissioner may request for additional information from the taxpayer.

Clause 14 proposes to amend first schedule of the principal Act to introduce the African Export Import Bank, and the International Union of conservation of nature in the first schedule of the income tax Act.

African Exports Import Bank (AfriEXIM) is an international organisation whose host agreement with the Government of Uganda entitles it to exemption.

Union for conservation of nature is an international organisation whose members are by agreement obliged to provide to, with exemption and Uganda is a member.

Clause 15 of the Bill proposes to amend the third schedule of the principal Act to increase the rental income, tax rate from 20 to 30 per cent.

This proposal is consequential to the increase in the CAP on the deductions from 20 per cent to 60 per cent. In addition, this proposal will ensure that there is no revenue loss from the increase in the CAP.

Clause 16 proposes to amend the sixth schedule of the principal Act to provide for three classes for purposes of depreciation. This proposal will make the depreciation allowance regime for assets less generous by reducing the rate of depreciation of class 2 and class 3 assets other than plant and machinery used in farming, manufacturing and mining.

This will increase chargeable income and tax payable for the first year of income in which the depreciable assets are first used.

Additionally, it is a consequential amendment; the committee made the following recommendations after scrutinising the income tax Bill;

1. The committee recommends that Government considers review of tax legislation from annually to at least three years. This is aimed at ensuring predictability in decision making by investors.
2. The committee recommends that Government undertakes a study of the tax exemption proposals with the objective to establish a criteria in which both international and local companies will be considered to qualify for tax exemptions.
3. The committee recommends that the income tax amendment Bill, 2021, be passed into law subject to the proposed amendments. I beg to move.

I will be laying on the Table the copy of the original report after the third reading. It is the same copy I would like to use for the amendments. Thank you.

**THE SPEAKER:** Thank you very much, Mr Chairman and members of the Committee on Finance, Planning and Economic Development. I just would like to know - your proposal that the review takes place annually, that would mean that the finance Bill would come here once in three years, is that what you are talking about?

**MR MUSASIZI:** Thank you, Madam Speaker. What we intend to achieve is that, when a proposal is passed by this House, at least it lives for three years. The finance Bill can always come back but with other proposals; different for the previously amended sections.

Like now, we have a proposal to CAP rental income tax deduction to 60 per cent; for both individuals and companies. If this proposal is passed by Parliament, for predictability and stability of the businessmen and investors, we would rather have this proposal stay for at least three years than next year coming to amend it gain. That is what the stakeholders are concerned about. Especially that this also occurs mainly in investment incentives. We normally give incentives and market them world over.

The investors base on these incentives to come and invest here. By the time they arrive, there is a tax Bill; Finance Bill proposing to amend the decision that some of the investors based on to come and invest in Uganda - and it is becoming a challenge to them. Thank you, Madam Speaker.

**THE SPEAKER:** Honourable member, you have heard the report.

**MR MIGADDE:** Thank you, Madam Speaker. I thank the chairperson for this report. I am a member of the committee and the chairperson is very much aware that I have a minority report, as far as the Income Tax (Amendment) Bill, 2021 is concerned. I thought that at the end of his submission, he would have the courtesy to welcome me.

I want to know at what point I am going to –

**THE SPEAKER:** I can see a copy here but maybe, you can do the formalities.

**MR MUSASIZI:** Thank you, Madam Speaker. I want to say sorry to my honourable colleague. I want to apologise. It was an anomaly; it was not intentional. I should have invited him to present his minority report.

In this regard, may I take the honour, Madam Speaker, to invite hon. Migadde to present his minority report?

3.04

**MR ROBERT MIGADDE (NRM, Buvuma Islands County, Buvuma):** Thank you, Madam Speaker. I agree with the committee on almost all the proposals on all the clauses, except for income tax, as far as rental income is concerned - that is the allowable deduction.

Madam Speaker, the proposal to have 60 per cent of income from rent as the allowable deduction – If members are to get the impression – it implies that if you earn, 60 per cent is taken to be the expenses. So, if you acquired a loan and are paying in instalments, as well as paying for water and electricity bills, the assumption is that all of them must fit in the 60 per cent.

Therefore, 40 per cent is taken to be profit but that is not the case, Madam Speaker. We have to agree that housing is one of the Sustainable Development Goals – Goal No.2, as far as the SDGs are concerned – and Uganda is a signatory.

Uganda has a housing deficit of 2.4 million. So, 2.4 million people do not have housing, according to UN Habitat and UBOS. Out of these, 24 million people are living in sub-standard homes.

If we look at the interest rate of the mortgages in this country, it ranges between 15 per cent and 22 per cent. The payback period – as far as rentals are concerned and if one got a loan – is between 20 to 25 years.

Therefore, when we have this deficit, the best interest would have been to see how we actually incentivise the housing sector, so that we can try to reduce this deficit.

Madam Speaker, if we look at the top 50 taxpayers in this country – as always published by URA – most of them are banks. Most of the earnings from these banks are from mortgages.

The others are Tororo Cement, Umeme, Hima Cement, National Water and Sewerage Corporation, Roofings Uganda Limited, Sadolin Paints and Uganda Clays. That means Government can only try to incentivise the housing sector, so that more and more people can buy building materials. At the end of the day, Government will have a lot of indirect tax.

Therefore, our proposal – Madam Speaker, you have got a copy of my report and it is signed by seven members - is that instead of 60 per cent as allowable deduction, let us have 75 per cent as allowable deduction and 25 per cent available for taxation.

The justification is to incentivise the housing sector, so that we can fight these slums that are coming up every day. The obligation of providing adequate housing is actually to Government. The teachers, medics and other individuals are the ones with these rental houses built using loans.

Madam Speaker, my prayer to the committee chairperson and Minister of Finance, Planning and Economic Development is that we should accept the 75 per cent as allowable deduction and 25 per cent available for taxation.

For purposes of record, this minority report was signed by:

1. Hon. Syda Bbumba
2. Hon. Hatwib Katoto
3. Hon. James Kakooza
4. Hon. Walyomu Muwanika
5. Hon. Isaac Mulindwa Ssozi
6. Hon. Luttamaguzi Semakula

I beg to submit.

**THE SPEAKER:** Thank you very much, Hon. Migadde. Honourable members, you have heard the main report and you have also heard the minority report. You are free to make your comments.

**MR OBOTH:** Madam Speaker, given the constraints that we have and the importance of the Bills that are going to be considered - and hearing the minority and majority reports - would it be proper to further give them an opportunity just a few minutes to harmonise because it is about the percentage?

Hon. Robert Migadde sounded like he is willing and even the chairperson seems willing. I was just thinking whether you could guide procedurally, so that they dispose of that matter and report, as we handle some other related matters.

**THE SPEAKER:** What do the other members say? Do they have any comments? The question is 60 per cent or 75 per cent? They are all in agreement with the rest of the report. *(Mr James Kakooza rose\_)*

Hon. Kakooza, but you are the authors of the report- No, can we hear from other members? I do not know what the other members say because you are already part of the minority report? Let us hear from the other members who are not part of the committee.

3.11

**MR MICHAEL MAWANDA (Independent, Igara County East, Bushenyi):** Thank you, Madam Speaker. I would like to thank the chairperson of the committee for the report and also Hon. Migadde for his minority report.

As Hon. Oboth has suggested, I am also of the view that we give some few minutes to these two parties to harmonise. Otherwise, I would be in support of the minority report - that we allow 75 per cent as deductible income and then subject the 25 per cent that can be taxed.

Otherwise - as rightly said by the chairperson – we need to give enough time to investors to be able to adjust to the various taxes that come in, once in a while. When somebody borrows, he predicts that within a certain period of time, he will – first of all – be paying interest to the banks and then taxes.

However, all of a sudden, taxes are introduced. The business people end up being disorganised. So, if these two parties can be allowed, I think a win-win situation can be created, Madam Speaker. Thank you very much.

**THE SPEAKER:** Where is the vice chairperson of the Committee on Finance, Planning and Economic Development? We could move to another Bill, as our colleagues discuss. Let us move to the second report. Where is the Vice-Chairperson of the Committee on Finance, Planning and Economic Development?

**MR MUSASIZI:** Thank you, Madam Speaker. As you are aware, this is a very busy season for us. The Vice Chairperson is representing us in the Committee on Budget. We have divided ourselves.

3.13

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Thank you, Madam Speaker. I thank Hon. Migadde for the minority report. I just wanted to see whether I can persuade him and his colleagues. You see, the major argument he has is that you go to a bank and borrow money to build, but you pay interests and other expenses. So, you would need some space from which to cover this costs.

Actually, that has been at the back of our mind. That is why last year, under section 22(1)(a) of the Income Tax, we said this financial expenses are liable. They are deductible; we do not tax them to avoid duplication.

So, we have already catered, in the law, for your reasoning that people go to the bank to borrow money to build. We have also discovered that while individuals are treated the way they are treated now, many of the big companies always continue to declare losses using the existing incentives. As a result, we never get anything from this kind of income.

Therefore, we think that the 60 per cent – this has been done scientifically – will not actually disadvantage people who are involved in the real estate and are keeping their records very well. We think that 60 per cent is a good percentage from which we can get the tax and avoid leakages in our tax system.

So, Hon. Migadde, I think we can talk about this percentage. At 75 per cent, you will leave very little income for taxation. You will also help those who are declaring losses.

**THE SPEAKER:** Let us hear from Hon. James Kakooza who is also part of the minority report.

**MR JAMES KAKOOZA:** Madam Speaker, I would like to give this information to the House. Always, the canons of taxation dictates that you tax taxable income, and not gross income. Because the real estate in the country is led by the private individuals in the private sector; some are formal and some are informal, that is why there is a leeway of allowing taxable income at gross income.

Otherwise, principally, there is no any other law that allows a tax to be put on an income. As much as someone is building, you take VAT off the inputs. You take the VAT from the construction company, and that affects the income. That is money taken from somebody who is starting a real estate.

In accounting principles, if you say that you are taxing an income - This man has not got money yet, but you want to tax him at the beginning of his real estate business. That is why the people who are involved in real estates do not declare books of account. That is why, in the minority report, we are giving a leeway. We are proposing that we start from 25 per cent; 40 per cent is at a higher side to someone who is in real estate. The reason is that the Government does not provide – it is in a deficit. Due to rural urban migration, people are coming to town and they live in those houses. The Government has not taken a strategy to cure that.

What we are trying to cure is by proposing that we start with 25 per cent. We can start from 25 per cent as a taxable income. As we go along, we can see - Starting at 40 per cent is at a higher side to those people who are involved in real estate.

3.19

**MS CONNIE NAKAYENZE (NRM, Woman Representative, Mbale):** Thank you, Madam Speaker. I stand to support the minority report given the fact that – The minister has said that if they tax 40 per cent, then Government will not have gone so far. However, that is going to make life in the urban areas very difficult. This is where people normally rent. The same applies to even the rural areas.

Somebody who earns very little tries to put aside rent, and then the rent increased. The landlords are going to turn to the tenants to pay this tax because they want to get money to pay back the loans they got from the banks. The cement and all other building resources are already taxed. The tax burden is going to get back to the tenants.

Let us get to the 25 per cent and see how we can begin. If it becomes heavy for Government, then we can step up a bit. However, let us at least begin with 25 per cent so that we make life easy for people who rent houses. Thank you.

**THE SPEAKER:** Honourable minister, what is your response to the argument that this proposed tax is moving Government away from its commitment to promote housing in the SDG 2? What is your response?

**MR MUSASIZI:** Madam Speaker, before the minister comes, there is something I need to clarify. What we are dealing with here is a situation where a company called XYZ Company Limited is in the business of providing accommodation and henceforth, earning rental income.

Assuming this company has an annual turnover in rental totalling Shs 1 billion. This same company, XYZ Company Limited, is incurring expenses in hiring cleaners, paying for electricity, employing people who are involved in enabling it generate this income, investing in other rental units and et cetera.

We have a situation in this country whereby most companies like XYZ Company Limited have been taking advantage of the existing legal framework to account for 100 per cent income as expenses. It means that if a company is earning Shs 1 billion in rent, also the expenses are equal to Shs 1 billion. Therefore, the tax liability, in this case, becomes zero. This has been happening for some years.

What is this proposal curing? It is only asking for one thing; if company XYZ limited has earned rental income of Shs 1 billion and declared rental expenses that accrue as a result of earning this income to also be Shs 1 billion, instead of allowing this company to pay zero tax -

Madam Speaker, most of these companies tend to overstate expenses. Instead of paying zero tax, let us allow you to deduct expenses to the extent of 60 per cent which is Shs 600 million. Then on the balance of Shs 400 million, you pay taxes at the rate of 30 per cent.

I would like to clear an impression created that the tax is 40 per cent or 25 per cent. The tax rate applicable will be 30 per cent of the 40 per cent not allowable as deductions for tax purposes. That is what we are dealing with, Madam Speaker.

Regarding what Hon. Kakooza and Hon. Nakayenze said, it is as if the tax rate is 40 per cent of the income or it is as if the tax rate is going to be 25 per cent of the income. No, the difference between the income and the 60 per cent is where the tax rate of 30 per cent is going to apply. Thank you, Madam Speaker.

3.25

**MR MICHAEL TIMUZIGU (NRM, Kajara County, Ntungamo):** Thank you, Madam Speaker. I would like to confess that the explanation from the chairperson is so clear that we now understand that the Government wants to tax only 40 per cent of the total income. The 60 per cent remains as part of the expenses.

However, I said 40 per cent is only, but it is not little because some people join real estate and you find that they took loans and they have not finished servicing them in 10 years. When you say that you are going to tax 40 per cent and take 30 per cent of that amount, that very company might even fail to pay the loans.

I wonder whether there is any other business that is paying 30 per cent from its profit. Moreover, we are not sure that the 40 per cent is the profit belonging to that very company.

Therefore, my proposal is that we bear with those people who have joined real estate. After all, it is very young in Uganda and people have been sceptical about joining real estate because it takes a lot of money. Now that it has started attracting some people, we are now levying so much tax to discourage them.

This would appear as if we are taxing these old vehicles such that we stop them from destroying our environment. The real estate business is not damaging our environment. Therefore, we have got to encourage them.

Therefore, my proposal is that the honourable minister works with the committee and we reduce that tax such that we plan. He is the minister for planning, let us plan to widen the tax base instead of taxing those people who have already started business. We have to do business because Uganda must move on and prosperity must be nurtured by the Government. Thank you.

**THE SPEAKER:** Are you moving with the minority report?

**MR TIMUZIGU:** Yes, I am moving with the minority report so that we can give the real estate business people an opportunity to now join the business more than they have been joining. Otherwise, if we deter them from joining the business, we shall reduce investment in that sector and within five years, we shall regret as we will not have enough housing.

3.28

**MR EDWARD OTTO (Independent, Agago County, Agago):** Madam Speaker, I have had the opportunity to listen to what the minority report is saying and also what the chairperson and the minister have started. When I was going through law school, while ordinarily I believe that real estate, especially in Uganda, was the business to go to, I learnt that real estate, especially the rental part, is not an advisable business because of the taxes and regulations around eviction and other things.

I know that we are now coming up with laws in respect to eviction; procedures and those things are all going to bring costs. It is going to become more complicated at the end of the day. While I understand where the country is coming from and saying that we tax 40 per cent, let us limit the deductible expenses to 60 per cent and the minority report says, let it be 15 per cent, there is need - and I have done some little research - to find a middle ground of around 20 per cent or so.

Therefore, I go back to what my colleague, Hon. Oboth proposed that maybe there is a need to talk and come to around 20 per cent as a compromise. However, as a starting point, we need to be cautious otherwise most Ugandans are now into real estate. If we make it so complicated, the damage might be too much and we may end up giving in and taking out with another hand.

There is a need to talk of around 20 per cent. That probably would be reasonable. However, 40 per cent seems to be on the higher side. In my view, 15 per cent might also be too low. There is a need to talk and agree to around 20 per cent. Thank you.

3.31

**MS SYDA BBUMBA (NRM, Nakaseke North County, Nakaseke):** Thank you very much, Madam Speaker. I stand here to support the minority report for the following reasons:

1. We have got a very big deficit in housing.
2. There are very high charges on the mortgages. In fact Uganda is one of the countries which are offering mortgages at the highest interest rates.
3. There are a lot of indirect taxes because as the presenter for the minority report has stated, all the biggest tax payers are related to real estate. Therefore, real estate has a lot of indirect taxes.
4. There is irregularity in occupancy. These properties are not occupied all the time. Like during COVID-19, there are high default rates. The tenants are on and off. If you consider all these and put a tax of 40 per cent, it is rather high on the investor.

This is the sector where many of our Ugandan businessmen are investing because the import and export business has collapsed. This is the only option where they are putting the little money they are left with.

