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**Thursday, 24 May 2018**

*Parliament met at 3.03 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’s sitting. I would like to apologise for the late start. We had many activities around Parliament and all of them are important for Parliament. However, I hope we shall work fast.

Honourable members, we would like to invite you this evening to break the fast with our Muslim colleagues. The tent has been arranged outside, so I invite all of you to come and join us.

I will also adjust the Order Paper to permit the Minister of Health to give us an update on the issue of oxygen. The Clerk will be calling her to speak on that briefly.

I want to raise two issues, honourable members: In the recent past, there has been a clear use of abusive and offensive language during debate in the plenary. It is common to hear Members calling others liars. This is unparliamentary. You might want to say something is an inexactitude or an inaccuracy but “lying” is not parliamentary. It is not part of our practice and it offends the Rules of Procedure of Parliament. Please, refer to your colleagues as “my honourable friend”, “honourable lady” or “honourable gentleman”.

I would also like to draw your attention to rule 83, which requires you to desist from using abusive, offensive, insulting, blasphemous or unbecoming words that impute improper motives to any Member. I, therefore, urge Members to respect our Rules of Procedure.

Secondly, honourable members, I have also noticed that there are members of committees who contribute to debates on reports of their committees. This is not right. Under rule 201 (1) (a), members are collectively responsible for the decisions contained in their committee reports and shall not debate their reports on the Floor of this House. Unfortunately, I have seen even senior Members of this House standing up to contribute as if they are not part of the committee. If you would like to present a contrary view, you present a minority report but do not come here to speak against a report of your committee when you have not filed a minority report. You can proceed under rule 202 to that extent.

I have also received some reports that a number of Members do not actually attend committee meetings and then when the report comes here, they get excited and want to contribute. Honourable members, you are required to be in your committees to discuss the business there and then your voice here is the chairperson of the committee. Please, stop that practice. Attend your committee meetings so that you understand what is going on. I would like to ask the whips to take an interest in that matter to ensure that Members are actually attending their committee meetings to do their work. Thank you very much.

There were a few issues of national concern. Hon. Lubogo, you have two minutes.

3.08

**MR KENNETH LUBOGO (NRM, Bulamogi County, Kaliro):** Thank you very much, Madam Speaker. I rise on an issue of urgent public interest. It pertains to a loan which was procured by the Government of Uganda for the purpose of extending power to different parts of this country, including Kaliro, Buyende, Serere and others.

I have received information that this loan, which is equal to US$ 100 million, is facing a danger of being cancelled by the lending agency. This loan was passed in August 2015 and it is from the African Development Bank. We have no explanation to give the people after four years down the road and there is nothing to show; there is no sign of any activity taking place.

For that reason, Madam Speaker, I pray that the Ministry of Finance, Planning and Economic Development comes out and explains to us the status of this US$ 100 million loan, meant to take power to Gadumire, Namwendwa, Buyende-Kagulu, Serere and other parts of this country. Could he also explain whether indeed this loan is still on, whether it has been cancelled or is in danger of being cancelled and what Government is doing about it? Thank you very much, Madam Speaker.

**THE SPEAKER:** The minister is here. Would you like to answer now, Minister of Energy?

3.10

**THE MINISTER OF STATE FOR ENERGY AND MINERAL DEVELOPMENT (ENERGY) (Mr Simon D’Ujanga):** Thank you, Madam Speaker. I would like to thank the colleague for raising this matter. Indeed, this is a World Bank loan. There was a slight delay because there was a requirement that we had to compensate, prior to getting the contractors on site.

I am glad to report that now all this has been concluded. We are now in the process of procuring a contractor to do this work. Thank you.

**MR LUBOGO:** Madam Speaker, this loan is not from the World Bank. I do not know whether the minister is aware about the loan I am talking about. I said it is a loan of $100 million from the African Development Bank, which was passed by this Parliament in August 2015. Maybe you are talking about a different thing altogether.

**THE SPEAKER:** Can we ask the minister to consult and update us before we deal with the other loan request?

3.11

**MR JAMES WALUSWAKA (NRM, Bunyole West County, Butaleja):** Thank you, Madam Speaker. I rise here on a matter of national importance.

The people of Butaleja, especially in the subcounties of Mazimasa, Himutu and Butaleja, have been affected by floods. When it rains in Bududa and Manafwa, we are the ones who suffer.

As I speak now, the road from Butaleja to Mbale is cut off. Water entered the engine of the police van which tried to rescue people from the floods. Right now, it is down. My prayer is that Government intervenes urgently to give people at least some relief items such as food and shelter. Our villagers heard that the Bududa people were given and now they think that Government has ignored them.

I also request Uganda National Roads Authority (UNRA) to come up with an emergency procurement plan for that bridge. If possible, let them bring for us boats. People cannot access medical services. Schools are now going to open. Where will the children go? That is my prayer, Madam Speaker.

**THE SPEAKER:** Can the Minister for Disaster Preparedness and Refugees respond to that request. Can the Ministry of Works and Transport also carry out some remedial measures to facilitate movement of the people in that part of the country.

3.12

**MR GILBERT OLANYA (FDC, Kilak County South, Amuru):** Thank you, Madam Speaker. I rise on a matter of national importance.