Madam Speaker, I also appreciate the need for Government to raise revenue. However, there are many ways of doing it and one of them is broadening the tax base. Two is improving on tax administration. For the last 15 years or so, money has been pumped into URA to improve tax administration but what is happening in URA is, instead of improving the tax administration, they are concentrating on a few captive clients because the building is there; they see it and can lock it since it is one of their captive bases for collecting tax.

If they improve on tax administration and broaden the base, I think we will be able to collect more revenue. Therefore, as a compromise, I wish to suggest that we increase the allowable income to 70 per cent and reduce the taxable income to 30 per cent but this comes with a lot of pain. Otherwise, the best would have been taxable income at 20 per cent and allowable income at 80 per cent. I beg to submit, Madam Speaker.

**THE SPEAKER:** Honourable members, I think Hon. Syda has raised another important point. Following the performance of the economy during the COVID-19 pandemic, there was the collapse of businesses and loss of income. Therefore, is this the right time to raise this tax? I think we need to answer that question.

**MR BAHATI:** Thank you very much, Madam Speaker. One of the motivations and aims of this tax measure proposal is to remove the distortions within the real estate market. If you put up a rental business in the names of Kadaga, you are only allowed 20 per cent. The companies have been allowed 100 per cent. One of the reasons we proposed this was to remove this distortion and come to an average figure of 60 per cent that we think will move this.

As I said, Madam Speaker, most of the companies are declaring losses. We are proposing for them to cap it at 60 per cent and carry forward these expenses, if they are making losses and we see whether they are making losses or not.

Secondly, we have seen despite the heavy investment in the real estate sector market, if you look at the kind of taxes we are getting from them, they are not comparable to what we expect from them. Therefore, there have been a lot of leakages through declaration of losses. That is why we proposed that 60 would be good so that we bring it all. If you invest as an individual, we allow you up to 60 per cent. If you register as a company, we also allow you at 60 per cent. This will help solve the distortion.

However, I notice - which is very rare - that the House is moving in favour of the minority. I would like to encourage members to support the majority because the majority of 60 per cent is a very good one. As we move forward, we can also discuss with Hon. Migadde and the group as the team moves in line with the proposal by Hon. Syda Bbumba.

**THE SPEAKER:** Minister, can we go to 70 and move half way?

**MR BAHATI:** From 30 per cent?

**MR BAHATI:** As Hon. Migadde makes his point, can I consult the stranger’s bench and come back?

**MR MIGADDE:** Madam Speaker, the impression that the minister is giving is that this is the only tax that the property owner is paying. However, these property owners are already paying Property Tax, which is 30 per cent in the different local governments. The circular was issued by the Minister of Local Government in consultation with the Minister of Finance so they are already paying 30 per cent; this is an addition.

In fact, at the end of the day, almost 25 per cent of the entire income will be taxed. It is incompetent of URA that they are not efficient. The minister should actually task URA and this Parliament should also help it; how can they be more efficient?

If you are giving examples, Madam Speaker, to be sincere, one of the examples that have been given, even in the committees, is Sudhir; that he is not paying – so, you cannot bring a tax basing on a well-known individual. What about these other people?

The people we are protecting are teachers who are renting because this is going to call for an increase in rent. The Government does not provide housing to medics, teachers and so on. The minister should be happy that more houses are being built and so more VAT is being paid.

**MR BAHATI:** Madam Speaker, after consultations, we can move with the proposal of Hon. Syda Bbumba, as long as we verify these expenses; 30 per cent verified expenses. That will be fine.

3.39

**MR MUHAMMAD NSEREKO (Independent, Kampala Central, Kampala):** Madam Speaker, I have something to say. Thank you, Madam Speaker. I would like to implore my honourable colleagues on matters of variation of taxes in the upward scale. We are coming through the COVID-19 pandemic and nearly the entire world is either giving waivers or lowering taxes in order to boost investment.

The only way you can give leverage to someone to invest in this investment climate is by either leaving the taxes at par, where they were in order for them to cushion. Most of them are running on loans. They have made losses and I can give you assurance that you are going to bring a disincentive for people to invest in the real estate sector.

The best thing to do at the moment is to leave the taxes at par so that the people can cushion the losses that they have incurred as a result of the post-COVID measures. That is what the whole world is doing. We cannot move in a different direction.

If the issue is about collection, that is a malfunction at the Uganda Revenue Authority. The minister should come here to tell us that, as a result of the failure of the people at URA in their performance, they have fired them. He should not come here to tell us that some people are not paying tax. Let us look for measures for electronic collection of these taxes; for example, by issuing these taxes at the point of sale. If you are coming to rent my building, at every estate of every individual – and I have seen it happen now in Malawi – if you are one of the biggest estate owners, you have someone attached to you from URA customs. They know your earnings; the 30 per cent and interface with your tenants on a day to day basis.

In the Tenant and Landlord Bill that we passed and has not yet been assented to, we had made it clear that agreements shall be there. Therefore, that will increase traceability of the people going against the payment of the current rental income tax.

I implore you, honourable members, to reject any increase on the Rental Income Tax and pray that we leave it as it is now. Even as it is now, it is very high so it will be a disincentive to the real estate sector, where we know that every Ugandan, who earns something little, even during their retirement, thinks to benefit a little from the houses they build for their tenants. I do not think it will help this economy, you or the people outside this august House. Thank you very much.

**THE SPEAKER:** Honourable members, the debate has been based on two reports; the majority and the minority reports. There was no position for zero.

3.43

**MR JONATHAN ODUR (UPC, Erute County South, Lira):** Thank you, Madam Speaker. The principle of accounting is very clear and I want to state here that profit can only be obtained after deducting total expenses from the computed total revenue. There is no any other way you can determine profit other than that.

Now what is strange here - I would like to invite your attention, Madam Speaker, to the fact that for the last three to four years, we have been battling the Ministry of Finance on its attempt to tax losses.

Now they have disguised the same principle of taxing losses and they are hiding it under this rental income. If I have made a loss, there is no way you are going to require me to pay tax on something from which I have not earned - you can only tax income.

Now, for the Ministry of Finance to say they are going to set an allowable level at 60 per cent, means they intend to tax one regardless they have made a loss or borrowed; they must pay.

This is very dangerous because even the data we are using is not correct. It is not true that in this country, the housing deficit is only 2.1 million; it is actually seven million of quality housing.

The 2.1 million is because somebody has somewhere to sleep including even those who are sleeping in tents around town. We cannot allow this ministry to come to this House and cripple the sector that is already suffering; the real estate sector.

That is why I am surprised that even the movers of the minority report fell into the trap and accepted 75 per cent yet they know even at 75 per cent, somebody can still make a loss.

The question I want the Minister of Finance and the mover of the minority to answer is: if you find out that I have made a loss, will you still tax me? If I collected one billion shillings and my expense are at Shs 1.5 billion, where do you expect me to pay the 40 per cent of that allowable deduction you are talking about? This should be rejected otherwise; we are going to make it very complicated.

**THE SPEAKER:** Okay. Honourable members, we had earlier proposed that we have some harmonization. I notice that the honourable vice chairperson of the committee has come in. So, let us defer this for now; let us go to the Value Added Tax Bill as our teams consult.

BILLS

SECOND READING

THE VALUE ADDED TAX (AMENDMENT) BILL, 2021

**THE SPEAKER:** Minister move the motion on Value Added Tax

3.46

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that The Value Added Tax (Amendment) Bill, 2021 be read the second time.

**THE SPEAKER:** Is the motion seconded? Okay, seconded. What is your justification?

**MR BAHATI:** Madam Speaker, The Value Added Tax (Amendment) Bill is to amend The Value Added Tax Act, Cap 349 to provide for the timelines within which to apply for input tax credit; to provide for the refund of tax for use of electronic receipts or invoice; to impose strict liability for violations under penal tax; to provide tax incentives to investors by exempting certain supplies from value added tax, in addition to what we did in the current financial year and to help mobilise resources to finance our priorities in this time of the Covid-19 pandemic. Thank you.

**THE SPEAKER:** Thank you. Honourable chairperson, can we receive the report?

3.48

**THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Henry Musasizi):** Thank you, Madam Speaker. The Committee on Finance, Planning and Economic Development, considered the Bill entitled: “The Value Added Tax (Amendment) Bill, 2021” and made the following observations:

The committee noted that liquefied gas was exempted from VAT with effect from 01 July 2020. This is due to the fact that the amendment was inadvertently left out of the final gazette copy of the tax law despite having been passed by Parliament in 2020.

Clause 2 of the Bill proposes to repeal Section 1(aa) of the Value Added Tax, which defines “biodegradable packaging material.” This proposal is a consequential amendment since Paragraph 1(jj) of the Second Schedule to the VAT Act, which exempted biodegradable packaging material was repealed in 2012.

Clause 3 of the Bill proposes to insert Section 20(2) of the principal Act, which reproduces Section 20A. This is intended to remove ambiguity that had arisen from Section 20A as a standalone provision.

Clause 4 proposes to repeal Section 20A, which is now reproduced as Section 20(2). This is a consequential amendment to clarify the heading of Section 20A.

Clause 5 proposes to amend section 28 to allow a period of up to six months from the date of the invoice within which a person can apply for input tax credit. This is intended to streamline claims for VAT credit to ensure tax payers do not file applications for refunds after a long time.

This will expedite refund verification audits in respect of very old claims and hence save the funds that would be incurred in terms of costs and possible interest accumulation.

Clause 6 proposes to amend section 31A of the principal Act by creating a separate quarterly return filing regime for non-resident suppliers of services deemed to be supplied in Uganda when made to non-taxable persons. This is bound to create a simplified regime for non-resident providers of services deemed to be supplied in Uganda.

Clause 7 proposes to amend section 45A to introduce a tax refund of five per cent of the VAT amount, to be paid back to consumers with invoices worth ten million shillings within a consecutive period of thirty days.

The committee however, notes that this threshold should be reduced to five million as it will be a step in a positive direction to encourage purchases from the formal sector by giving incentives to ultimate consumers, which will also prompt them to apply for TIN and ultimately expanding the tax base.

Clause 8 proposes to amend section 65 of the principal Act by repealing the words “knowingly or recklessly.” This proposal will create the offence of strict liability.

Clause 9 proposes to insert African Export Import Bank and International Union for conservation of nature in the first schedule to the VAT Act. This proposal will promote trade by providing relief to banks to finance trade.

Madam Chairperson, I will need to cross check, this should have been second schedule not first schedule. Clause 10(a) proposes to repeal sub paragraph v(v) and x(x) in the second schedule to the VAT Act.

Clause 10(b) proposes to insert paragraph h(h), h(b) exempting from VAT the supply of liquefied gas; clause 10(c) proposes to introduce sub paragraph mmm exempting from VAT the supply of services to conduct feasibility study, design and construction of any manufacturer who invests at least $50 million and has capacity to use at least 70 per cent of the raw materials that are locally sourced, subject to the availability and has capacity to employ at least 70 per cent of the employees that are citizens earning an aggregate wage of at least 70 per cent of the total wage Bill.

However, given the current effects of COVID-19 and the subsequent adverse effects, $50 million as a CAP for VAT exemption maybe quite of a high side.

On the other hand, the clause should be able to clearly distinguish between a foreign investor and a local investor. In order for the local investor to fully derive and enjoy the benefits that come with being indigenous. This proposal is intended to promote strategic investments in the country.

Clause 11 proposes to amend paragraph 1 of the third schedule to the VAT Act by substituting for sub paragraph k the supply of leased aircraft, aircraft engines, spare parts for aircraft, aircraft maintenance equipment and repair services.

This proposal is intended to promote the aviation industry by adding maintenance and repair services. The committee recommends as follows:

1. Government should sensitise the business community on Electronic Fiscal Receipting and Invoicing Solution (EFRIS) system. This will go a long way in enhancing the enforcement of use of electronic invoicing amended in section 45(a).
2. The committee recommends that the value added Tax (Amendment) Bill, 2021 be passed into law subject to the proposed amendments.

I beg to move, I will be laying the copy of the original report after we have done the third reading. Thank you.

**THE SPEAKER**: Honourable members, you have heard the report. I believe there is no minority report. Are there any comments on the VAT?

3.57

**MR MUHAMMAD NSEREKO (Independent, Kampala Division Central, Kampala):** Thank you, Madam Speaker. The point of difference is the proposed exemption on foreign investors for VAT. I would like to urge this august House to unanimously and bipartisanly reject this proposal.

Every single exemption that we make on businesses is heaped on to another taxpayer. For every exemption we make clearly shows that there is inconsistence, on one hand the Government wants to get money from incomes of its own people through income tax and on the other hand the same Government wants to give leverage to people that are borrowing money cheaply from other countries to come and invest in Uganda.

Any person who believes that Uganda has a market and for any business that they are going to do that is going to be profitable and that they are borrowing at a cheaper rate to invest in Uganda, they should be able to equitably compete with Ugandans.

I therefore would like to urge fellow Members of Parliament that we should not sit in this august House with the powers that have been granted unto us and go ahead to exempt people from other countries from paying taxes; well-knowing that they already access cheap capital and then we heap the burden on our countrymen.

We should not commit that mistake. I would like to categorically say that in as much as we Ugandans pay this Value Added Tax and clearly know that not most of us can raise this money to the tune of $50 million, let us go slow unto the people that come and boost here as foreign investors.

In any case, the Government should come and give us an inventory of all those that we have exempted from all these taxes and what they have contributed to this economy.

For every tax that is not collected in form of an exemption or waiver that means it is heaped on to you in order to balance the budget. So, we cannot sit here and say that we as legislators in Uganda sat and agreed to exempt people coming with foreign money from paying Value Added Tax and heap that burden on Ugandans.

I call upon members to reject the amendment of this clause in its entirety so that we encourage our people to pay value added tax, knowing that they are playing on a leveled field even with those that get cheap money from outside.

As long as we get money from our banks expensively, we must compete on equal footing with those that bring cheap money from other countries.

That is the only way we shall encourage Ugandans to pay tax knowing that when they come to compete with the foreign investors, we compete on equal footing and they only have leverage from us is cheap capital. That is all I can state. Thank you.

4.01

**MR JONATHAN ODUR (UPC, Erute County South, Lira)**: Thank you Madam Speaker. I have only one brief comment regarding the observation of the committee which stated that liquefied gas was exempted from VAT from the 1 July 2020 and was not gazetted as enacted by Parliament.

I want more clarification; for the last two financial years, the committee has been proposing amendments that have effect of retrospectivity and it is sad here that the committee notes that what Parliament passed was never gazetted and this is very serious.

I would want the chairman of the committee to give us more clarification and we get to the bottom of this. Why would Parliament pass a law and when it is gazetted wrongfully it is not even corrected?

Why would you come back to Parliament to correct something that was not intentional by just publication - that is my observation on this report. I would appreciate if the chairman clarified on it.

4.02

**MR MICHAEL TIMUZIGU (NRM, Kajara County, Ntungamo):** Thank you, Madam Speaker. First of all, I would like to commend the committee and the Ministry of Finance, Planning and Economic Development for thinking about exempting gas from VAT. Of course, they have to explain that omission. However, I believe it is not going to continue, because we have been grappling with the problem of charcoal and environmental degradation.

Secondly, I need clarification from the chairperson of this committee on refund of VAT to consumers who will be having invoices above Shs 10 million, or by the proposal of the committee of five million shillings.

I would like to know whether these people will be VAT-registered. I am not sure whether the threshold for VAT registration has really gone to zero, because some of the consumers are not VAT-registered.

If you do not have a business and at any point you consume as you build your house and may have not started a business in real estate; it means that there is a likelihood not to be VAT-registered.

Lastly, Madam Speaker, I support the issue of giving Ugandans a chance to be tax-exempted, if their businesses are to remain in Uganda. The International Monetary Fund advises all developing countries to do away with tax exemption, because they have discovered that we exempt those people who are well off, and then tax those ones who have not even done well in business.

By exempting taxes, that means the Government is investing in the business of that business person who has been exempted. We have not been getting reports on how Government is benefitting from tax exemption.

If they invest in the business of a certain person from abroad, we should then be having return on investment. Since they invested in that business five years ago, how much has the Government benefitted from that investor?

Madam Speaker, if we cannot get any report about the return on investment made by Government, as a way of exempting taxation, we should then have flat taxation and stop tax exemption, as per the advice of International Monetary Fund to developing countries.

Thank you, Madam Speaker.

**THE SPEAKER:** Can the minister respond to the issue raised by the members?

**MR BAHATI:** Thank you very much, Madam Speaker. First of all, I would like to thank the committee for the report. Secondly, I would like to thank you for the comments by members on the Value Added Tax (Amendment) Bill.

I would like to respond to what Hon. Nsereko has raised. Colleagues, we live in a very competitive world. We are all competing for these investors to come and invest here, not for the sake of investment, but we want to create jobs for our people.

We want to increase the tax base for our country and also try as much as possible to solve the problem that has belittled us for so long; the problem of imports, depending on imports. We want to add value to our raw materials and because of that, we must attract investors. If you do not attract them, other countries will attract them.

As we legislate on these matters, we try as much as possible to make sure that we remain competitive in the region. For example, if you do not put incentives for some investors, they will go to Kenya or Rwanda where they are offered, because they are in the business of making money and growing their businesses.

So, Madam Speaker, this particular one of allowing the manufacturers those feasibility studies for their design and construction, is to attract big manufacturers in our country.

We know the concerns raised by Hon. Nsereko, we are therefore, proposing - if you read, as we shall be looking at the report in the committee; that we are only offering these incentives to companies who can use at least 70 per cent of the raw materials that are locally sourced. We are giving market to the materials that are being produced here locally.

Secondly, we are also saying we are only giving incentives to these particular companies that have the capacity to employ at least 70 per cent of employees that are citizens, and earning an aggregate of at least 70 per cent of the total wage bill. Even when you employ them, we want to be sure that you are not only employing casual labourers as our people, but people who are earning 70 per cent of your wage bill.

Therefore, the concerns and risks that Hon. Nsereko was raising are really catered for, for this well-crafted clause in this Bill. I think it is an important Bill that will attract investors in this country.

You have asked a very important question. What have you achieved over the years because of these incentives? One of the ways to prove this, Madam Speaker, is to simply go to Namanve now and see how many factories have come up; how many of our children are being employed by these companies – *(Interruption)*

**MS OGWAL:** Madam Speaker, I am aware that this is just to align this amendment to what we already passed earlier on. I appreciate that. However, we should be mindful of the fact that the local investors cannot easily reach the five million shilling-point that we are talking about. Very few local investors can reach there.

So, we should do something consciously to try and build capacity of our own local people. Is there any way that you can take care of the local investors in this arrangement? Even if we are aligning it to what we have already passed, can we do something; where a local investor would be encouraged and even widen the bracket of the lower level investors, so that they accommodate more of them?

I appreciate if 75 per cent are Ugandans but at the same time, I want to get more Ugandans entering into the investment bracket. That is what we should be aiming at.

**MR BAHATI:** Madam Speaker, actually, if you look at the law that we already passed, we catered for the local investors who have the capacity. I think it was a range of one million to five million dollars. So, it is already catered for. We are only catering for this.

Madam Speaker, I can see that hon. Nsereko has today come in the mood of opposing. *(Laughter)* I would like to encourage him that we have expenditures and priorities to finance here. That should be the spirit of this House.

**MR NSEREKO:** Madam Speaker, to Hon. Bahati; when we come here, it is not the mood of opposing. I would like you to understand that we want the mood to build our nation, but we cannot do that by heaping a big tax burden on our would-be small businesses that are in their infancy.

Let us have clear policies, not policies that are maybe bent to look out for what you would call an investor. I will give you an example. If it is clearly known that importation of a certain machine that is used in value addition in Uganda – maybe in a juice factory – is exempt of VAT, any person who wants to produce juice in Uganda shall come and invest here, including Ugandans. Do you understand what I am saying? If you want to do it in good faith, let us be very clear to all Ugandans so that we know that if you want a coffee hauler or whichever other machine, they are exempted from payment of Value Added Tax (VAT).

Someone will then know that you do not need to be registered as an investor or whatsoever it is and that Uganda is aligned in agro-processing. Therefore, if I want to invest in agro-processing in Uganda, this is where I have to go and put my investment. The reason is that the agro-processing equipment, for example, boiler for milk is exempted from VAT at importation so that there is clarity.

This so-called blanket VAT exemption promises to investors – We have seen nations in Africa being duped by people who come here and claim they have the capacity to raise $50 million. They import goods under that cover and compete with our ordinary people here in the market. It is true that people are using this loophole.

So, if you want us to come here and go through the nitty-gritty; giving exemptions that are geared towards the improvement of agro-processing and whatever it is or improvement of the quality of goods that are produced here, let us be clear on what machines are exempted from VAT so that if I want to go into plantation agriculture or irrigation, then I know that tractors and other machines are exempted and the level of the exemption.

These blanket exemptions, as presented here, have been abused. If we sit here and think that these people are going to serve us what we want, we might end up legislating Ugandans out of business and giving leverage to foreigners.

**MR BAHATI:** Madam Speaker, all plants and machinery are exempted. The incentives we are proposing here are to attract to our country investors in manufacturing who are investing more than $50 million. So, I do not know what clarification hon. Nsereko needs from us.

The other point was –

**THE SPEAKER:** I think we need to move to the Committee Stage.

**MR BAHATI:** If you can allow us, we would be able to come up with some of the benefits that we have got from these incentives, probably on Tuesday next week. We would be able to share with you a report on the achievements we have made so far.

We can give a report to this House on Tuesday next week on what Members were asking on the people who have benefitted from these incentives.

**MR NSEREKO:** Madam Speaker, the minister should come here and tell us what he is curing from this in this financial year. I can tell you without fear of contradiction that all countries that have been duped in making their nationals pay VAT at the expense of foreigners have paid the cost in the long run. There are various tax exemptions that have been given to foreign companies but after 10 or 20 years when these exemptions expire, they wind up and leave.

Let us be very careful on VAT because it is one of the biggest points where Government gets its revenue. Therefore, as an incentive, if you want to give foreign investors incentives, let it be clear what you are giving the VAT exemptions on. It should not be a blanket exemption. For example, you have said that there will be tax exemption on all machines to deal with value addition.

If you have already said that, what other exemptions are you giving them beyond that VAT? For example, everyone who is coming to set up a factory and he imports machines to add value is exempted. Now, tell us what extra VAT exemption you are giving them that is not captured?

**THE SPEAKER:** Hon. Musasizi, respond and then we move to the Committee Stage.

**MR MUSASIZI:** Thank you, Madam Speaker. Sometimes, we tend to look at this other side but then, when another matter comes, we look the other way. That notwithstanding, I think it is important that we appreciate that if we are to grow this economy to a level we wish it to be, both foreign and local investors must be encouraged to invest.

What mechanisms can we use to attract investment in this country? One of them is provision of incentives. It is true that there could be areas where incentives have been abused but that does not necessarily mean that all investors who have benefitted from the incentives window are not adding value to this economy.

We have a number of investors in the Namanve Industrial Park. How I wish all the colleagues here would visit and see the progress being made as a result of Government coming in to provide that land for investment in Uganda.

Land is only one incentive. Taxation is also used to negotiate for better investment environment for countries. We are in a competition. We are not the only destination for big investments. Investors out there are always looking out for what various countries offer that is favourable for them.

Therefore, hon. Nsereko, my friend, it is not good that we generalise this debate. Let us look at specifically what areas we are going to give VAT incentives on and we ask ourselves whether these areas are really necessary. We talk about job creation. How can you add jobs in this country when you do not have big investors in this environment? We talk about quite a number of things we would want to see in this economy.

After evaluating this proposal, the committee is coming up with an amendment that instead of 50 per cent, we would rather make it 30 per cent and also make a provision for the domestic investors to Shs 5 million.

Our economy is generating revenue out of taxation of about Shs 20 trillion. In the medium term, we are looking at widening our tax to GDP ratio to 18 per cent. If we are to achieve our goals, then we must really put strategies in place that will enable us to get there.

Thank you, Madam Speaker. I beg to move that we go to the Committee Stage and we see how to move.

**THE SPEAKER:** Thank you. Honourable members, I advise that if there are areas of abuse that Members have identified, in our oversight role, we should bring them out. That is also our responsibility. Therefore, let us keep our eyes open and bring to the attention of the House those areas that are not working well.

Honourable members, I put the question that a question be put.

*(Question put and agreed to.)*

**THE SPEAKER:** I now put the question that the Value Added Tax (Amendment) Bill, 2021 be read for a second time.

*(Question put and agreed to.)*

BILLS

COMMITTEE STAGE

THE VALUE ADDED TAX (AMENDMENT) BILL, 2021

Clause 1

**THE CHAIRPERSON:** Honourable members, I put the question that clause 1 do stand part of the Bill?

*(Question put and agreed to.)*

*Clause 1, agreed to.*

*Clause 2, agreed to.*

Clause 3

**MR MUSASIZI:** Madam Chairperson, we propose to amend clause 3 as follows;

Clause 3 is amended by substituting for paragraph (b) the following: (b) Inserting immediately after subsection (1) the following: (2) “Import of a service is an exempt import if the service would be exempt had it been supplied in Uganda or would be used in the provision of an exempt supply.”

The justification is that this will prevent VAT exempt taxpayers from needing to account for VAT or irrecoverable VAT on imported services used in the provision of exempt supplies not locally available. I beg to submit.

**THE CHAIRPERSON:** Honourable members, I put the question that clause 3 be amended as proposed.

*(Question put and agreed to.)*

*Clause 3, as amended, agreed to.*

*Clause 4 agreed to.*

*Clause 5 agreed to.*

*Clause 6 agreed to.*

Clause 7

**MR MUSASIZI:** Madam Chairperson, we propose to amend clause 7 as follows:

Clause 7 is amended in the proposed section 45(a) by substituting for the word “ten” the word “five” and the word “five” to the word “twenty.”

The justification is that the refund should be raised to be ten gains from turnover discounts offered by offline traders who aim at avoiding EFRIS and the threshold should be reduced to Shs 5 million per month, considering the purchasing power of ordinary Ugandans and level of inflation. I beg to submit.

**THE CHAIRPERSON:** Honourable members, I put the question that clause 7 be amended as proposed.

*(Question put and agreed to.)*

*Clause 7, as amended, agreed to.*

*Clause 8 agreed to.*

*Clause 9 agreed to.*

Clause 10

**MR MUSASIZI:** Madam Chairperson, there is a small correction and we propose to amend clause 10 as follows:

Clause 10 is amended in (a) in paragraph (b) by substituting for the proposed paragraph (h) (b) the following: “the supply of liquefied gas and denatured fuel ethanol from cassava”.

(b) By substituting for paragraph (c) the following:

(c) by inserting immediately after paragraph (111) the following “(MMM) the supply of services to a manufacturer other than a manufacturer referred to in sub paragraph (pp) whose investment capital is at least $30 million for a foreign investor or $5 million for a local investor to conduct a feasibility study or to undertake design and construction, or, in the case of any other manufacturer from the date of which the manufacturer makes additional investment equivalent to $30 million for a foreign investor, or $5 million of a local investor.”

The justification:

1. Renewal energy from the denatured fuel ethanol from cassava is a close substitute of liquefied gas, which will foster value addition in Uganda as denatured fuel ethanol from cassava is generated from conversion of cassava into fuel.
2. The investment cap for the general exemption is very high and shall render exemption difficult to be accessed by potential investors. I beg to submit.

**MR NSEREKO:** Thank you, Madam Chairperson. On the matter of liquefied gas, I have no objection. Where I have an objection is still on the matter of exempting foreign investors from payment of VAT. I would like to persuade honourable Members of Parliament that in this time and era, we stand our ground that everyone pays their fair share of VAT and that giving that cap will not be helpful.

That is the justification at the moment that very many people are holding on to investing in their countries in these hard times. If we see it beneficial in the future, we can page it to specifics for those manufacturers on items that they need in value addition so that we play on an equal ground; local and foreign manufacturers or investors.

Further justification is that we all know that it is very difficult for a Ugandan to source even if it were $5 million, given the cost of acquisition of capital in this economy and that it is simple for someone coming from a foreign country to access this money. The whole world is moving to protect its people and investments jealously.

For every VAT exemption that we do, that means that the tax gap created shall be heaped on our people to pay in order to balance the Budget and raise revenue. I am of the view that we only take up the matter of exemption on liquefied gases and that of cassava and its by-products; ethanol from cassava and its by-products and reject the issue of exemption of VAT on foreign investors. Thank you very much.

**MR BIYIKA:** Thank you, Madam Chairperson and the chairman of the committee. When we passed the Biofuel Act, we mentioned a number of crops that will be used in the biofuel industry. I am seeking clarification why we are only mentioning cassava as far as LPG is concerned. Thank you.

**MR BAHATI:** Madam Chairperson, regarding the cassava - in a minute, I can consult and give you some information but at the moment, it is one of the few crops where we have seen an investor coming. Therefore, we are trying to facilitate that at the moment. We never wanted to leave it open. As we get more investments, we shall also facilitate them.

I wanted to add that the proposal of rejection, which hon. Nsereko has brought, would defeat us because we have already given incentives and we are seeing them work. All we are trying to do is to align those investors outside agro processing and manufacture and assembly of medical compliance so that we attract as many as possible.

Yes, the world is moving, not only to protect their citizens but to protect their economies. The best way you can protect the economy is to grow it; give more incentives and bring people here. We do not want these people to move away to other economies.

I think the decision is to align a measure that we have already passed in this House. We are already exempting people in agro processing, manufacture and assemble of medical compliances. We want other people in other areas to also be treated the same.

**MR NSEREKO:** Madam Chairperson, we have an issue here. When foreign investors come to this country, they are given free land. They have various exemptions on equipment for manufacture. This is not the time for us to give further leverage. Let us all pay our fair share, which will help us when we stabilise.

We know we need more of them but we are heaping all the taxes on Ugandans without exemptions including those with small capital and this is leading to closure of businesses wherever they are.

Yes, you are fighting to create new jobs but the existing jobs are also being lost. The result of your high taxes is that people are closing down businesses and laying off workers. You might be giving *– (Interruption)*

**MR JONATHAN ODUR**: Thank you very much, hon. Nsereko, for giving way. The information I would like to give you is that first of all, these investors are the reason the minimum wage Bill, which we processed here, was never signed into law. They are already attracted to this country because we give cheap labour. Even the people we are proposing for employment are not worth calling it employment because we do not have that minimum wage here.

Secondly, investors move to stable countries. A serious investor will never look for free land or free money, as is happening here in Uganda. Investments are happening everywhere else and so, it is not true that incentives alone are what we should dangle in the air to have investors come here and later realise that they are selling *chapati* and maize.

**MR NSEREKO:** Madam Chairperson, we recently raised a matter on the increment of tax on apparels. Within no time, during the COVID-19 period, tax was increased for a 40 feet container from Shs 400 million to Shs 1 billion plus. Over 5000 Ugandans lost business in form of jobs. They were employing other people and adding value towards their produce; manufacturing clothes. The sewing machines they bring and the materials are taxed. The tax on those materials was increased by over 200 per cent during the COVID-19 period.

The rent is due to be increased as a result. If we come here and sit in this august House and pass an increment on Rental Income Tax, it will definitely lead to increment in rent making the cost of production very high.

Now, you are talking about a foreign investor who comes here, gets free land, is exempted of tax duty and VAT just because they are going to employ our people without a minimum wage that you are not willing to cede to. This is unfair.

As Africans, we should rise above this inferiority complex that we cannot invest. We can invest as long as we are given the following cheap capital and low taxes.

For us to sit here and think that someone will come from another world where they have been given these exemptions and have been helped to raise capital, to invest in our country, is making ourselves slaves to those that will come from those countries. This is how colonialism became a success story. The failure of Africans to believe in themselves and thinking people will come from outside to develop our nation - Let us be patriotic; this is a call for patriotism.

From all the leverages we have given to the people, this Parliament has asked you, hon. Bahati, to give us statistics and not tell us to go to Namanve. We are not going for a tour in Namanve. Give us the statistics. We are giving you vivid figures of people that have closed down businesses all over this country as a result of the tax burden that you have heaped on them and those that give them working space. This makes the factors of production that would aid their production very high.

The answer cannot be that we shall give leverage to those whose countries have made better working conditions for them to raise capital, giving them a safe haven to come and invest here so that they make more profits.

That is why I have been flexible on liquefied gas while we were here defending the issue of climate change so I am positive. For as long as gas is cheap, people will not cut down trees. That is understandable and I entirely agree with you. However, telling me that we will heap taxes on Ugandans and exempt a foreign investor is not acceptable to all of us.

**MR JAMES KAKOOZA:** Madam Chairperson, I think we should look at the objective of the Bill. We are debating VAT and mixing it with other taxes.

Last year, we passed a Bill here of VAT. It is the one we want to align and amend. We agreed and said that when we are making a law, it should cut across the local investors and those coming in as foreign investors. For instance, when they exempt certain supplies from VAT, it should cut across. Even if a Ugandan is a manufacturer here and has money, you are exempted of that.

I can give an example. Value Added Tax is the way you tabulate and calculate; it is input and output. If you are involved in supplying scholastic materials to schools and the Government exempts you, they are leaving that cost to you. You do not account. That is what this Bill talks about. When they say that the threshold of an investor coming in with $50 million dollars is put at $ 30 million and the local manufacturer at $ 5 million, it means they are paving way to get involved and supply on exempt and that cost is left with your company. That is how VAT is calculated.

For instance, the law we passed on the refund of tax use of electronic receipts and invoices has been a problem. When you lend Government money and it does not refund, it tampers with your cash flow.