Yesterday, when the Inspector General of Police (IGP) and his team were addressing the nation about security matters, he said that the public should start helping the police officers by stoning any stranger in the public who comes to arrest someone without identifying himself or herself.

Madam Speaker, the statement of the IGP is very serious. It is as though he is encouraging mob justice and inciting the public against the police, which may compromise the security of our people.

Madam Speaker, we now pray that the Minister of Internal Affairs takes this matter very seriously. Let the IGP reverse that particular order because it is so dangerous. You know our people are angry sometimes; they may see anybody who they do not know in that area and they will rise up –(*Interruption*)

**MR ODONGA OTTO:** Madam Speaker, I rise on a point of order. You are fully aware the IGP is new in office and he is trying to reform the police. He made a statement that anyone coming to arrest a civilian must introduce himself or herself properly. This is something every Member of Parliament should thank him for. Therefore, is hon. Gilbert Olanya in order to encourage people to come with guns and arrest people without introducing themselves, contrary to the directive of the IGP? Can he equally withdraw his statement?

**THE SPEAKER:** Honourable member, can you substantiate because other Members heard something different.

**MR OLANYA:** Madam Speaker, the IGP said very clearly that the public should help stone anybody they do not know properly. This is a statement that was made by the IGP.

**THE SPEAKER:** Honourable member, I think we shall ask the Minister of Internal Affairs to come and clarify. Thank you.

**MR OLANYA:** Thank you, Madam Speaker.

3.16

**MR PAUL AMORU (NRM, Dokolo County North, Dokolo):** Thank you, Madam Speaker. I rise on a matter of national importance. I am holding a copy of today’s *Daily Monitor*. This morning, I woke up to close to 50 missed calls from different radio stations in the north because of the lead story in the *Daily Monitor* today, which states, “MPs double their pay to Shs 24 million monthly”.

Madam Speaker, I know the budget process is still ongoing. Also, in this House we have interacted with this process but we have not come across- (*Interjections*)- The reason I am raising this matter is because there seems to be a designed attempt to discredit this Parliament.

From the way in which the lead story is framed, it is as if Parliament has already determined this. In my view, and based on a comment by one of the parliamentary commissioners, this request has not been placed before the Committee on Budget.

I am raising this because it has already raised a lot of concerns. Considering that recently, we have been speaking about salaries for teachers and doctors and then you have a screaming headline of this nature when we have not interfaced with –(*Member timed out.*)

**THE SPEAKER:** Honourable members, I am the chairperson of the Parliamentary Commission and the budget process started in March. Everything we have done is clear and known. There has been no attempt to increase or adjust the salaries of Members of Parliament. That story is a lie and I would like to invite the public to ignore it.

3.19

**MS STELLA NAMOE (NRM, Woman Representative, Napak):** Thank you, Madam Speaker. I stand on a matter of national importance.

Because of the heavy rains in Napak, four bridges - Lopei, Lotome, Kangole and Naoi - have been washed away. So far, we have lost four mothers just because they could not be helped to go to Matany Hospital. Yesterday in the evening, we lost a child who was referred from Apeitolim Subcounty for treatment to Moroto Regional Referral Hospital or Matany Hospital. Because they could not cross the bridge, the child died.

Madam Speaker, I therefore call upon the Ministry of Works and Transport to at least help us with temporary bridges for the meantime. Every day, we have been losing people because of these bridges. I call upon the ministry to come in and save the lives of especially the mothers who are dying helplessly in the process of going to the hospital.

The other issue, Madam Speaker, is about the floods. I know Members have talked about this, but the Minister for Disaster Preparedness and Refugees has never come here with a report to assert to this House how he is going to manage the disasters that are already taking place not only in Karamoja but in most parts of this country. I therefore call upon the Minister for Disaster Preparedness and Refugees to come up with a statement to assure Ugandans that what they are going through is going to be responded to by Government. Thank you, Madam Speaker.

**THE SPEAKER:** The Minister for Disaster Preparedness and Refugees is required to come here and explain to the country how he is going to manage the various situations occurring almost simultaneously in this difficult period.

Honourable members, in the public gallery, we have pupils and teachers of Kirombe Child Development Centre, Lira. They are represented by hon. Jimmy Akena and hon. Joy Atim. You are welcome. (*Applause*) There is another group; if I get to know who they are, I will let you know.

**MS CECILIA OGWAL:** Madam Speaker, I rise on a procedural matter. As the head of this institution, you have become our mother and we are very proud of the way you have handled us individually and collectively. (*Applause*) Indeed, I wish there was a way in which we could appreciate your parents because we are reaping the benefits of their investment.

Madam Speaker, on the 24th day of the month of May, you were born *– (Applause)*

(*Members rose and sang.)*

**MS CECILIA ATIM:** Madam Speaker, you can see for yourself the excitement in the House. Definitely, it is difficult for me to refer to you as the baby today. However, you are our baby. *(Laughter)* We are all very happy.

The book of Psalms, chapter 19, verse 2 says that every day comes with a speech. Therefore, the 24th day of May has come with a speech of joy. That is the day our Speaker was born. *(Applause)*

May the Lord our God protect her and endow her with wisdom, strength and knowledge which was given to Daniel and Solomon. We decree and declare that nobody ever should attempt to harm our mother and leader. *(Applause)* I thank you.