This Bill says that all supplies to Government are exempted so that you remain with that capital and expand. Therefore, I cannot understand somebody arguing about VAT and mixing it with import tax and excise tax. It is totally different.

**MR NSEREKO:** I would like to ask hon. Kakooza where he finds the pain of removing that clause? You see, if you say it is redundant, let us remove it.

**THE CHAIRPERSON:** Honourable members, let us concentrate - there are many Bills, if you want to deal with Excise Tax Bill, it is there, the Income Tax and Stamp Duty are there. Let us deal with VAT for now.

**MR NSEREKO:** Our proposal is that this clause be deleted *–(Interjections)–* listen, the amendment that is being proposed in 10- we are at 10 and it is talking about the amendment on liquefied gases.

**MR KAKOOZA:** Madam Chairperson, the amendment on clause 10 says; “amending the Second Schedule or the Principal Act, which is the VAT Statute of 1996.” In that Schedule, there are some exempt supplies, which we are trying to align and add more. That those people who were included *– (Interjections)–* this is in our favour my friend.

If I am in manufacturing of scholastic materials and I am going to supply schools and I calculate input and output, that money is left to me in the factory. You would be helping me not a foreigner. It is somebody who is involved in manufacturing, agro-processing-

Madam Chairperson, we have been urging Government that the budget in NDP III should be aligned with those people who are involved in agro processing because they prosper the economy. Now we are exempting VAT on people involved in agro processing so that they remain with that money to expand but you are opposing.

**THE CHAIRPERSON:** Now, honourable members, there is also this difficult habit of people coming here to make changes. You had time - these Bills were published a long time ago; They were sent to the committee. You had time to go to the committee and make your proposals. Your proposals have not been tested by the committee.

**MR NSEREKO:** Madam Chairperson, that does not justify us passing bad laws here -

**THE CHAIRPERSON:** Honourable members, I put the question that clause 10 be amended as proposed.

*(Question put and agreed to.)*

*Clause 10, as amended, agreed to.*

**THE CHAIRPERSON:** Now, there was a small issue on clause 7.

**MR MUSASIZI:** Madam Chairperson, I beg to correct some small error on clause 7 and 3. We propose that clause 7 is amended in the proposed section 45(A) by substituting for the word “ten” with the word “five”.

In clause 3, we propose to amend it -

**THE CHAIRPERSON:** We finished 3

**MR MUSASIZI:** We finished 7-

**THE CHAIRPERSON:** Let us finish with 11, there is the other provision at the back.

Clause 11

**THE CHAIRPERSON:** Honourable members, I put the question that clause 11 do stand part of the Bill.

*(Question put and agreed to.)*

*Clause 11 agreed to.*

*The title, agreed to.*

MOTION FOR THE HOUSE TO RESUME

4.46

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the House do resume and the Committee of the whole House do report thereto.

**THE CHAIRPERSON:** Honourable members, the question is that the House do resume and the committee of the whole House do report thereto.

*(Question put and agreed to.)*

*(House resumed, the Speaker presiding.)*

REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

4.47

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati**)**:** Madam Speaker, I beg to move that the Bill entitled, “The Value Added Tax (Amendment) Act, 2021, be recommitted –

**THE SPEAKER:** No, first report and then, we go to the third reading. Then the mover will move for recommital.

**MR BAHATI:** Madam Speaker, I beg to report that the Committee of the whole House has considered The Value Added Tax (Amendment) Bill, 2021 and passed it with amendments.

MOTION FOR ADOPTION OF THE REPORT OF THE COMMITTEE OF THE WHOLE HOUSE

4.48

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the report from the Committee of the whole House be adopted.

**THE SPEAKER:** Honourable members, I put the question that the report of the committee of the whole House be adopted.

*(Question put and agreed to.)*

*Report adopted.*

BILLS

THIRD READING

THE VALUE ADDED TAX (AMENDMENT) BILL, 2021

4.48

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the Bill-

**THE SPEAKER:** I put the question that Bill be read for the third time. Now, the mover can come with the recommittal.

4.49

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move a motion for recommittal of the Value Added Tax (Amendment) Act, 2021 to reconsider clause 3 and 7.

**THE SPEAKER:** What is the justification?

**MR BAHATI:** Madam Speaker, I just want to quote one example, while the Chairperson was moving an amendment, he instead of saying that clause 7 is amended in a proposed section 45(a) by substituting for the word “ten” with the word “five” he proposed “twenty” which is too high for the local investors. Therefore, we think that we should consider “five”. It was just an error that we need to correct.

In addition, in clause 3, we think that after his amendment, the last part of the paragraph; or would be used in the provision of an exempt supply, is redundant and we could stop at this amendment to read as, “import of a service is an exempt import if the service would be exempt had it been supplied in Uganda”. That would suffice for that particular clause.

**THE SPEAKER:** So, you want to delete the rest of that sentence.

**MR BAHATI:** Yes.

**THE SPEAKER:** Okay, Bills committee stage.

4.51

**MR JONATHAN ODUR (UPC, Erute County South, Lira):** Madam Speaker, I would also like to move a motion for recommittal of clause 1 on commencement. Here it states that “the Act shall come into force on 1 July 2021, except section 10(b) of this Act that shall be deemed to have come into force on 1 July 2020.”

The justification is that tax Bills are processed going forward. We cannot move backward to try to correct an error in the gazette by legislating retrospectively.

We should delete “1st July, 2020” so that the tax Bill applies going forward. Thank you.

**THE SPEAKER:** The mover of the Bill, what do you say about that proposal on the commencement? Were you addressing the other issue of what was forgotten in the gazette or something? Is that what you were addressing there?

**MR JONATHAN ODUR:** We were trying to align and address the issue of the exempt but I think we can -

**THE SPEAKER:** If it has been in force -

**MR MUSASIZI:** The intention was to take care of the issue, which was erroneously excluded in the last financial year. However, I also want to note that we have a precedent in this House of enacting tax laws moving forward. So, the retrospective application may not be something I welcome.

**MR JAMES KAKOOZA:** When we are making tax laws, they are effective going forward and not retrospectively because the moment you pass a law and it is assented to, the implementor of the law starts collecting. Already Uganda Revenue Authority has collected.

Unless the minister wants to tell us that the money that was collected - they get means to add a waiver but the law, which is going to start effective July must be the one we are passing now. Otherwise, if we do not do that, URA will face problems of looking for these people to pay taxes since 2020.

That is why we are making tax laws. They are effective that particular budget because it is a tax measure to generate the revenue for that particular financial year; we cannot be retrospective in doing this.

**THE SPEAKER:** Help us understand this: you say that you want to change and end at July, 2021 and delete the rest. Is that what you want to say? Let us go to Committee Stage.

**MR BAHATI:** Madam Speaker, we can support the motion moved by our colleague and leave the law to come into force on 1st July, 2021.

**THE SPEAKER:** Okay, let us go back to the Committee Stage.

BILLS

COMMITTEE STAGE

THE VALUE ADDED TAX (AMENDMENT) BILL, 2021

4.55

Clause 1

**MR JONATHAN ODUR (UPC, Erute County South, Lira):** Thank you Madam Chairperson. On clause 1, I move that the date of coming into force of 1st July, 2020 be deleted and we retain the one of 1st July, 2021.

**THE CHAIRPERSON:** Honourable members, the question is that clause 1 be amended as proposed.

*(Question put and agreed to.)*

*Clause 1, as amended, agreed to.*

Clause 3

**MR MUSASIZI:** Madam Chairperson, I beg to amend clause 3 as follows: (b) inserting, immediately after subsection 1 the following: “(ii) import of a service is an exempt import if the service would be exempt had it been supplied in Uganda.” I beg to submit.

**THE CHAIRPERSON:** Therefore, we go back to the original text. Okay, honourable members, I put the question that clause 3 do stand part of the Bill.

*(Question put and agreed to.)*

*Clause 3, as amended, agreed to.*

Clause 7

**MR MUSASIZI:** We propose to amend clause 7 in section 45 as follows: (a) by substituting the word “ten” with the word “five.” I beg to submit.

**THE CHAIRPERSON:** Honourable members, I put the question that clause 7 be amended as proposed.

*(Question put and agreed to.)*

*Clause 7, as amended, agreed to.*

MOTION FOR THE HOUSE TO RESUME

4.57

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the House do resume and the Committee of the whole House reports thereto.

**THE CHAIRPERSON:** Honourable members, the question is that the House do resume and the Committee of the whole House do report thereto.

*(Question put and agreed to.)*

REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

4.58

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to report that the Committee of the Whole House has reconsidered The Value Added Tax (Amendment) Bill, 2021 and reconsidered clauses 1, 3 and 7 and passed them with amendments.

MOTION FOR ADOPTION OF THE REPORT FROM THE  COMMITTEE OF THE WHOLE HOUSE

4.58

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the report from the Committee of the whole House be adopted.

**THE SPEAKER:** Honourable members, the question is that the report of the Committee of the whole House be adopted.

*(Question put and agreed to.)*

*Report adopted.*

BILLS

THIRD READING

THE VALUE ADDED TAX (AMENDMENT) BILL, 2021

4.59

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the Bill entitled, “The Value Added Tax (Amendment) Bill, 2021” be read the third time and do pass.

**THE SPEAKER:** Honourable members, the question is that the Value Added Tax (Amendment) Bill, 2021 be read for the third time and do pass.

*(Question put and agreed to.)*

A BILL FOR AN ACT ENTITLED, “THE VALUE ADDED TAX AMENDMENT ACT, 2021?

**THE SPEAKER:** Title settled and Bill passes. *(Applause)*

**MR MUSASIZI:** Madam Speaker, I beg to lay the original copy of the report on the Table.

**THE SPEAKER:** Thank you.

BILLS

SECOND READING

THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2021

5.01

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the Tax Procedures Code (Amendment) Bill, 2021 be read the second time.

**THE SPEAKER**: Is the motion seconded?

**MR BAHATI**: Madam Speaker, the Tax Procedures Code (Amendment) Bill, 2021 is to define the Tax decision to impose an obligation on local authorities and Government institutions to issue a licence to any person who has a Tax Identification Number to provide for tax-Pino tax relating to tax terms, to provide for alternative dispute resolution mechanism for tax objections.

To prescribe the powers of the commissioner during investigation and to revise offences and penalties in this Act to be able to support the tax administration by the Uganda Revenue Authority in widening the tax base of this country and making sure we collect enough revenue to support the priorities of our Government.

**THE SPEAKER:** The committee has completed the report; can we receive it?

5.03

**THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Henry Musasizi):** Thank you, Madam Speaker. The Committee on Finance, Planning and Economic Development considered the Bill entitled, “The Tax Procedures Code (Amendment) Bill, 2021” and made the following observations.

Clause 2 proposes to introduce a definition of a “tax decision”. This proposal is meant to expound on the exclusions to the definition of a taxation decision.

Clause 3 of the Bill proposes to amend section 5 to introduce a provision barring a local authority, Government institution or regulatory body from issuing a licence or any form of authorisation necessary, for purposes of conducting any business in Uganda, to any person who does not have a taxpayer identification number.

There is need to put a cap of a reasonable amount of start-up funds to a tune of Shs 5 million, in order not to discourage new businesses and entrepreneurs. This proposal is also being moved from section 135(3) of the Income Tax Act to the Tax Procedures Code Act, which is a procedural law.

Clause 4 proposes to amend section 9 of the principal Act to provide that a person who is not registered as a tax agent shall not act as a tax agent. This proposal is meant to bar anyone not registered as a tax agent from acting as an agent and ensure that only persons who have met the basic criteria of tax agents can act as tax agents.

The provision excludes advocates from its prohibition when they prepare requests for ruling, petitions for reinvestigation, protests, objections, requests for refund or tax certificates, compromise settlements and/or abatement of tax liabilities and other official papers and correspondences with the Authority.

Advocates are also excluded from the prohibition, when they attend meetings and hearings on behalf of the taxpayer in all matters relating to a taxpayer rights, privileges or liabilities under the laws or regulations administered by the Authority.

Advocates are excluded from this prohibition because they already have proper training in tax matters and because they represent taxpayers in all matters, including tax.

Clause 5 proposes to substitute the word “agents” for the word “tax representatives” in subsection (2) and “agent” with the word “tax representative” in subsection (5). This is meant to eliminate the ambiguity caused by the use of the word “agents” and “agent” respectively.

Clause 5 further clarifies that in section 19 (b), “tax” means tax imposed under the Excise Duty Act, 2014.

Clause 6 proposes to amend section 198 of the principal Act to create an offence and penalty, where a person, without authorisation, attempts to acquire or who acquires or sells a tax stamp without goods. This is meant to act as a deterrent to fraudsters who may wish to take advantage of gullible persons.

Clause 6 proposes to create an offence, where a person acquires tax stamps with the authority of the commissioner and affixes the tax stamps on goods, other than the goods approved by the commissioner.

Clause 7 (a) proposes to amend section 23(3) of the principal Act by substituting for the words “12 months”, the word “three years”. This is intended to extend the period in which a taxpayer can amend his or her return from one year to three years.

Clause 7 (b) proposes to amend section 23(6)(d) of the Tax Procedures Code Act by deleting the word “due”. This is meant to eliminate ambiguity, regarding the meaning of the provision.

Clause 8 proposes to amend section 24 of the principal Act to provide for alternative dispute resolution. The purpose of this provision is to ensure that parties to a court matter are accorded an opportunity for amicable settlement before an independent arbitrator without judicial restrictions.

Alternative dispute resolution is a cost-efficient solution to tax matters. It will enable URA to save a lot of funds that would otherwise be incurred, in terms of costs and possible award of damages. It will further boost revenue collections and expedite the resolution of tax dispute through the elimination of time-consuming formalities.

Clause 9 proposes to repeal section 38(2) of the principal Act. This amendment allows the introduction of a payment period to ease taxpayer ledger reconciliation process. This will also give taxpayers the opportunity to choose the tax period to which their payment relates, as opposed to where the system will allocate the payment to a period, denying the taxpayer the opportunity to know which tax period is fully paid for.

Clause 10 proposes to enhance the commissioner’s powers in an investigation. It was noted that these powers are bound to be misused, bearing in mind that the law of natural justice states that, “A person is innocent until proven guilty”; hence putting one under arrest or closure of their businesses, while still under investigation, may lead to various litigations, which should be avoided at all costs, in order to save the Government unwarranted expenditures.

On the other hand, URA is urged to work closely with the Uganda Police Force and the courts of law, in order to institute arrests and investigations.

Clause 11 proposes to enhance the penalty for failure to furnish a tax return.

Clause 12 proposes to enhance the penalty for failure to meet any obligation under the Tax Procedures Code Act.

Clause 13 proposes to enhance the penalty for failure to maintain records.

Clause 14 proposes to enhance the penalty for use of a false TIN.

Clause 15 proposes to enhance the penalty for making false or misleading statements.

Clause 16 proposes to enhance the penalty for obstructing a tax officer.

Clause 17 proposes to create an offence and penalty, where the tax agent aids or abets the taxpayer in the commission of an offence.

Clause 18 proposes to enhance the penalties for offences relating to recovery of tax.

Clause 19 proposes to enhance the penalties for offences relating to registration.

Clause 20 proposes to create an offence and penalty, where a person not registered as a tax agent acts as one.

Clause 21 proposes to enhance the penalties for offences relating to tax officers and it will make the penalties more punitive, hence enhancing compliance.

Having made these observations, the committee recommends that the Tax Procedures Code (Amendment) Bill, 2021 be passed into law, subject to the proposed amendments. I beg to move.

I will lay the original report after consideration of the Bill.

**THE SPEAKER:** Honourable members, you have heard the report from our committee. Are there any comments? If there are none, I put the question that the Tax Procedures Code (Amendment) Bill, 2021 be read for a second time.

*(Question put and agreed to.)*

BILLS

COMMITTEE STAGE

THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2021

Clause 1

**TEH CHAIRPERSON:** Honourable members, I put the question that Clause 1 do stand part of the Bill.

*(Question put and agreed to.)*

*Clause 1, agreed to.*

*Clause 2, agreed to.*

Clause 3

5.13

**THE CHAIRPERSON OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Henry Musasizi):** Madam Chairperson, we propose to amend clause 3 as follows:

Clause 3 is amended in the proposed section 9 by adding the phrase, “including tax identification numbers issued by foreign tax authorities, with whom Uganda has a tax treaty or agreement for the exchange of information” immediately after the word, “number”.

Justification

This is to mandate URA to accept tax identification numbers from foreign tax authorities, with whom Uganda has entered into agreement with. I beg to submit.

**THE CHAIRPERSON:** Honourable members, I put the question that clause 3 be amended as proposed.

*(Question put and agreed to.)*

*Clause 3, as amended, agreed to.*

*Clause 4, agreed to.*

*Clause 5, agreed to.*

*Clause 6, agreed to.*

*Clause 7, agreed to.*

*Clause 8, agreed to.*

*Clause 9, agreed to.*

Clause 10

**MR MUSASIZI:** Madam Chairperson, we propose to delete clause 10.

Justification

These powers should be left with the Uganda Police. Uganda Revenue Authority should be encouraged to work with Uganda Police. I beg to submit.