**THE SPEAKER:** Thank you so much. Hon. Ogwal, you have surprised me today. I did not expect that. *(Laughter)* Thank you very much, honourable members. Let us go to item No.3.

MINISTERIAL STATEMENT ON PROGRESS OF THE IMPLEMENTATION OF THE ISLAMIC BANKING LAW IN UGANDA

3.25

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker, thank you very much. This is an update on the implementation of the Islamic banking law in Uganda. First, I want also to once again congratulate you and wish you a happy birthday. Congratulations and I wish more years for you.

Madam Speaker, I wish to update Parliament regarding the progress on the implementation of the Islamic banking law in Uganda as follows:

1. Section 1(a) of the Financial Institutions (Amendment) Act, 2016, provides for “economically equivalent Islamic financial business subject to any restrictions specified by the Central Bank.”

2. To operationalise the above provision, the Governor, in consultation with the Ministry of Finance, Planning and Economic Development, issued the Financial Institutions (Islamic Banking) Regulations, 2018, which were gazetted on 2 February 2018. A copy of the regulations is attached and has been uploaded on the iPads.

3. The Ministry of Finance, Planning and Economic Development has also undertook to formulate regulations for the taxation regime applicable to Islamic banking. To that end, the ministry has constituted a taskforce comprised of officials from the Ministry of Finance, Planning and Economic Development, Uganda Revenue Authority, Bank of Uganda, Uganda Bankers Association, and Ministry of Justice and Constitutional Affairs. The taskforce has already provided their input, which has been incorporated in the tax Bills for financial year 2018/2019, which are currently under consideration by this House.

Madam Speaker and honourable members, this is the far that we have come regarding this issue. I thank you.

3.27

**MS SYDA BBUMBA (NRM, Nakaseke North County, Nakaseke):** Thank you very much, Madam Speaker. I would like to take this opportunity to wish you a happy birthday and many more to come -

**THE SPEAKER:** Thank you.

**MS BBUMBA:** Madam Speaker, we are grateful that the regulations were passed after you asked a lot of questions. We want to thank you for the pressure you put on Government because it took almost two years from the enactment of the law to get these regulations passed.

However, after scrutinising the regulations, we noted that there are quite a number of gaps which need to be filled to make them operational. The first one is about the central bank’s role as the lender of last resort. Without adjustment, this cannot apply under Islamic banking. Therefore, we need adjustment on that so that Islamic banking is accommodated.

Secondly, the regulations mention key areas like licensing, capital adequacy, bank resolution and report reserves that are shared to a large extent with conventional banks in operation and supervision. These need to be adjusted. They need special regulations for these to operate under Islamic banking.

The regulations propose a central bank Sharia advisory council of five members. Two are supposed to be Sharia scholars and the required level of experience includes having served on Sharia boards before and yet these are not available in the country. This skill is not yet available, which means that the Sharia boards will not be formed and they will not *-(Member timed out)*

**THE SPEAKER:** You can have one more minute.

**MS BBUMBA:** Madam Speaker, we need to have the Sharia courts for alternative dispute resolution to reduce on the backlog -(*Interjections)-* Islamic financing has got a number of products, which included insurance -

**THE SPEAKER:** Order, honourable members.

**MS BBUMBA:** Islamic banking has got a number of products which include securities markets (Sukuk) and Islamic insurance (Takaful). They are all under Islamic banking. However, these regulations on Islamic banking are not clear on those Islamic products.

We have requested the Ministry of Finance and Bank of Uganda to convene a round table meeting of the stakeholders so that we can have gaps filled before the regulations becomes operational. I thank you, Madam Speaker.

3.31

**MR ABDULATIF SEBAGGALA (Independent, Kawempe Division North, Kampala):** Thank you very much, Madam Speaker. We are grateful to the Government for having moved this far because it has been a long journey. We are almost 85 per cent through. How, I wish that the process is expedited to ensure that this long awaited programme is implemented.

Much has been said by the Chairperson of the Parliamentary Caucus on Islamic Banking, hon. Syda Bbumba. However, we would wish to have a lot of sensitisation about Islamic banking. We could not go on to sensitise Members before all these regulations were put in place.

Our vice-chairperson, hon. Lufafa, and hon. Syda Bbumba have met various stakeholders on Islamic banking. We are also planning to launch it officially and we expect you to be the chief guest, Madam Speaker. However, we have been waiting for these regulations to be in place so that all those with questions about Islamic banking are answered.

The moment you mention Islamic banking, people think that we are maybe introducing Sharia law. However, it is quite different. Some of the experts who are coming to teach us and who have given us various lessons are not Muslims, and Islamic banking is being practiced in almost 73 countries out of which 33 are non-Muslim countries.

We shall have more sensitisation workshops on Islamic banking. However, we are very grateful to the Government for moving this far. Many investors are waiting to come and invest in Uganda. Thank you.

**THE SPEAKER:** Honourable members, you wanted information about the regulations and what is happening. We have now been informed about the status.

MINISTERIAL STATEMENT

3.34

**THE MINISTER OF STATE FOR HEALTH (GENERAL DUTIES) (Ms Sarah Opendi):** Thank you, Madam Speaker. This is a statement arising out of a complaint that was put across by the honourable Member of Parliament for Adjumani District, hon. Ababiku Jessica, on the lack of oxygen at Mulago Hospital. She also indicated that her brother had passed on as a result of this challenge. I did pledge to make a formal submission to the House on this matter. I guess it is already uploaded on the intranet.

On 19th May, the late Angelo Tozamaku, aged 37 years, was referred from Adjumani Hospital to Mulago Hospital. He was received at the causality ward in Mulago Hospital some minutes past midnight on 20 May 2018. The patient was attended to by physicians, neurosurgeons and critical care specialists at this unit.

The patient was reported to have fallen off a lorry under the influence of alcohol and he immediately lost consciousness with persistent vomiting. He was also bleeding from the nose, ears and the throat. He had difficulty in breathing and his past medical and surgical history was unremarkable *-(Interjection)-* These are factual issues.

Upon examination, the patient was generally in a critical condition with traumatic brain injury. Since he was unconscious and urine drainage was becoming problematic, tubes were inserted and considering his state, feeding tubes were also inserted. The whole idea of this causality unit is to stabilise patients and once they are stabilised they are then moved to the various specialist wards.

This patient was later moved into the Intensive Care Unit (ICU) the same day for respiratory and neuro-critical care support. The patient was properly managed with oxygen therapy, antibiotics and others, which I do not have to read out now because the honourable members have the full report. While in the Intensive Care Unit the patient had haemodynamic changes, that is, changes in the blood pressure, with high-grade fevers and cardio-respiratory arrests, which was central at the point of origin. You recall that he fell off a lorry and from then he had been unconscious. There were attempts made by the medical team to resuscitate the patient; unfortunately, at 10.00 p.m. on the 21st he passed on.

Regarding the supply of oxygen at Mulago Hospital, we have two functional oxygen plants; one in lower Mulago and the other in upper Mulago. The two functional plants are able to produce adequate oxygen to cater for all the three hospitals - Upper Mulago, Kiruddu and Kawempe.

We have an adequate supply of oxygen at Mulago. It is normal for three patients to share one cylinder. In this causality ward, we have 20 beds and since it is a facility that simply receives patients who are in critical condition, it is normal for oxygen cylinders to be shared for as long as the tubes are there. It is like the way people drink local brew from the same pot with different tubes; that is exactly what happens in this causality ward. Therefore, it is not true that patients were left unattended to and only few were being supplied with oxygen.

Madam Speaker, not all patients in the causality ward need oxygen. Only ten beds out of the 20 were occupied on 20 May 2018. As I said, the ward receives patients who are stabilised and referred to other specialist wards for further attention. It should be noted that the current causality ward was temporarily remodelled from the previous assessment centre due to the ongoing renovations at Mulago Hospital. Upon completion of the renovations at Mulago National Referral Hospital, all the beds in the wards will be connected to piped oxygen, medical gases and nitrous oxygen.

Plans are also underway to extend piped oxygen to the wards in Upper Mulago. At this point, the cylinders will only be used as buffer stock; they will not be necessary once the renovations are complete.

I would like to conclude by stating that the Ministry of Health condoles with the family of the late Angelo. It should however be noted that all necessary interventions were undertaken to save his life, although it was in vain. I beg to report.

**THE SPEAKER:** Thank you, minister, for the information. Hon. Ababiku is not here because she is attending the burial. We will pass on the information to her and she can let us know how to move.

**MR WAMANGA-WAMAI:** Thank you very much, Madam Speaker. Hon. Rose Mutonyi from Manafwa raised an issue concerning a disease that has befallen her constituency. We expected the Minister of Health to brief us on this. What are you telling us and the people of Manafwa about that disease that has befallen them?

**THE SPEAKER:** The matter about children who were passing blood in urine was raised yesterday.

**MS OPENDI:** Madam Speaker, our team is on the ground and we were asked to make this statement next week. We will give a formal statement on this matter next Tuesday.

**THE SPEAKER:** Honourable minister, yes, we had asked you to bring a statement. There was also an issue of shortage of Septrin. I hope that you will come back to us on it.

**MS OPENDI:** Madam Speaker, this matter was raised on Tuesday, I think by hon. Luttamaguzi, and I did indicate that it is true we have had a challenge with the supply of Septrin in the country but it is due to the deficit in funding. Our focus was to have the antiretroviral drugs. However, we have now received about US$ 4 million from the Global Fund and effective from July, we shall have Septrin in the country to take us through from that point in time.

**THE SPEAKER:** Honourable members, join me in welcoming members of the national Girls’ Rights Clubs. They were invited by Uganda Women Parliamentary Association (UWOPA) and Plan International. They are from Tororo, Buyende and Kamuli districts. You are welcome. *(Applause)*

The Minister of Education and Sports was asked to give us the list of grant-aided schools. Have you uploaded it? I hope you will be able to tell us about English teachers who are lacking in Koome Island.

**THE MINISTER OF STATE FOR EDUCATION AND SPORTS (SPORTS) (Mr Charles Bakkabulindi):** Thank you, Madam Speaker. I have just got the list, which will be uploaded on the Members’ iPads in a few minutes. However, I can give an explanation and lay the papers on the Table, if you allow me.

**THE SPEAKER:** upload it first because Members should have it on their iPads.

**MS MARGARET KOMUHANGI:** Madam Speaker, we raised the issue of maternal audits and I had expected the Minister of Health to talk about it too.