**THE CHAIRPERSON:** Honourable members, I put the question that clause 10 be deleted.

*(Question put and agreed to.)*

*Clause 11, agreed to.*

*Clause 12, agreed to.*

*Clause 13, agreed to.*

*Clause 14, agreed to.*

*Clause 15, agreed to.*

*Clause 16, agreed to.*

*Clause 17, agreed to.*

*Clause 18, agreed to.*

*Clause 19, agreed to.*

*Clause 20, agreed to.*

*Clause 21, agreed to.*

*The Title, agreed to.*

MOTION FOR THE HOUSE TO RESUME

5.17

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Chairperson, I move that the House do resume and the Committee of the whole House reports thereto.

**THE CHAIRPERSON:** Honourable members, I put the question that the House do resume and the Committee of the whole do report thereto.

*(Question put and agreed to.)*

*(The House resumed, the Speaker presiding.)*

REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

5.18

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to report that the Committee of the whole House has considered the Bill entitled, “The Tax Procedures Code (Amendment) Bill, 2021” and passed it with amendments.

MOTION FOR ADOPTION OF THE REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

5.18

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the report from the Committee of the whole House be adopted.

**THE SPEAKER:** Honourable members, the question is that the report from the Committee of the whole House be adopted.

*(Question put and agreed to.)*

BILLS

THIRD READING

THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2021

5.18

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the Bill entitled, “The Tax Procedures Code (Amendment) Bill, 2021 be read for the third time and do pass.

**THE SPEAKER:** Honourable members, the question is that the Tax Procedures Code (Amendment) Bill, 2021 be read for the third time and do pass.

*(Question put and agreed to.)*

A BILL FOR AN ACT ENTITLED, “THE TAX PROCEDURES CODE (AMENDMENT) ACT, 2021

**THE SPEAKER:** Title settled and Bill passed.

5.19

**THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Henry Musasizi):** I beg to lay a copy of the original report on the Table.

**THE SPEAKER:** Honourable chairperson, you are forgetting to lay the minutes.

**MR MUSASIZI:** Madam Chairperson, I will lay the minutes after I have presented the last Bill because they are all together. These meetings were conducted concurrently.

**THE SPEAKER:** That is okay.

BILLS

SECOND READING

THE STAMP DUTY (AMENDMENT) BILL, 2021

5.20

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the Bill entitled, “The Stamp Duty (Amendment) Bill, 2021 is it this or 2020? be read the second time.

**THE SPEAKER:** Is it seconded?

**MR BAHATI:** It is, overwhelmingly.

**THE SPEAKER:** It is seconded by several Members.

**MR BAHATI:** Madam Speaker, the Stamp Duty (Amendment) Bill, 2021 is to provide for an incentive to a manufacturer other than a manufacturer referred to, in Item No.6 (a) and (b) on the Order Paper whose investment capital is at least $50 million.

It is also to clarify the requirements for incentives on strategic investment projects and to align with what we have already passed in this current financial year to boost our investments in this country. I beg to move.

**THE SPEAKER:** Thank you. Can I invite the committee to present their report?

5.21

**THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Henry Musasizi):** Thank you, Madam Speaker. The Committee on Finance, Planning and Economic Development considered the Bill entitled, “The Stamp Duty (Amendment) Bill, 2021” and made the following observations:

The Bill seeks to amend the Stamp Duty Act, 2014 on strategic investment projects to provide for an incentive to a manufacturer with capacity to at least use 50 percent of the locally produced raw materials and the capacity to employ 100 citizens. The proposal is aimed at improving compliance and easing tax administration because this tax applies at the beginning of the business cycle and provides more employment opportunities for the Ugandan citizens.

The Bill further offers new additional incentives to manufacturers. These incentives will attract more investors in the country as this will make it cheaper for the investors to do business.

Madam Speaker, having made these observations, the committee recommends that the Stamp Duty (Amendment) Bill, 2021 be passed into law. I beg to report.

**THE SPEAKER:** Thank you very much, honourable chairman and the members of the Committee on Finance, Planning and Economic Development. We have heard the motion and also the report. Do we have any comments?

5.23

**MR MOHAMMAD NSEREKO (Independent, Kampala Division Central, Kampala):** Thank you, Madam Speaker. There is a saying that when you are accompanying a liar, accompany him up to the doorway because soon they will run out of excuses. We have been debating the incentives on the previous proposal on VAT and here we are on stamp duty.

I would like to reiterate; by vote, we have lost the debate on VAT but I would like to encourage my colleagues that as much as you want to attract investment, look at the lower players in the economy. They pay all these taxes and you are continuing with exemption by exemption.

I would like to reiterate what I previously spoke on this Floor - that these continued incentives are going to yield nothing but discouragement of the smaller players as we encourage those that get money cheaply with all those incentives from their countries.

I would like to urge you, honourable minister, for the first time to drop this. You said I was here to just oppose. I am not here to oppose without reason. The VAT exemption, stamp duty exemption, soon we shall hear you exempting them from everything, free land, no VAT and now no stamp duty and you are telling Ugandans that you need a lot of taxes; you are widening the tax base and even making it punishable for someone to operate business without a TIN and everything.

You are doing a disservice to yourselves and history will hold us accountable here. I can tell you. That it is because of these exorbitant taxes at the expense of Ugandans as you are exempting foreigners that these people will stand up. If Ugandans are unsettled with this tax regime of yours, not even the foreigners will be comfortable to come here and invest. I can tell you.

As Ugandans pay all these taxes in these small businesses - stamp duty or whatever it is - and you continue exempting the so-called big ones, like I said, local people are having their businesses closed as you glorify those that are coming from outside countries with money. What you are talking about - $5 million and that threshold for Ugandans - not even few people can raise it. We can count them with our fingers.

Now, you are here again bringing the same clause of $50 million and exempting foreigners; let me tell you that you are just inciting Ugandans. I repeat that you are just angering and inciting Ugandans. If we do not have a fair playing field, a fair tax regime and you are promoting a tax regime that gives leverage to people who come with money from abroad just because Ugandans cannot raise it in this economy and the reason is well known - high interest rates.

When you want to start your business in Uganda, you start at a disadvantage. Capital is expensive, you buy land expensively whatsoever it is and you are exempted from nothing. Someone comes with their cheap capital and you can see countries like China and others are deliberately giving money to their people as a way to come to Africa and acquire land and have leverage and control over Africans. I can tell you.

This is how we lost ourselves to colonialism and slowly, we are mortgaging ourselves. They have not defined what they call strategic businesses and strategic investment. What do you call strategic investment? You are not clear. In your definition, what do you define as strategic investment? Is it in energy? Be very clear. Is it in agriculture? Is it in technology? Where is it? Let it be known.

Do not fall victim of what our forefathers did to get us into colonialism just because they failed to read and to concentrate and felt that they were lesser people. Do not give others leverage over your own people. Like I have said, businesses have closed because of these huge taxes.

When a Ugandan business closes because of the tax burden, then they lay off other people. Therefore, if you think someone who has accumulated $50 million dollars and promising you 100 jobs and coming here and VAT will be waived because they have $50 million; stamp duty is waived, there will be no minimum wage - definitely, everyone will be happy to come here and repatriate all their money to their countries. They will be happy because it is not anywhere in the world.

What makes you think that Uganda will come up with something that is not done anywhere in the world and it will perform here? That is my submission and I call upon this House to vehemently reject this incentive because it is non-beneficial to our economy. It is creating disequilibrium on the investment plate in this nation; giving leverage to foreigners who have access to cheap capital without looking at the local investor who does not get free land, mortgages their houses at a high interest rate to access capital and pays all taxes. Thank you very much.

5.30

**MR JONATHAN ODUR (UPC, Erute County South, Lira):** Thank you, Madam Speaker. The clarification I want is that the proposal is to leave out section 60(b). For the purpose of the record, I wanted to read what it entails why you are leaving them out. (b) Reads that an operator within an industrial park or a free zone or an operator of a single factory or other business outside the industrial park who meets the following requirements. Among the requirements, No.4 is somebody who directly employs a minimum of 100 citizens. There is also another one on lease of land.

Therefore, I would like to find out why you are segregating these ones under 60(b), somebody who is already here and is employing more than 100 people. Do you want to leave them out of this proposal? Whose benefits are you targeting by leaving out these ones and yet, most of them appear to be Ugandans outside the free zone areas? Thank you.

**MR BAHATI:** Madam Speaker, you will recall that in the current law, we provided for the investors already in the industrial park and so, they are catered for.

The second is the clarification to hon. Nsereko. We are trying to help our people. I thought hon. Nsereko, given the situation in this city, he represents – the thousands of young people looking for jobs – given any efforts to attract direct investments and support any investors – because we are handling both foreign and local investors – would be supported by a Member of Parliament, first and foremost, from Kampala and even all members of this House.

This is about job creation and widening the base. How? We are providing here that for this investor to qualify for this incentive, he must use 70 per cent of the raw materials. These raw materials do not come from Europe or America but Uganda. We want to add value to them.

We are also saying that for you to qualify for this – and I think this was moved in the previous amendment by hon. Cecilia Ogwal – that we should have 70 per cent of the employees being Ugandans. We should not only stop at that. Seventy per cent of the wage bill should go to Ugandans. Therefore, you have attracted an investor here who has added value to the raw materials produced by Ugandans and employed Ugandans. What more would you want from a foreign investor, hon. Nsereko?

Hon. Nsereko, I think you should accept that you are not prepared for this debate and allow the House to proceed with this tax Bill. I thank you.

**MR NSEREKO:** Madam Speaker, hon. Bahati is really going personal in this matter by saying I am not prepared. He is actually the one not prepared. Nonetheless, we are exchanging views and you have said that this investor coming with 60 million dollars is employing 100 and I do not disagree with you there. If he has 70 of them earning the entire wage bill, he will get that exemption on stamp duty.

However, I am also telling you that out of statistics, for every burden heaped on a person, there is someone losing a business. You bring in someone to bring 100 jobs but you have killed another 1000. That is all I am saying.

If you think it is small enough for an incentive, I am also saying, let all of us have a leveled playing ground. That will not stop any investor from coming. I want you to tell me one investor who cited stamp duty as a problem for not coming to invest in Uganda. Be on record. We make laws to solve problems so just tell us only one. Be very fair to this august House and tell us the investor that said that if you do not give him leverage on stamp duty, he will not come to Uganda to invest so that we know how prepared you are for this debate.

**MR BAHATI:** Madam Speaker, we had an investor that was setting up a factory in Tororo for example. He came and had to register the mortgage and the stamp duty on a value of $200 million. It was coming to almost one per cent of $200 million, which is $20 million.

The point is, should we really put someone who has come to invest in Uganda pay $ 20 million? Should we allow that $ 20 million to remain with the investor to expand the business and employ more people?

We have several examples that we can give you on Tuesday, hon. Nsereko, of people who said no. They said we attracted them here but we want to cut into their working capital. That is one example, I can give you, hon. Nsereko. I am very prepared and I invite you to support this measure so that we attract investment to employ the young Ugandans who are watching us and are looking for jobs. They are looking for solutions and the solution to employ them is to set up factories, which can be set up if we attract these people, who need incentives to come here. If they do not come here, they will go somewhere else. Thank you.

**MR NSEREKO:** Thank you, hon. Bahati. One of the principles and cannons of taxation is equity. You have said someone with capital of $ 200 million was registering a mortgage and 1 per cent was to accrue to about $ 2 million. That is agreed.

Now, there are several Ugandans that have about $ 1 million and they are also registering mortgages to start-up businesses. How much do they pay? What is one per cent of $ 1 million? It is $10,000. Don’t you think you are killing their same businesses by taking away $ 10,000?

That is why in cannons of taxation, we look at equity. If you have more, you pay more. If an ordinary Ugandan is also setting up a business of $ 1 million and has borrowed that money at 27 per cent, already, that is what I was telling you. The cost of borrowing in Uganda is already high. For example, I acquire capital at about 20 per cent from the bank and I am supposed to pay for this loan immediately but I also have to pay stamp duty without exemption. In this case, I am competing with person x who has borrowed from another economy at 4 per cent and is given all the leverages; free land and whatever it is. When they come here, they are also exempted from what would be the fair share to this economy. We are all fighting to create jobs. We are borrowing; I am borrowing expensively and they are borrowing cheaply but they are exempt.

**THE SPEAKER:** Fortunately, hon. Nsereko is going to be part of the Eleventh Parliament. Honourable members, I would like to propose that maybe before the end of September, you bring a motion to debate the pros and cons of these tax policies; how they impact the foreign investors and local investors so that it can inform the next budgeting cycle.

You have interesting ideas but because they have just come, no one has had time to digest them. We have not done the research. Can you, please, undertake to bring a motion here, away from these taxes, so that we can debate it; just the principles?

**MR BAHATI**: I have information, Madam Speaker, on the local investors. If your value of investment is $ 300,000, you are exempted. We are handling both local and foreign investors at the same time.

**MR NSEREKO:** Hon. Bahati, I just gave it as an example but I know it is very hard to raise even $ 1 million. The reality is even if I was raising $100,000 and you are taking 1000, I have given you the cannon and principle of taxation that talks about equity.

**MR BAHATI:** The Speaker has guided and I think we can have a thorough debate and all those ideas be handled in September when you move the motion.

**MR JONATHAN ODUR:** Madam Speaker, I think the minister is not being honest to this House. That section 60 (a b) that he seeks to exempt - Actually, hon. Nsereko spoke of it. I did not read it in full but let me now read it so that he can refresh his mind.

1. Says, “A minimum investment capital of $10 million or $ 1 million in case of a citizen.”

Therefore, a citizen with $ 1 million investment is going to pay the stamp duty and you are going to exempt the one who has more.

Secondly, the citizen is already employing 70 per cent of the raw materials that are used, which are local. Now my question is; why don’t we be fair? If we are going to exempt them from paying stamp duty, let us be fair to even locals; the people who are here even if they have $ 1 million. That is a lot of money.

By the way, we had this debate when hon. Bahati was presenting the instrument for Lubowa when you reduced it to about Shs 14 billion. You came here and proposed that we put 100,000 so that it is flat and we agreed.

Now, we have local investors but you want them to pay more because they only have $ 1 million. How many Ugandans can invest $ 1 million? They are not many. Therefore, let us be fair. If we are going to apply it, do it to everybody but do not exempt section 60(a)(b) because that is where majority of Ugandans fall.

**MR BAHATI:** The section you are reading was amended this financial year. The amended one, according to our legal department here, talks about an investor of $ 150,000. It was amended, it is no longer $ 1 million. We can actually read it; “The minimum investment capital of $ 10 million for a foreigner or $ 300,000 in case of a citizen.” I do not know if you searched Google but if you refer to the real Act, it will be very accurate. Thank you.

5.43

**MR JAMES KAKOOZA (Independent, Kabula County, Lyantonde):** Madam Speaker, for record purposes, I think Finance should get interested in these exemptions and benefits. For example, Total is investing almost $ 475 million in the pipeline the Government wants to make. However, because of that impediment of stamp duty of 1.5 per cent, what does the Government want to benefit from that? It is quite a lot.

Therefore, if a foreign direct investor finds this impediment to invest, he will not come here. Look at BIDCO; we were almost losing $ 825 million per year before they started because of the stamp duty impediment and land. Do you know what is happening now? We are the ones exporting cooking oil to Kenya and we are employing –*(Interjections)–* No, let me explain this. We know this when we are debating economics.

Tax measures can be put for revenue collection but they can also be exempted for the economy to grow. When Uganda exempted the tile factory in Luwero, for the first time since independence, Uganda exported 450 containers of locally made tiles to Kenya. Why do you tag 1.5 per cent stamp duty to an investor who has come with a lot of money?

I think it is important that the minister of finance comes and tells Parliament, as you have decided, that these are the benefits, which come out of exemption and when you do that, Members will be on board. Many companies that come in with money - Look at the oil refinery. Uganda is going to be ahead of everybody. Others failed to invest here because of the hard tariffs that we put on them.

I think when we are debating tax measures and exemptions, we have to put in a general perspective of where you want the economy to go. This is quite important. Stamp duty is 1.5 per cent but can you refuse somebody bringing in $ 450 million because of stamp duty? How many are going to afford investing in crude oil in Uganda? The best way is to weigh where you get more benefits.

**THE SPEAKER**: Honourable members, as I said, a free day not on the Bills but on the tax policy of this country - Look at what the foreigners and local people are getting and then we take a position so that we can inform the next budgeting cycle.

**MR NSEREKO**: I agree with you, Madam Speaker. However, the decision we make today impacts on people. No kind of debate after this decision will help someone; either someone is going down the drain or up or Government is losing something.