**THE SPEAKER:** Honourable minister, in 2015, this House made a resolution that your ministry should regularly account on the issue of maternal audits but we have not seen any report from your ministry since then.

**MS OPENDI:** Madam Speaker, I would like to apologise for that mishap. It is true the issues of maternal mortality are of concern to everybody in this country. Maternal audits are supposed to be conducted. We should be receiving reports from all health facilities where mothers die. Therefore, if time allows, we have our reports ready and maybe we can have them presented next Tuesday. The report is ready.

**THE SPEAKER:** If it is ready, send it on the iPads so that we can put it on the Order Paper.

LAYING OF PAPERS

THE ADDENDUM TO THE CORRIGENDA TO THE DRAFT BUDGET ESTIMATES FOR TREASURY OPERATIONS, FY 2018/2019

**MR LUGOLOOBI:** Madam Speaker, I rise on a procedural matter relating to the laying of the addendum to the corrigenda to the draft budget estimates for Treasury operations.

Since January, we have been involved in the budget process and in the last two weeks, committees have been presenting their reports to this House, which have been adopted. Subsequently, the Committee on Budget has been meeting the various chairpersons; we have met all of them. However, as we get to the conclusion of the process, we see more corrigenda coming into the House. This complicates the processing of the budget.

I have wind of what is coming - a corrigenda amounting to Shs 500 billion. The rules would certainly require that this is referred to the respective committee but we are already running out of time. My view is that this should be deferred, if necessary, to the next financial year in form of a supplementary request. Otherwise, for this current budget, it appears to be time-barred. I beg that the minister does not lay this document on the Table.

**THE SPEAKER:** Honourable minister, yesterday you laid an addendum on the Table and now you are bringing something else today. This borders on abuse of Parliament because we have been in this budget process from March. We finished the Budget Framework Paper and you did not say anything. Now you now want to cause Parliament to continue holding meetings and calling agencies again. We shall not accept this.

The budget process is time-bound and we are already late. I do not think that it is fair for you to cause Parliament to delay yet when we do that you will all blame Parliament for not doing its work on time. If you are late, you are late. I am sorry, you are out of time. You are not being fair to this House.

**MR JAMES KAKOOZA:** Madam Speaker, when you see the content, it is even worse. First of all, it went through the backdoor to the Committee on Budget before it was laid on the Table. We received this copy in the Budget Committee but it was not laid –

**THE SPEAKER:** Has it reached your committee without coming to the House?

**MR KAKOOZA:** Yes, it has reached our committee without being laid on the Table. Secondly, the Budget Framework Paper and figures have been adopted. If we go by the rules, we are now reconciling and harmonising. The Appropriation Bill is already with us and so we cannot go back and change those figures because it will require us to start the whole process afresh and will affect the budgeting process yet we are time-bound.

We, therefore, request the minister not to even dare because next year is not far. He should bring it at the beginning of the first quarter and we deal with it; otherwise, we cannot do it now. Thank you.

**THE SPEAKER:** I have ruled on the matter. Hon. Okot Ogong, you seem to have a burning issue.

**MR OKOT OGONG:** Madam Speaker, I totally agree with you that we must respect our budget process. The process started early last year, we got the draft budget approved and together we debated it here and went to various committees. Policy statements have been presented and I am even holding the Appropriation Bill, which does not include what the minister is intending to do.

If I may read just one item; they want to give one company called Atiak Sugar Factory Shs 45 billion. A Somali - a man or woman; I do not understand *–(Laughter).* This is a conspiracy by the finance ministry officials. When you see them bringing things at the tail end of the budgeting process, it means they are now conspiring to make a kill out of the budget process. As Parliament, we must reject this kind of method of work.

**MR BAHATI:** Madam Speaker, it is true that in our Rules of Procedure – and we are glad that today you have made a ruling - there is no rule that stops the budgeting process at some stage. We move on until we pass the budget. Some of these corrigenda are corrections of errors in the budget and some are emerging issues that have come up.

Therefore, I want to put forward a suggestion. I think it would be orderly for us as Parliament to put a deadline in the rules as to when the Minister of Finance, Planning and Economic Development should come here. However, as far as we are concerned, at this time an issue has come up of capitalization of Bank of Uganda and we have brought it here. Is it in order for the Member to say that the finance ministry brings things at the last minute or that the President, who is the Minister of Finance, Planning and Economic Development, is cutting deals at the last minute?

**THE SPEAKER:** No, but honourable minister, you came here with a Budget Framework Paper and made requests. We debated, agreed on them and then appropriated. You cannot now say that there is no deadline. The Public Finance Management Act has deadlines, which you know about; it has timelines.

How often can you amend the budget? You have two corrigenda here already and you want to add another! In addition, honourable minister, Atiak Sugar Factory is separate from Bank of Uganda. It was a separate issue and now you are building around it.

**MR OKOT OGONG:** Madam Speaker, what we are saying here is very clear. They again want Shs 502 billion to borrow for Bank of Uganda. You can see that kind of thing - that method of Bank of Uganda now borrowing. That thing has been done; you cannot bring it here and say that you are going to do it right now when it is not discussed.

Madam Speaker, I think the right thing to do now is to defer the matter until next financial year and I want to thank you for deferring it.

**MR NANDALA-MAFABI:** Thank you, Madam Speaker. I think the House has been abused very much by the finance ministers and especially by hon. Bahati. Because we have become so friendly to him, he now believes that at any time he can bring anything he wants, thinking that we shall support it.

Madam Speaker, it is true the minister can bring corrigenda to correct an error but what he is bringing would raise the budget from Shs 30 trillion to Shs 32 trillion. In addition, they are saying tax collection is moving from Shs 14 trillion to Shs 15 trillion, which means we are already in a deficit of Shs 16 trillion. Now, if they add another Shs 2 trillion, we will have a deficit of Shs 18 trillion and that means we must go out there to borrow –*(Interjection)*– It does not matter whether we borrow from within or from EXIM Bank, at the end of the day Government will be burdening Ugandans.

The addition of Shs 2 trillion, with interest of about Shs 1 trillion, will mean poverty levels will start to increase because there will be more money demanded to service the debt. However, the Minister of Finance who should be here to help us -

**THE SPEAKER:** Are you now debating an issue, which is not before this House?

**MR NANDALA-MAFABI:** No, Madam Speaker. I want to conclude by saying that hon. Bahati, who has become our friend, should stop abusing us. If he brings this issue again, we are also going to start abusing what you have already given us, which we are about to work on. Thank you.

**THE SPEAKER:** Let us go on item 5.

BILLS

SECOND READING

THE INCOME TAX (AMENDMENT) BILL, 2018

3.59

**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 Income Tax (Amendment) Bill, 2018” be read the second time.

**THE SPEAKER**: Is it seconded?

*(Motion seconded)*

**THE SPEAKER:** Okay, it is seconded. Can you give your justification.

**MR BAHATI:** Madam Speaker, the main objective of the Bill is to amend the Income Tax Act, Cap.340, to provide for exemption of expenditure incurred during a year of income in acquiring returnable containers as deductible expense; to empower the minister to make regulations for tax accounting for Islamic financial transactions; to provide for tax of income arising from the change of ownership of a business; to redefine immovable property; to provide for restrictions on deduction of interest; to provide for a new definition of mining exploration rights; to repeal the definition of petroleum exploration rights; and to include transfer of the whole interest of the transferor in the mining rights and petroleum agreements, among other things. I beg to move.

**THE SPEAKER:** Our committee has studied the Bill. Can we have the chairperson of the committee present a report?

4.00

**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, 2018” and is now ready to report back.

Before I present the report, I would like to lay on the Table the original committee report, dully signed by the required number of Members, and the minutes that we prepared while meeting to consider this Bill. I beg to lay.

Madam Speaker, I would like to straight away present the committee recommendations. However, before I do that, I also take this opportunity to wish you a happy birthday. *(Applause)*

**THE SPEAKER:** Thank you, Chair.

**MR MUSASIZI:** The committee observes that clause 2 reintroduces tax on income derived by a Savings and Credit Cooperative Society under clause 2(a). This is intended to remove discrimination against other providers of microfinance services such as banks and microfinance institutions that are paying income tax.

Imposition of tax on profit earned by these organisations from business operations, such as interest on loans, does not therefore deter the progress of the Savings and Credit Cooperative Organisations (SACCOs) or these organisations. The most prosperous SACCOs are predominantly of persons of relatively good income at the expense of persons of lower incomes. Membership to these organisations is open and it is therefore becoming a tax planning vehicle for individuals to avoid tax.

The next observation is that SACCOs are one of the ways Government is promoting financial inclusion. The SACCOs have the capacity to reach to the rural areas where there are no financial services as opposed to other financial institutions. The Income Tax (Amendment) Act, 20l7 exempted SACCOs from income tax for 10 years.

However, the Bill proposes to reintroduce the tax before assessing the effect of the exemption. No studies have been conducted by Government to enable the committee make an informed decision on the reintroduction of this tax.

Three, we observe that an individual who acquires or constructs premises that generate rental income will be allowed to deduct interest on a mortgage from a financial institution when determining their tax liability in respect of such income. The effect of this reform is to grant individual taxpayers, who derive rental income, an additional deduction to the currently allowed 20 per cent of their rental income, in order to ease the cost of investment in rental income generating properties.

Further, the committee observes that the Bill seeks to introduce a tax of 0.5 per cent of the gross turnover of a taxpayer who carries forward tax losses for a consecutive period of seven years of income, during every subsequent year of income in which the taxpayer continues to have tax losses. This reform is intended to limit the abuse of the current policy providing for indefinite carry forward of tax losses, which has been abused by taxpayers to illegitimately defer payment of income tax.

Under the principles of taxation, income tax is charged on income earned not losses made by a tax payer. URA should conduct an audit on any business, which is suspected to be profitable but has been declaring losses.

The committee also observes that Withholding Tax on payments made by designated persons for agricultural supplies is proposed to be reduced from six to one per cent while increasing the applicable rate of Withholding Tax on commission paid by telecom service providers on airtime distribution and mobile money from six to 10 per cent. These reforms will enable revenue collections from the agriculture and telecommunications sectors.

Additionally, the Bill seeks to empower the minister to issue regulations for tax accounting for Islamic financial transactions. However, Madam Speaker, we would like to observe that no information was provided to the committee to support this proposal. We, therefore, recommend that this proposal be stayed.