I am glad that hon. Kakooza *–(Interruption)*

**THE SPEAKER:** Point of procedure -

**MR OBOTH:** Madam Speaker, I would like to know whether we are proceeding well after your very wise ruling and guidance to this House. My colleague, a senior Member, is stretching the debate, skirting around and referring to the same argument while leading us to temptation to answer him. Are we proceeding well after your ruling?

**THE SPEAKER:** No. Honourable members, we have taken a position. We have heard the arguments and they are the same. Let us have a day to discuss the tax policy of this country, independent of all these Bills.

**MR NSEREKO:** Madam Speaker, the preceding Member only rose up to raise a point of procedure and we appreciate his point. When I rose up, I said I did not object to your ruling -

**THE SPEAKER:** Honourable member, you are delaying the work of this House. If you do not object, why don’t you take your seat?

**MR NSEREKO:** We are not delaying but the impact of the decision we are taking today or we may take today -

**THE SPEAKER:** Honourable members, I put the question that the Stamp Duty (Amendment) Bill, 2021 be read for the second time.

*(Question put and agreed to.)*

BILLS

COMMITTEE STAGE

THE STAMP DUTY (AMENDMENT) BILL, 2021

Clause 1

**THE CHAIRPERSON:** Honourable members, I put the question that clause 1 do stand part of the Bill.

*(Question put and agreed to.)*

*Clause 1, agreed to.*

*Clause 2, agreed to.*

*Title, agreed to.*

MOTION FOR THE HOUSE TO RESUME

5.50

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the House do resume and the Committee of the whole House reports thereto.

**THE CHAIRPERSON:** Honourable members, the question is that the House do resume and the Committee of the whole House do report thereto.

*(Question put and agreed to.)*

*(House resumed, the Speaker presiding.)*

REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

5.50

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to report that the Committee of the whole House has considered the Bill entitled, “The Stamp Duty (Amendment) Bill, 2021” and passed it without amendments.

MOTION FOR ADOPTION OF THE REPORT FORM THE COMMITTEE OF THE WHOLE HOUSE

5.51

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg move that the report from the Committee of the whole House be adopted.

**THE SPEAKER:** Honourable members, the question is that the report of the Committee of the whole House be adopted.

*(Question put and agreed to.)*

*Report adopted.*

BILLS

THIRD READING

THE STAMP DUTY (AMENDMENT) BILL, 2021

5.51

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING)(Mr David Bahati):** Madam Speaker, I beg to move that the Bill entitled, “The Stamp Duty (Amendment) Bill, 2021” be read the third time and do pass.

**THE SPEAKER:** Honourable members, the question is that the Bill entitled, “The Stamp Duty (Amendment) Bill, 2021” be read for the third time and do pass.

*(Question put and agreed to.)*

A BILL FOR AN ACT ENTITLED, THE STAMP DUTY (AMENDMENT) ACT, 2021

**THE SPEAKER**: Title settled and Bill passes.

5.51

**MR HENRY MUSASIZI (NRM, Rubanda County East,** **Rubanda):** Madam Speaker, I beg to lay the copy of the original report.

**THE SPEAKER:** Before we proceed, the Deputy Attorney-General wanted to lay some regulation from the Electoral Commission. Let us create some space for him.

5.52

**THE DEPUTY ATTORNEY-GENERAL (Mr Jackson Kafuuzi):** Madam Speaker, I beg to lay a statutory instrument No.2 of 2021 titled, “The Electoral Commission Adoption and Manner of Use of Technology in the Management of Elections Regulations, 2020.”

**THE SPEAKER:** Honourable members, the regulations have been laid for your information and perusal.

BILLS

SECOND READING

THE EXCISE DUTY (AMENDMENT) BILL, 2021

5.53

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING)(Mr David Bahati):** Madam Speaker, I beg to move that the Bill entitled, “The Excise Duty (Amendment) Bill, 2021” be read the second time.

**THE SPEAKER:** Motion seconded, justify.

**MR BAHATI:** Madam Speaker, this Bill is to:

i. Repeal section 11 and 12 of section 5 relating to renewal of the certificate of registration of manufactures, importers and providers of goods and services.

ii. To provide for rebates on the excise duty paid on plastic packaging and to amend Schedule 2 to vary the duty in respect of Opec Beer locally manufactured, non-alcoholic beverages, plastics, airtime, value added services and internet to provide for an incentive to a manufacturer other than a manufacture referred to in item 21, whose investment capital is at least $50 million.

iii. To also ensure that we align some of the things that we passed in the law relating to this financial year and again, to help to contribute towards the revenue to finance our budget. Thank you.

**THE SPEAKER:** Thank you. Can we invite the chairperson of the committee.

5.55

**THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Henry Musasizi):** Thank you, Madam Speaker. The Committee on Finance, Planning and Economic Development considered the Bill entitled, “The Excise Duty (Amendment) Bill, 2021” and made the following observations:

Clause 2 proposes to amend section 5 of the Excise Duty Act, 2014 by repealing subsections 10,11 and 12 of section 5, which provide for the renewal of an excise duty registration certificate, which is currently monitored through the e-tax system hence rendering the subsections in the principal Act redundant.

Clause 3 proposes to amend section 10 of the principal Act to provide that the commissioner may, if satisfied that the excise duty was paid on plastic packaging material for export goods for medicaments or manufactured from recycled plastics, remit the excise duty paid under this Act.

This is meant to reduce the cost of manufacturers of plastics from exceptional categories including plastics for use in export, medicaments as well as recycled plastics to encourage recycling to protect the environment.

The remission on recycled plastics will specifically apply where the recycled plastics used in the manufacture of plastic packaging material is at least 50 per cent of the raw material used.

Clause 4(a)d of the Bill proposes to reduce excise duty applicable on opec beer from 30 per cent or Shs 650 per litre, whichever is higher, to 30 per cent or Shs 230 per litre whichever is higher.

This will encourage value addition of locally produced raw materials and also support the emerging local industrial sector that has created employment to many Ugandans.

The committee, however, noted the need to align the ad valorem tax and the specific tax rates imposed in opec beer and other alcoholic beverages locally produced.

Clause 4(c)d proposes to introduce an excise duty of 12 per cent or Shs 250 per litre, which ever is higher, on non-alcoholic beverages locally produced other than the beverage referred to in sub paragraph (a) made out of sugary tea solution with a combination of yeast or bacteria.

This tax is meant to promote equity among other non-alcoholic beverages that are locally produced with a combination of yeast and bacteria.

Clause 4(d)11 proposes to provide an excise duty rate of 5 per cent or $150 per tonne, whichever is higher, for plastic packaging and 5 per cent or $100 per tonne, whichever is higher, for granules with the intent to expand the scope of plastics used for packaging and plastic granules. This provision is intended to expand the scope of plastics to cover plastics used for packaging and plastic granules.

Clause 4(e)6 to repeal item No. 13(b) of Schedule 2 to the Excise Duty Act, which provides for Shs 200 daily excise duty rate for over-the-top services while clause 4(f) proposes to introduce an excise duty rate of 12 per cent of the fee charged for internet data, except for the provision of medical and educational services.

This is meant to protect the revenue from the taxed services including airtime, value added services which are shrinking and hence pose a risk of revenue loss.

Madam Speaker, this is a provision which is seeking to repeal OTT Tax.

Clause 4g (e) proposes to reduce the excise duty rate for Value Added Services from 20 per cent to 12 per cent of the fee charged. This is intended to overhaul the telecommunications sector excise duty rates, to eliminate the complex multiple rates on various telecommunication services, which poses administrative, as well as compliance challenges for taxpayers.

Clause 4(h)(25) proposes to provide for an excise duty rate of 60 per cent or Shs 950 per litre - whichever is higher - for any other fermented beverages including cider, perry, mead, spears or near beer, due to the fact that there has been an increase in production and importation of these alcoholic drinks.

The industry has also moved to invest in the production of these products locally, in order to add value on fruits, for instance, pineapples, apples, oranges, passion fruits and mangoes; although the proposed tax regime does not differentiate between locally produced raw materials and imported materials, hence the need for a tax regime that will protect the local investors. I am sure hon. Nsereko is happy about this.

Clause 4(h) also proposes to provide for a nil excise duty rate for construction materials of a manufacturer, other than a manufacturer referred to under item 21, whose investment capital is at least $50 million or in the case of an existing manufacturer, who makes an additional investment equivalent to $50 million. This is meant as an incentive for manufacturers.

Clause 4(h) also proposes to introduce an excise duty rate of Shs 100 per kilogramme for wheat. This is meant to protect local production and generate revenue, given the rise in volume of imported wheat grain.

However, Madam Speaker, I would like to observe that currently in Uganda, there is minimal production of wheat and all the wheat used in our factories is imported. Therefore, it is important for Government to rethink whether it is appropriate to stifle the existing factories, which are involved in production of all wheat products or whether it is good timing for us to encourage, instead of stifling production?

Why should we instead not bring favourable measures that would promote growth of factories in this business? Therefore, when we get to Committee Stage, I will be proposing a deletion of this provision, Madam Speaker.

Madam Speaker, it is also important to note - before I move to recommendations - that there is a proposal to introduce additional Shs 100 on petrol and diesel. The objective of this proposal is to enable Government to raise revenue to the tune of Shs 196 Billion. With these observations, Madam Speaker, the committee recommends as follows:

Committee recommendations

The committee recommends that Government considers review of tax legislation from annually to at least three years.

The committee recommends that Government considers reducing the cost of Digital Tax Stamps, whose costs are high and a deterrent to businesses.

Lastly, the committee recommends that the Excise Duty (Amendment) Bill, 2021 be passed into law, subject to the proposed amendments.

I beg to report, Madam Speaker.

Madam Speaker, I will be laying the report on the Table after we have considered the Bill. Thank you.

**THE SPEAKER:** Thank you very much, honourable chairperson and members of the Committee on Finance, Planning and Economic Development. Just for interest, you know I used to believe that we have wheat growing in Sebei -

**MR MUSASIZI:** Madam Speaker, it is true that there is wheat growing in Kapchorwa but this wheat is minimal. All the wheat used in our factories in Uganda is imported.

**THE SPEAKER:** Honourable members, your comments.

6.08

**MS SYDA BBUMBA (NRM, Nakaseke County North, Nakaseke):** Thank you very much, Madam Speaker. I would like to thank the chairperson of the Committee on Finance, Planning and Economic Development for the report he has presented. I have two issues.

The first one is on the proposal to change the timeframe for tax legislation from annually to three years. Madam Speaker, the economy is revolving. If you fix the taxes over a three-year period, it might not be realistic.

There are changes in the economy; there is inflation. There are unforeseen circumstances, which cannot be projected over a long period of time. Therefore, I oppose the proposal for every three years and maintain annual tax legislation.

Secondly, on the excise duty on wheat, Uganda produces less than 1000 metric tonnes compared to Kenya, which produces 400,000 metric tonnes. We are part of the East African Common Market. The rate of import duty in the East African region is 10 per cent on wheat. That is the only tax they charge. There is no VAT or excise duty.

In Uganda, we charge the 10 per cent import duty, 18 per cent VAT and there is also a 1.5 per cent, for infrastructure levy. So, in all, Uganda charges 29.5 per cent on imported wheat compared to other East African states, which charge only 10 per cent and yet Uganda produces very little wheat. We all know that bread and other wheat products are now part of our staple food.

The introduction of Shs 100 per kilogramme, as Excise Duty, would not be fair to the Ugandan importer. Right now, most of the wheat, which is used in Uganda is re-exported from Kenya because Kenya bring in theirs at 10 per cent and ours gets here at 29.5 per cent.

Madam Speaker, without adding another distortion, I support the proposal to delete the Shs 100 Excise Duty on a kilogramme of wheat. If it is maintained, it will be an extra Shs 70 billion on the imported wheat in Uganda. Otherwise, we import 700,000 metric tonnes. Already, the importers of wheat are paying Shs 206 billion. If you compare with their Kenyan counterparts, it is three times more.

Therefore, I support the proposal to delete the Shs 100. I also would like to propose that to avoid a mismatch in the East African region and give the Ugandan processors a comparative advantage, the 18 per cent VAT on imported wheat should be removed as well.

We have investors who have invested in milling. They are employing our people and using our electricity. We are getting many advantages as a result. They are also producing animal feeds. If we disadvantage them, we will lose the employment and people will resort to importing wheat, which is re-exported from Kenya and it will not be good for our economy. I wish to submit.

6.13

**MR THEODORE SSEKIKUBO (NRM, Lwemiyaga County, Ssembabule):** Thank you, Madam Speaker. I thank the committee for the report.

The matter of imposing an extra charge on wheat has been well traversed by hon. Syda Bbumba. The emphasis I want to add, however, is that wheat contributes now to about 20 per cent of our diet. So, when you tax wheat, you know you are taxing food on people’s table. Once you have a hungry population, you will have an angry population.

I, therefore, would like to request the minister to reconsider the tax on wheat. Do not suffocate it. It is a reality that we have to stay with. Our staple food crops can no longer sustain people’s tables. It is, therefore, important that as much as we want tax and revenue, do not suffocate people’s diet. *(Interruption)*

**MR OSEKU:** Madam Speaker, the information I want to give to hon. Ssekikubo is that the other day, I was listening to a programme on *Radio One.* The processors are already threatening to increase the price of bread by Shs 300. They said that does not stop the retailers and other distributors to impose their own tax on top of that.

Madam Speaker, this is likely going to affect people’s livelihoods. Increasing the price of bread, for example, which goes at Shs 4,500 right now, may end up increasing the price of bread to Shs 5,000. This is the information I wanted to share with you.

**MR SSEKIKUBO:** Thank you, hon. Oseku. You are right. The minister needs to walk around town. A *kikomando* and *rolex* are part of the mainstay of the people around the city and small towns in the rural areas. There is no village, where you do not find a chapatti stall. It is as bad as that. People eat it for breakfast, lunch and supper. I would imagine that the minister would be sensitive about touching the people’s diet recklessly *–(Interruption)*

**MR BAHATI:** Madam Speaker, as we debate these tax policies and measures, we need to put them in the context of our economic policy of import substitution and export promotion.

Earlier, you asked how much wheat we are producing. As we speak, you cannot imagine that we are exporting wheat worth Shs 600 billion. Wheat worth Shs 600 billion is being exported from a country with fertile land and a lot of water. We also have local materials that we can actually use to get the same nutrients that we get from wheat, for example, cassava.

By imposing this extra charge on imported wheat - one of the things that we are trying to do is to encourage local production. Secondly, we are encouraging use of other materials like cassava.

This is, therefore, the context within which we are debating. We are not reckless. We are very cautious and we care for everybody including that person who is making *kikomando*. We have also calculated and seen that there is no way this increase of Shs 600 is going to impact on the cost of *kikomando*. This is the free information I wanted to give you. We care for every Ugandan. Thank you.

**THE SPEAKER:** Honourable minister, I would have been happier, if you had said that you have got square miles of wheat, which no one is buying and that is what you are protecting. You are saying that what is being done is negligible; in other words, you are protecting nothing.

**MR SSEKIKUBO:** Thank you, Madam Speaker, for your wise guidance. For us who sometimes and in most occasions partake of *chapatti*, it is very unfortunate that the minister can compare a *chapatti* made from cassava flour to that made from wheat flour. He said we should diversify and use cassava. Honourable minister, I do not know whether you have ever tasted a cassava flour *chapatti* that you are advocating for here. If there is one, can you kindly lay it on Table so that *–(Laughter)*

Nonetheless, Madam Speaker, you have ably guided. We are all interested in the import substitution and export promotion. However, we need to be cognisant of the fact we have - and the measures we need to undertake before we suffocate the wheat we have on the market.

Most importantly, this Shs 100 of excise duty on fuel (petrol and diesel) - well aware that Uganda is a landlocked country with no viable train systems, no direct access to the sea, poor infrastructure, this is going to add to the burden of the already burdened economy, more so now that the economy is trying to pull out of the COVID-19 dark period, that was involved with recession. Honourable minister, the economy is doing badly.

The moment you increase the pump price of fuel - because ultimately, the fuel dealers are now going to extend this to the consumer and this is where it is meant to be. I tell you, you will be having the multiplier effect in the economy. You are not looking at fuel (petrol and Diesel) alone but you know that food in Kampala on Fuso trucks and other lorries - it means that the cost price of food of a bunch of bananas on the market will certainly soar through the sky. You know that the dealers take advantage; the moment you increase, even if it is only Shs 50, they put extra and disproportionate increments.

Madam Speaker, this is not the right time. I would agree with you, honourable minister at a later date but this is not the appropriate time. Wait when the economy is vibrant and then add that tax.

However, at a time when people need incentives to recover, hotels are down. I am telling you that nowadays, the commuter taxis are not allowed to carry three passengers per seat but only sit two people. It means that the passengers who commute every day to work are already experiencing a pinch; even those traveling from upcountry to town, those from the city and back upcountry.