Madam Speaker, we present other recommendations as follows:

1. Tax should not be charged on gross turnover for companies declaring losses for seven consecutive years. URA should conduct an audit and establish the status of such a company.
2. Government should conduct a study on the effect of the exemption of taxes on SACCOs before reintroducing the tax.
3. The Income Tax (Amendment) Bill, 2018 be passed into law subject to the proposed amendments. *(Applause)*

I beg to move, Madam Speaker.

**THE SPEAKER:** Thank very much, honourable Chair and members of the committee. Let us have just a few comments.

4.08

**MR SILAS AOGON (Independent, Kumi Municipality, Kumi):** Madam Speaker, I stand to support the committee on recommendation one. For anybody to say that they are going to tax a company, which is already making losses, is a sign that they have been defeated mathematically. Why am I saying so? You know that somebody has made a loss in year one, year two up to seven years but then tomorrow you ask why such a company is making losses several times and we should tax you. It means you are not competent enough to determine what is happening. If you are saying that they are declaring wrong losses, you should be able to determine that these are wrong losses at the right time.

Therefore, it is not right for anybody to come up and say we tax companies that are making losses. For your information, taxing a loss means that you are taxing profits which are negative. In return, it becomes a loss for the tax collector. When you do that in the other effect, it means URA should be the one to give some incentives to companies, which are making losses and that should be the way to go. Otherwise, we are going to cripple these companies.

The tax collectors should be able to use trend analysis. If somebody is making losses, can you study their assets and liabilities? Can you study their movement of cash? Study first what is happening so that you are able to say that there is bad weather, it is about to rain and conditions are not favourable. You do not just come and say, “I want to tax losses”. How do you tax a negative? That is wrong and it is not acceptable. I stand with the committee because that is brilliance.

On recommendation two, Government should conduct a study on the effect of the exemption of taxes on SACCOs before reintroducing them –(*Member timed out.*)

**THE SPEAKER:** That is what the committee said in their recommendation. Okay, just half a minute for you to conclude.

**MR AOGON:** Madam Speaker, the people who are suffering are the ones in the villages. The SACCOs are the ones trying to bring our people up. For anybody to propose that we levy taxes on SACCOs that should not be accepted. We just did it last year and yesterday you made a ruling here; I remember there was something we were handling and you said it is not even one year, why are we changing? Therefore, why should we change our position on this tax when we have just come from somewhere? I think it is not proper for anybody to urinate on their feet; it is not in order. *(Applause)*

Madam Speaker, I agree with the committee. Thank you so much.

**THE SPEAKER:** I am surprised that this matter has come back. Last financial year, we spent almost two hours on the SACCO issue - whether to tax or not to tax them. Minister, what is the problem?

4.12

**MR KENNETH LUBOGO (NRM, Bulamogi County, Kaliro):** Thank you very much, Madam Speaker. I would like to thank the committee for the report.

When a business is making losses, it is very possible that such a business could be improving. This is because a business can make a loss say of Shs 100 million this year, next year Shs 50 million, the other year Shs 20 million and another year it makes a loss of maybe Shs 5 million. That trend means that this particular business is making losses but it is improving. I think we should give opportunity to businesses to grow.

Therefore, I would like to support the committee that it is not right for us to say that since a business has made a loss for a long time, we are going to charge them or make them pay taxes on their gross turnover. That is not right.

Uganda Revenue Authority (URA) has got a department of audit and where there is real ground to suspect that somebody is actually evading taxes, they should be audited. We should make evasion of taxes very expensive such that one is not tempted to hide figures. In case you are found falsifying your accounts, then you should know that you are going to pay double the amount of tax that you should have paid.

I agree with the committee and also request the ministry to drop the idea of taxation on their gross turnover of companies, which are making losses.

The other issue I would like to support strongly is the –

**THE SPEAKER:** Members, let us just have a few comments.

4.14

**MS JANEPHER EGUNYU (NRM, Woman Representative, Buvuma):** Thank you very much, Madam Speaker, for giving me this chance. I would like to thank the committee for this report. I am however not happy with the tax that they propose to levy on mobile money services. Mobile money always –

**THE SPEAKER:** That will come under excise duty. *(Laughter)* We shall see you when debating the other Bill on excise duty.

4.15

**MS JALIA BINTU (NRM, Woman Representative, Masindi):** Thank you, Madam Speaker. I would like to support the committee’s report and its recommendations.

As you have rightly stated, it is hardly a year since this Parliament passed exemption of taxes for the SACCOs. When Government comes up to re-introduce the taxes, it defeats our understanding. Has the Government done any assessment to find out whether SACCOS within these nine months have performed or not? Can these nine months warrant anybody to assess the performance of any institution?

Madam Speaker, in any case, SACCOs pay taxes. They pay money to the local government when their employees are paid salaries. Members pay 15 per cent withholding tax on interest earned on their savings. They pay 15 per cent withholding tax on dividends that are derived from their shares. Members pay transfer duty on each loan which is about Shs 3 million. SACCOs deduct and remit to Government withholding tax from various suppliers and they pay operational licenses.

Other countries, even within our region, have exonerated and exempted the SACCOs to make sure that they build the capacity of SACCOs to grow. This is in good faith and I would like to urge Members; we were here last year and we are here again today; let us support the committee’s recommendation and the amendment.