Madam Speaker, on those minibuses, I wish one of these days we could walk around with the minister; they are no longer seated three as they used to be. However, now once you sit two per row of seats, it means that the passengers are forced to compensate for the seat that is left vacant, as a measure of the SOPs in the wake of the COVID 19 pandemic.

It means that now, you are again to make it worse. Honourable minister, people are no longer travelling like they used to do; not because they do not want to travel but because they cannot afford the fees/ fares that are high now, in buses and taxis.

My major concern is about haulage of goods from Mombasa to the city centre and upcountry. That extra addition, which you see as Shs 100 is interpreted and will extrapolate into very many big chains. You will find that the cost of production is going to go high, the cost of food - that I have mentioned - you will find that the daily life and the cost of living is going to be up there in the skies. This will not be within the reach of the common person.

I, therefore, would urge the honourable minister through you, Madam Speaker, to reconsider this Shs 100 for now. The other day, we were here to see the stimulus package. The Government can look at this; in fact it is the opposite of the stimulus efforts you are making.

The other day, you were here trying to inject into the country and the economy life; you are trying to revive the economy, and the overhead costs were meant to be put down. However, with this, you are again making the bad situation worse; you are giving with one hand and taking away with the other. I tell you that there are a few people who can access the stimulus package from the Uganda Development Bank. However, every day, there are Ugandans who rise up to go and look forward to a day, at their places of work.

This tax on diesel and petrol is going to affect right from the boda boda rider; where we have been having the minimum stage of Shs 2,000, it must move to Shs 3,000. The usual normal stages of Shs 5,000 are going to skyrocket to Shs 10,000 and I do not know whether we are ready for those consequences.

Madam Speaker, I would like to implore the minister to consider this tax not merely as tax on fuel but this where the heart of the economy is. This is where the lives of Ugandans are and the moment you do this, you are going to adversely affect the millions in the boda boda business, taxi/matatu business, buses and even on trailers that are used in the haulage of the goods from the coast. It will be affecting each and every aspect of life. It won’t only stop at transport but it will go down to affect each and every aspect of life of the citizens of this country.

Madam Speaker, I would like once again to implore the minister, for now to halt and suspend this levy. I thank you, Madam Speaker.

6.26

**MR MOHAMMAD NSEREKO (Independent, Kampala Division Central, Kampala)**: Thank you, Madam Speaker. I would like to thank the other Members and join them, plus the committee, in applauding the rejection of the Shs 100 per kilogramme of wheat grain. It justifies nothing. We did not hear of any statistics from the honourable minister on the production of wheat. I hardly think that we can make Shs 400,000 tonnes in Uganda per annum, given our demand for the thousands of metric tonnes of wheat that we need per annum. This will definitely cause adverse effects.

Therefore, I would like to urge honourable members to reject this and absolutely stand by the committee report. We do not need to persuade the minister to drop it. Secondly, let us just reject it. However, if he can, then it will be in good faith.

Concerning the levy on fuel, of course hon. Ssekikubo has deliberated on it and we would like to say that this is not the time. There are high charges on people commuting; it will increase the cost of production because the cost of production involves movement of raw materials but also movement of finished goods to the market.

Therefore, the dual factor that is factored into the final cost price of the goods and services provided, will definitely go high. This does not protect the very issue that you say that you want to boost production. In any case, there is less demand now for fuel because there are lesser people travelling.

However, finally, Madam Speaker, the issue of internet bundles and the scraping of OTT; we welcome the scrapping of OTT but the shifting of 12 per cent of the charge on internet data also helps nothing. The more we embrace technology, the more we shall substitute what we failed to acquire.

Madam Speaker, Uganda has the highest cost of internet in the region from the recent study. The cost of a gigabyte is $2.67 in Uganda, in Kenya and Tanzania, it is about $2.41 and $2.18, respectively. Therefore, that leaves the cost of doing business on the technological platforms high.

The biggest chunk of the world is shifting to technological innovation. Therefore, if you raise the cost of internet bundles, there are some you are killing naturally. People are coming up with apps, for example applications on movement of people, where we have Uber, Taxify*,* among others. For as long as the cost of the internet goes high entirely, the cost of acquiring those services goes high too. Then, it also kills innovation.

Thirdly, you cannot split the bundles I buy and say part of it is meant for education or medical services. Assuming I want to browse for education, I have to load bundles. When I load my internet bundles and I want to access an App “Call the Doctor”, the only way I can do that is after loading internet bundles.

Therefore, it will come to the same adverse effects; when I load bundles. This is because if it is on my phone and I load it for education services - assuming I want to access tutorial services since I study online, how will I split the bundles – that these are for studying online and others for other things? It is impossible. As long as I load bundles, then I access the internet. It will be hard to create a gateway to split this.

Now this is another investment for telecom companies, which will make it difficult. The best thing to do, honourable members, is to try as much as possible to copy the advanced world; lower the cost of internet as we educate our people what they should use this internet for.

I absolutely know that there are some of those that have gone out to abuse the internet and demean people on it. However, there is also a fraction of Ugandans that have gone out to invest. For example, in Nigeria at the moment, the small start-up companies like Fintec and those developing apps in transportation have attracted over $700 million in investment through innovations. These are students in universities in small areas but are trying to access this internet at a low cost.

The only leverage we have in the world we live is the brains of our people through innovation using the technological platform. The best thing we can give them is to lower the cost of internet as much as possible, as we increase its speed.

We were in this House a few years ago when the ministry introduced the 1.5 per cent tax on every import for the Standard Gauge Railway. Up to now, they have never informed us how far they went and how much money was collected. We need to also tell the Ugandans what we have pegged this money for when we collect tax.

However, like you guided previously, Madam Speaker, Ugandans would like to hear how much money was collected for the Standard Gauge Railway and how far we have gone with this investment.

In regard to the internet bundles, I urge the honourable members to drop this 12 per cent tax on internet bundles because it is hard to collect; you cannot split education and medical. When you load bundles, you have loaded them and that is about it.

6.33

**MR JONATHAN ODUR (UPC, Erute County South, Lira):** Thank you, Madam Speaker. I invite this House to recall why the OTT, as justified then, was brought to this House. It was not to limit access to internet but to deal with the people abusing social media - so that they could pay. That was the argument that the Government put at that time. They said the people should access the internet but for those who want to use WhatsApp, Facebook and other social media apps to insult people in this country had to pay for them.

I had expected the committee to not lose track of that reasoning then so that if it became difficult for Government to block people abusing social media, the punishment is not to increase tax on internet. We know that internet does more than social media.

Now that we have the country moving from physical contact to online platforms, it is even going to hurt businesses more. Therefore, I invite the committee to reconsider its decision and avoid penalising the people that are doing honest business and are abiding by the rules, rather than seeking to penalise people by using taxes.

Madam Speaker, it is unfortunate that we do not have the proposal of the revenue we were going to get from road licence and what it amounts to. I expected the committee, rather than jumping and living in their own report - they have not touched anything on that. They only proposed Shs 100 in their amendment to cover for the road licence.

If the data is correct, I think we have 500,000 vehicles and about two million motorcycles. If you compute this, it would not even necessitate the committee to impose Shs 100. The fuel levy could have increased by about Shs 20 or Shs 30 so that it covers that gap that the Government was proposing.

However, given the circumstances that we have been going through in the COVID-19 era - and the fuel is not only used for transport but even some factories use this fuel - we think that the cost will be transferred to the consumers and yet the people are suffering.

The committee should reconsider its decision. We can better revaluate how best to impose these fines. For example, I would be very much in support if, in the future, the Government now levies the taxes according to the CC of the vehicle you are driving, rather than a flat rate for everybody. Why should somebody driving a Vitz also pay Shs 200, which is the same as someone driving a 5000 CC? Why should they pay the same amount? That would be more reasonable and equitable. I invite the House to review the issue of the 12 per cent because it is brought in bad faith. Thank you, Madam Speaker.

6.36

**MR RICHARD OTHIENO (NRM, West Budama County North, Tororo):** Thank you, Madam Speaker. I just have two comments to make; the first one is on the changes of tax reviews from annual to three years.

Madam Speaker, usually, one of the considerations that rich people make - the ones we normally call investors - when deciding where to put their money, they look at the investment climate. When you look at the investment climate, the tax regime is a major component of it. Every investor wants a stable tax regime or investment climate. That means everybody wants to look at a predictable tax regime of at least a fairly medium time.

I just believe that this modest change from one year to three years is just the beginning of further adjustments. I would even be more comfortable if the Ministry of Finance or the Government said that our tax regime will run for five years so that somebody knows that he can make his cash flows. Therefore, it becomes very easy for him to make an appraisal of his business and what he wants to invest.

We should all support changes of tax reviews from annual basis to three years and maybe urge Government that we should make five years in future. With that, somebody is sure that over the five years, the tax regime is predictable and will not change anyhow.

I have listened to my colleagues. With my little understanding of taxation, I urge my colleagues – if we block the Government from imposing indirect taxes, we should know that we will push them to direct taxes.

It may pain me but I think it is fairer for the Government to come up with indirect taxes. The reason is that you incur indirect taxes when you are ready to incur them. You can even avoid them. If we allow the Government to now start imposing direct taxes, the pain is more than when it goes the indirect way.

I am not going to argue with the rates but I would support any indirect tax regardless of where it is. Even if you impose an indirect tax on my sleep and say whoever sleeps, we shall impose an indirect tax, I will not pay that tax by not sleeping. Therefore, I would urge my colleagues that we should support indirect taxes and dodge direct taxes. Thank you.

**THE CHAIRPERSON:** Honourable minister, please respond to the submissions.

**MR BAHATI:** Thank you, Madam Chairperson. I rise to respond to just three comments made by colleagues in the House on these important measures to raise revenue. One is on OTT and the 12 per cent we are imposing on data. Just an example, to get OTT for a whole month, you pay Shs 6,000. However, from research, on a monthly basis, we use an average of Shs 8,000. Therefore, imposing 12 per cent on Shs 8,000 we are actually charging Shs 738, which is much cheaper than when somebody is using OTT.

However, we have also explained that we have found, despite the fact of the advantages of this direct tax, some challenges with it. The first is the VPN, which is always a moving target here and there. Secondly, we needed to harmonise - instead of having several taxes on the same area, we need to harmonise them and have a uniform one of 12 per cent.

When we proposed that, we thought it was actually going to be a welcome idea and I want to encourage Members. You remember the debate we had on OTT; we have now reconsidered it and it will be no more of this evening, if we pass this Bill. However, the 12 per cent will be convenient, small but it will increase our revenue by almost Shs 60 Billion as against what we have been getting.

Secondly, when we interfaced with the committee on the issue of the license, we agreed with the recommendation - actually hon. Oboth has brought it very well, that instead of going for the route of direct taxes, let us do the indirect taxes.

We have been putting a minimum of Shs 100 on fuel for the last five years. When you compare the pump price of fuel in Kenya and Tanzania, we are almost still at par; actually lower than Burundi and other countries. Therefore, we conceded and said, let us now leave the licenses. That means foregoing another extra Shs 70 Billion but get something which is indirect on fuel.

Madam Speaker, it is a choice that we must make. We have priorities to finance. We are being cautioned time and again to go slow to make sure that we do not go very far in our debt portfolio.

Therefore, on one side, you have priorities which all of us agree that we should finance and on the other side, you can only finance these activities either if you raise revenue domestically or if you borrow. You are saying we do not borrow but finance priorities but do not tax - the three cannot work together.

However, what we do is add little progressively like I is with the issue of wheat and fuel; it is gradual. Every time we have put something on fuel, it does not significantly translate; it is actually minimal on the consumer index price of our country. Therefore, this tax measure will raise Shs 196 Billion to even compensate for what the committee has agreed to delete as you will see at committee stage.

Madam Speaker, I would like to encourage Members that we are proposing these measures - the summation of revenue to be collected is only Shs 430 Billion.

Madam Speaker, given the priorities, you have been hearing them from all over the branches of Government. Given the situation we are in and the shortage we had in revenue last year, I suggest that we really support these tax measures and finance the Budget that we have. When we finance the Budget, we actually grow the economy.

The two things go together. All we need is to be cautious and we have been. The extra tax we are putting on is not to kill, it will not harm the economy but it will instead build it. Thank you, Madam Speaker and I move that we move to another stage.

**THE SPEAKER:** Okay. Honourable members, I put the question that The Excise Duty (Amendment) Bill, 2021 be read for the second time.

*(Question put and agreed to.)*

BILLS

COMMITTEE STAGE

THE EXCISE DUTY (AMENDMENT) BILL, 2021

Clause 1

**THE CHAIRPERSON:** Honourable members, I put the question that clause 1 do stand part of the Bill.

*(Question put and agreed to.)*

*Clause 1, agreed to.*

*Clause 2, agreed to.*

6.46

Clause 3

**THE CHAIRPERSON COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT) (MR Henry MUSASIZI):** Madam Chairperson, we propose to amend Clause 3 by;

(a) Substituting for the proposed subsection (3b), the following;

(3b) The Commissioner may, if satisfied that a plastic product-

(a) Is for use in packaging of products for export;

(b) Is for use in packaging medicaments; or

(c) Is manufactured from recycled plastics, remit or refund the excise duty paid under this Act.”

(b) Substituting for the proposed subsection (3c), the following;

(3c) The Commissioner shall not remit the excise duty paid on a

Plastic product manufactured from recycled plastic referred to in subsection (3b)(c), unless the recycled plastic used in the manufacture of the Plastic product is equivalent to at least 20 per cent of the raw material used.

Justification

1. To reduce the cost by manufacturers of plastics used in packaging of products for export and medicaments.

2. To encourage recycling of plastics to protect the environment

**THE CHAIRPERSON:** Honourable members, I put the question that clause 3 be amended as proposed.

*(Question put and agreed to.)*

*Clause 3, as amended, agreed to.*

Clause 4

**MR MUSASIZI:** Madam Chairperson, we propose to amend clause 4 as follows:

a) In paragraph (a), by substituting for item 2(d), with the following; Opaque beer- 20 per cent or Shs 230 per litre, whichever is higher.

b) In paragraph (b), substituting for the proposed item 2(e) the following: “Any other alcoholic beverage locally produced 20 per cent or Shs 230 per litre, whichever is higher.”

(c) By inserting two new paragraphs immediately after paragraph (c) the following: By substituting for item 8 (a) and (b) the following:

“(8) Fuel

(a) Motor spirit gasoline Shs 1,450 per litre.

(b) Gas oil, automotive light amber for high-speed engine Shs 1,130 per litre.”

By inserting immediately after 8 (g) the following – Madam Chair, I beg to skip this; we dealt with it in the VAT Act.

I beg to skip (h) and straight away go to (d). In paragraph (d) by substituting for item 11 (a) and (b) the following: “(11) Plastic products and plastic granules 2.5 per cent or US$ 70 per tonne, whichever is higher.”

(e) In paragraph h (i) by substituting for the proposed item No.25 the following:

“(a) Any other fermented beverages made from imported cider, perry, made spears and near beer. 60 per cent or Shs 950 per litre whichever is higher.

(b) Any other fermented beverages made from locally grown cider, perry, made spears or near beer. 30 per cent or Shs 550 per litre whichever is higher.”

(ii) By deleting item No.27

The justification is:

1. To encourage the manufacture of fermented beverages made from locally grown fruits.

2. The tax on wheat grain will widen the price disparity for wheat flour and will result in increased smuggling of wheat flour into Uganda and currently, there is no local wheat supply in Uganda.

3. In (4), the tax on fuel is intended to substitute the proposal for the licence fee under the Traffic and Road Safety (Amendment) Bill which we shall be rejecting in our subsequent presentations on the Bills.

4. To expand the scope of plastics to cover plastics used for making plastic products and plastic granules and reduce the cost to Ugandan manufacturers.

I beg to submit.

**THE CHAIRPERSON:** Thank you. Honourable members, I put the question that clause 4 be amended.

**MR SSEKIKUBO:** Thank you. I thought that we had made an input in a bid to stop the imposition of the Shs 1,400 on petrol and diesel. I am surprised that the chairperson is still maintaining the same, having deliberated well and he seemed to have agreed. I am surprised that he is still maintaining the original position.

I, therefore, move for a deletion; to leave the fuel price as has been the case to enable the hurting economy get back to its feet. At that stage, we can allow this imposition.

**MR BAHATI:** Madam Chairperson, earlier on I informed this House that we have come from far with the Committee on Finance. There are a number of tax measures that we had proposed as you have seen in the report. The wheat grain has now been deleted and that is almost Shs 70 billion. The motor vehicle licence is almost another Shs 100 billion. You have rationalised plastics so we are in the tax measures - The decisions of the committee, after consultation with stakeholders, means we are losing close to Shs 270 billion.

We have a programme to run and we are minimising on borrowing. We cannot run this programme without money; so, losing Shs 196 billion on fuel is not the right decision to take this evening.

I want to implore hon. Ssekikubo to support me because I have supported you on the issue of wheat this afternoon. So, support me to raise this revenue to implement the programmes and support the activities of all branches of Government and you know what I mean. Thank you.

**MR NSEREKO:** Madam Chairperson, we have heard hon. Bahati’s plea and that is exactly what we were telling you. You give incentives as you heap a burden. Why are you pleading with us?

All the facts we gave you when we were debating this report were very clear; that whatever increment you put on fuel as a landlocked country is going to impact on our cost of production as we coming through the COVID-19 era. Realise the timing. The economy is still in recovery so you cannot increase taxes on fuel, internet bundles and grain. It is like you are imploring us to say, you are losing Shs 200 billion. You only have to redirect and reprioritise. Where do we put our money? What are our priorities now as we resuscitate the economy?

We cannot send those indirect taxes in order to hurt the very economy you want to resuscitate. When you increase prices on fuel, we clearly told you that you are going to increase the cost of production and the price of goods on the shelf. It will reduce the real income of people and they will have nothing to save to invest in the same economy you want to resuscitate.

Nurse your priorities slowly, let us first get back on our feet before you increase the burden. We are not saying that in the future it will remain the same but this is the same story you have been telling us. You were here talking about the increased pump fuel prices in the last six months.

In the last one year in Uganda the pump price has increased by over Shs 900 yet –*(Interjection)*– Yes. Anyway, do you even buy fuel? That is why you are saying, No, hon. Bahati. You only park your car and have fuel put there. This is the reality –*(Interjection)*– He does not buy fuel, does he –*(Interruption)*

**MR BAHATI:** Madam Chairperson, earlier on, you informed this House - and I think it is very important, moving forward. Some of these amendments brought on the Floor of the House are very problematic, even when you talk about these issues of taxes.

By the time the analysis is made to forego or include this tax measure, we have looked at different things. We have looked at the side of the Budget; we have looked at the impact on this tax. So, Madam Chairperson, I want to first of all inform hon. Nsereko that I buy fuel and I buy all that I use. Therefore, is he in order to continue insisting on a matter that he has not put a lot of thought into?

When the committee considered this proposal, we invited stakeholders. We looked at the side of the Budget - the things that we need to finance. We looked at the circumstances we are in; the impact on the consumer.

The chairperson has informed this House that it will not have an impact on the overall consumer price. Is he in order to insist on misinforming the House on this important measure, which is going to generate Shs 196 billion to finance the priorities of Government, instead of conceding so that we can go and finance the priorities of Government?

**THE CHAIRPERSON:** No, you are out of order. Honourable members, you have been on the Floor of this House, complaining about borrowing; that the Government is borrowing too much. You are on the Floor of this House demanding for roads, hospitals and schools. Where do you want Government to get the money?

**MR NSEREKO:** We can tell them, I have a proposal.

**THE CHAIRPERSON**: Bring your proposal after this.

**MR NSEREKO:** It is there on air tickets - we told them.

**THE CHAIRPERSON:** No, no, no! Please, honourable member, I have told you that in September, you can bring a motion to deal with all the issues of taxation policy, impact on the local people, impact on the foreigners. Please, let us do it properly.

However, hon. Ssekikubo is ambushing them here; you are also ambushing them. You had time to go to the committee; you did not go.

**MR NSEREKO:** Madam Chairperson, we are on the Floor. This is a Committee of the Whole House; it is seated.

**THE CHAIRPERSON:** No, no, no! Our practice here is that if you want to amend something, you go to the committee, present your proposals there and they are discussed.

**MR NSEREKO:** They were even not available. Hon. Musasizi is not fair, Madam Chairperson. The tax on fuel is going to have a lot of impact on our people.

**THE CHAIRPERSON:** Honourable member, I know that you are in Kampala Central and know that the traders are listening. I also have people who buy fuel. Please, let us move.

**MR MUSASIZI:** Madam Chairperson, if I can say something; just to emphasise what the minister said. Most of these proposals are harmonised positions between Government, the committee and the stakeholders.

I want to say that this time round, we really made everything possible to keep consulting the stakeholders and Government. We have come from far to reach where we have reached. Madam Chairperson, I get a little bit disturbed when a Member comes from wherever he has been – I know he is entitled; he is a Member of this House – and starts claiming that he looked for the committee but could not get us, when we have been sitting daily, for the last one month.

Madam Chairperson, I beg that we move.

**MR NSEREKO:** No way! If we can concede on grain, why do you think you are the only one supposed to propose here?

**THE CHAIRPERSON:** Honourable members, I put the question that clause 4 be amended, as proposed.

*(Question put and agreed to.)*

*Clause 4, as amended, agreed to.*

The Title

**THE CHAIRPERSON:** I put the question that the Title do stand part of the Bill.

*(Question put and agreed to.)*

*Title, agreed to.*

MOTION FOR THE HOUSE TO RESUME

7.04

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the House do resume and the Committee of the whole House reports thereto.

**THE CHAIRPERSON:** Honourable members, I put the question that the House do resume and the Committee of the Whole House reports thereto.

*(Question put and agreed to.)*

*(The House resumed, the Speaker presiding.)*

REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

7.05

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to report that the Committee of the Whole House has considered the Bill entitled, “The Excise Duty (Amendment) Bill, 2021” and passed it with amendments.

MOTION FOR ADOPTION OF THE REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

7.05

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the report from the Committee of the whole House be adopted.

**THE SPEAKER:** Honourable members, the question is that the report of the Committee of the Whole House be adopted.

*(Question put and agreed to.)*

*Report, adopted.*

BILLS

THIRD READING

THE EXCISE DUTY (AMENDMENT) BILL, 2021

7.05

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, I beg to move that the Bill entitled, “The Excise Duty (Amendment) Bill, 2021” be read the third time and do pass.

**THE SPEAKER:** Members, I put the question that the Excise Duty (Amendment) Bill, 2021 be read for the third time and do pass.

*(Question put and agreed to.)*

A BILL FOR AN ACT ENTITLED, “THE EXCISE DUTY AMENDMENT ACT, 2021”

**THE SPEAKER:** *[Ms Betty Aol rose]* Why don’t you let us finish this Bill first? Title settled and Bill passes. Yes, you had an issue.

**MS BETTY AOL:** Madam Speaker, we know that when we move to the Committee of the whole House, it is for us to debate and comment. It is not possible for us to all go to the committee to discuss and debate. So, we have part of the debate here in the House.

Is it really procedurally right to say that we should not debate here? If some people have issues and then we are in the Committee of the Whole House, why should we kill debate completely? Members then will realise that it is not right for them to be here, since there will be no listening ears to what they want to put before the House.

This is a procedural matter I am raising. You will see that some of my Members just decided to leave because they were asked why they did not go to the committee? Sometimes when the Committee of Finance, Planning and Economic Development is sitting, they are also sitting in other committees.

So, when they have a Committee of the whole House here, they should be allowed to give their comments and debate. Thank you, Madam Speaker.

**THE SPEAKER:** Honourable members, I think you should also understand that it is not right for you to just come here and surprise the committee with fundamental amendments, which ought to have been taken to the committee.

If you really are interested, excuse yourself from your committee and go to that committee where the matters are being discussed. You need to make a choice.

**MR JAMES KAKOOZA:** Thank you, Madam Speaker. I thought that since we took the contention on the income tax, which was just one point and we harmonised with the chairperson; why don’t we also offload that one? It had no other issues, apart from the harmonised position.

In the next sitting, we can deal with the other Bills, since it had only one contention and the chairperson and minority report authors have agreed on a position, so that we offload it to ease work.

**THE SPEAKER:** Honourable members, my worry is that this is Ramadhan and my driver and bodyguard are Muslims. So, my continuing to be here affects them. Hon. Syda Bbumba is somewhere around here.

**MR JAMES KAKOOZA:** Much obliged, Madam Speaker.

**THE SPEAKER:** Honourable members, the Attorney-General laid here regulations under the Electoral Commission Act. Now, I am reading the provision in Section 51(2) which states thus: “Any regulation made under this section shall within 14 days after being published in gazette be read before Parliament and may be annulled by Parliament by a resolution within 21 days after being so laid.”

So, the regulations have to go the Committee on Legal and Parliamentary Affairs for review. They cannot only be laid.

7.10

**MR OTHIENO OKOTH (NRM, West Budama County North, Tororo):** Thank you, Madam Speaker. Yesterday, during the debate on the consideration of a report, which was presented by the Minister of Finance, Planning and Economic Development, there was an issue that came up, and I was asked to lay on Table, the document upon which my submission was based. That is what I want to do.

I want to lay on Table the document, which is described as cost of activity work plan on a budget submitted by the Ministry of Finance, Planning and Economic Development on the planned implementation programme. It is on the basis of this document that I talked about some of the issues, which the ministry had planned to undertake. For instance:

1. On page 13, there was a procurement of public address system for the ministry’s boardroom at Shs 9.6 billion;
2. On page 21, they had a social corporate responsibility to improve the brand and the image of ministry at Shs 687 million;
3. On page 37, they planned a staff retreat to enhance staff motivation at Shs 2.3 billion;
4. On page 39, they planned to plant trees, donate scholastic materials, paint zebra crossings and install traffic lights at Shs 9.61 billion; and
5. On page 48, they want to develop guidelines for micro-scale irrigation system at Shs 56.785 billion and several others.

Madam Speaker, I beg to lay this document on the Table.

**TEH SPEAKER:** Can you say its title?

**MR OTHIENO:** This is “A Detailed Work Plan on the Budget of Planned Implementation Programme.” That programme has the National Planning Authority, the Ministry of Finance, Planning and Economic Development, UBOS, the Office of the Prime Minister and *–(Interjections)–* the document is owned by the Ministry of Finance, Planning and Economic Development.

**THE SPEAKER:** Is it about the Parish Development Model? Implementation of what?

**MR OTHIENO:** Madam Speaker, this matter came during the debate on the Parish Development Model and the minister denied that the information I gave the House was authentic. The House asked me to lay on Table the said document to prove the authenticity of my submission. That is what I am doing as instructed by the House. I beg to lay.

7.14

**MR JACOB OBOTH (Independent, West Budama County South, Tororo):** Before the Minister of Finance, Planning and Economic Development comes - that is your document. The question was, why do you touch other programmes when there are some redundant monies within the Ministry of Finance, Planning and Economic Development? The Committee on Budget had asked the Ministry of Finance, Planning and Economic Development to unpack their budget.

Therefore, hon. Othieno Okoth was able to indicate that there are some redundant monies from the Ministry of Finance, Planning and Economic Development including the Shs 9 billion. Hon. Bahati, however, is intimidating me that he wants to come to the Floor. Madam Speaker, allow him to come. *(Laughter)*

**MS AOL:** Madam Speaker, we all agreed that the Parish Development Model is okay but the money meant for the model is very small yet there are hidden sources of funds in the Ministry of Finance, Planning and Economic Development, which are wastages. Why don’t we look for those hidden sources of money, add and bring them to the Parish Development Model?

We want to thank hon. Othieno for exposing this.

**THE SPEAKER:** Hon. Othieno, are you on the Committee on Budget? Is the document available there for you?

**MR OTHIENO:** Madam Speaker, the Ministry of Finance, Planning and Economic Development submitted both hard and soft copies of this document, among other documents. I am a Member of the Committee on Budget.

**THE SPEAKER:** How do we move now?

7.16

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, yesterday when hon. Othieno raised the issue, he was specific. He actually asked why we are touching other sources to finance the Parish Development Model when he had discovered that Ministry of Finance, Planning and Economic Development had planned to hold a staff party at Shs 10 billion. That is when Minister Kasaija stood up and said, “Show me where the Shs 10 billion that you say we have allocated for a staff party.” That is what the House expected from him.

On the document he submitted, when we budget, different entities submit their ministerial policy statements. For example, the budget of the Ministry of Finance, Planning and Economic Development is being scrutinised by the Chairperson of the Committee on Finance, Planning and Economic Development, hon. Musasizi. This budget has gone through all the activities under the ministerial policy statement.

So, the document that we had submitted to the committee the other day was about an IT system for all Government programmes. Where there are mistakes, we will correct them. Where there are redundancies, even if Parliament discovers that this money is not supposed to be there, we accept it. Otherwise, any such documents submitted to committee are just working documents.

We submitted it to the committee and said we are withdrawing it to explain the money the IT system had allocated the money using the programme-based approach because we are shifting from the sector to the programme approach.

So, I would request that if there are any questions about the budget of the Ministry of Finance, Planning and Economic Development, this House can direct the Chairperson of the Committee on Finance, Planning and Economic Development to look at the budget and see if what the ministry is saying is what is actually there.

The working document they have was an IT system document that looks at the entire document. For example, the Shs 56 billion hon. Othieno talked about is money for schools and health centres under the World Bank programme, which is being administered under the Ministry of Finance, Planning and Economic Development, but implemented by the Ministry of Education and the Ministry of Health.

However, I do not support anything that will waste any shilling of Uganda; where there are redundancies, we are willing to get it out and revote it. I think it is important that we submit the right documents to this House.

I request you, Madam Speaker, that you direct the Chairperson of the Committee on Finance, Planning and Economic Development who oversees the Ministry of Finance, Planning and Economic Development to look at that and then report to the House.

**THE SPEAKER:** Honourable members, the Chairperson of the Committee on Finance, Planning and Economic Development has handed over his responsibilities under the budget to the Budget Committee. He has already put it in his report. Therefore, we will ask the Budget Committee to look at this.

Honourable minister, in the last three financial years, there have been statements from the Government about wasteful expenditure, no workshops, no this and that. Therefore, when we hear of some of these things - let the Budget Committee look at that document and give us an update.

**MR BAHATI:** Madam Speaker, you recall, last financial year alone, when we sat, we looked at the wasteful expenditures and we were able to realise Shs 960 billion in the last financial year from cutting workshops and travels abroad. This was part of the work done by the Budget Committee.

Madam Speaker, we are willing to listen to Parliament. Where we make savings, these savings will support the programmes of the Government to serve our people. Where we discover errors and mistakes we will be able to accept and correct them.

However, I would like to request this House - and tomorrow, we are meeting the Committee on Budget to give more details and clarification about this particular document.

**THE SPEAKER:** Honourable members, you are now prolonging the debate.

**MR JAMES KAKOOZA:** Madam Speaker, to put the record right - what the minister is talking about was on television.

The document they have laid on the Table - I am a member of the Budget Committee. The Minister of Finance, Planning and Economic Development admitted that there are a lot of mistakes and wasteful expenditure in that document and they withdrew it on camera.

What hon. Othieno is bringing as evidence is the copy they provided –*(Interjection)–* I am sorry, my brother, if I mistook your name. Therefore, coming to say that it is a document to be scrutinised - the source of that document was from the Ministry of Finance, Planning and Economic Development and on camera, they withdrew it because we scrutinised it and found wasteful expenditure.

Honourable minister, you must be honest to this House. You are the people who are making Parliament not to function properly. From last Monday, they have been bringing documents in the Budget Committee, which is inconsistent. This is why the Budget Committee was insisting, which prompted hon. Othieno to say that the evidence will be provided today. Honourable minister, you withdrew that document yesterday. You said, “There are a lot of malpractices and worse expenditure; let us withdraw it”.

Now, you are telling the whole House that we go back and scrutinise the same document, which we dismissed completely. What is needed is that take interest as Ministry of Finance, Planning and Economic Development –*(Interruption)*

**MR BAHATI:** Madam Speaker, we did appear in the Committee on Budget two days ago. The committee directed us to come and appear with a bundled programme based approach. When we adopted the National Development Plan III, we combined the sectors into a programme. Therefore, when we came with a programme, they said, “Go back and give us the details of each programme.”

We came and gave them an IT document from the IT system we are using and submitted it to the House. At no time did hon. Matia Kasaija or myself say that there were malpractices in the Ministry of Finance, Planning and Economic Development. We did not mention that. We said that in this document, they discovered things of where money is located and where it is not supposed to be.

Madam Speaker, malpractices and allocation of funds on different votes are two different things. We said that let us go back. In fact, tomorrow, we are again appearing before the Budget Committee to make further clarification. Is he in order-?

**THE SPEAKER:** Are you appearing with that document?

**MR BAHATI:** With information and not this document. We shall make clarification on the document. We even gave the soft copy of the entire Government budget to the Budget Committee. We gave them an IT document, where we allocate money and the IT system that accommodates the entire Government budget; we gave them a soft copy.

We are going back to explain the details of the budget in the committee. Madam Speaker, we have not said that there are malpractices. If they are there, we shall discover them. Otherwise, yesterday, we did not -

**THE SPEAKER:** Honourable members, House is adjourned to Monday at 10 o’clock.

*(The House rose at 7.25 p.m. and adjourned until Monday, 3 May 2021 at 10.00 a.m.)*