4.17

**MS SYDA BBUMBA (NRM, Nakaseke North County, Nakaseke):** Thank you Madam Speaker. I would like to thank the committee for the good report.

I support the recommendation to allow interest on mortgages not to be taxed. These mortgages attract a lot of interest because they use a lot of money to fund them and because they are long-term borrowers, the interest they pay is quite a lot. Therefore, if this interest charged is not allowed as an allowable expense, it costs the mortgagees quite a lot.

Most of the non-performing loans are for mortgages and this is because of the low occupancy rate. Because they are non-performing, they pay interest on top of interest. If this interest is not exempted from taxation, it cripples them further and also stops further investment.

This allowance should not be limited to companies but it should be extended to personal mortgages. Currently, personal mortgages are not being treated like loans. When you go to claim the cost, they only give you the 15 per cent for painting and renovation but this should be extended to the personal mortgages in the same way they are going to be extended to the company mortgages. Thank you, Madam Speaker.

4.19

**MR HENRY KIBALYA (NRM, Bugabula County South, Kamuli):** Thank you, Madam Speaker. The Government of Uganda should focus on promoting savings. The best way we can see our people manage and handle savings is through SACCOS. Some of us have those villages in which our mothers and fathers have small savings boxes. Now if Government plans to tax SACCOs this year, the following year it might go down to those people.

The report of the committee says that they should not stop taxing those SACCOs but it should be after thorough assessment. My position is that we should even remove the phrase, “thorough assessment”. We should just say that SACCOs should not be taxed. The moment we allow those statements, other people will come from somewhere, base on those statements and introduce something that we will not understand. I request that we expunge that statement and say that SACCOs should not be taxed so that we do not continue coming here year after year – *(Interruption)*

**MR ODONGA OTTO:** Thank you. I would like to give information on why this issue is coming again and this will probably dispose of the puzzle asked by the Speaker. Uganda Revenue Authority has discovered that there are some SACCOs that are bigger than banks and many people open SACCOs to evade normal banking taxes. Take, for example, *Wazalendo* or the one in Masaka called Wakodos. It is bigger than all the banks in Masaka. That is the puzzle.

Uganda Revenue Authority does not know what to do with these institutions called SACCOs, which have more money than the banks and people are using them as a medium of tax evasion. That is the information I wanted to give you.

**MR KIBALYA:** Thank you for the information but I believe we have parameters under which something qualifies to be a SACCO and another to be a bank. It is under the ministry –*(Member timed out.)*

4.22

**MR JOSHUA ANYWARACH (Independent, Padyere County, Nebbi):** Thank you, Madam Speaker. We need to thank the committee for a job well done.

I will start with the amendment on whether companies which have been declaring losses for seven years should still be taxed. The trouble that URA is undergoing is that there are companies which have been in existence for the last almost 25 years and these companies have for the last 20 years or so been declaring losses. When they declare losses they are not taxed. How do you exist for 20 years in operation and you are making losses? They are actually using declaration of returns to URA to evade and avoid taxes. This is where the trouble is.

In my opinion, if a company has been existent, we should only amend the number of years and say 10 years, for example. If for 10 years – and administratively – URA has been monitoring your operations and you have been very honest that you have been making losses *–(Member timed out.)*

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**MR KENNETH EITUNGANANE (Independent, Soroti County, Soroti):** Thank you very much, Madam Speaker, for the opportunity. Allow me to thank the committee for the good recommendations they have made. However, I have a problem accepting that a company can make losses for seven consecutive years. What is the motivation? Seven years down the road the company is making losses but it is existent, paying salaries and is paying Pay As You Earn (PAYE)!

I think there is a problem of inefficiency of the URA audit department and yet we have a complete department of compliance. Even if we refer back to history, during the period of President Idi Amin, he had problems with Indians who used to keep two books of accounts – one in Gujarati and the other in English. He took time and sent some Ugandans to study Gujarati and later he discovered that the Indians were evading taxes by declaring losses throughout. I think URA needs to be at the top of their game. They should do a thorough audit and confirm that these companies are not evading taxes.

With the SACCOS, Madam Speaker, maybe we could come with a threshold. We could fix a threshold so that beyond a certain amount of money, they tax *–(Member timed out.)*

4.26

**MS SANTA ALUM (UPC, Woman Representative, Oyam):** Thank you very much, Madam Speaker. I stand to support the committee and even the parliamentary resolution of last year that SACCOS should not be taxed.

Madam Speaker, the Bill seeks to address the issue of discrimination against other financial institutions but these banks that the Bill is talking about are not operating in the rural areas. In fact, their services are discriminatory and this is what the SACCOs intend to address; taking services right up to the rural areas where majority of our people who lack these services are. This reasoning of the Bill defeats the intention it is trying to put forward or address.

I strongly support the committee that we made a law last year and last year is not far from today. This is only May and we have not yet seen whether what we passed is working or not. How do we determine that the SACCOS are now making profits when we have not yet even taken a year? Therefore, this recommendation should be thrown away from the Bill faster than it came.

Secondly, I would like to comment on the issue of the companies being paid yet they are even making losses. I feel the problem is much more than what we see. Why should there be a local company – or even any company – making losses *–(Member timed out.)*

4.38

**MR HERBERT ARIKO (FDC, Soroti Municipality, Soroti):** Thank you, Madam Speaker. I would like to comment on one issue.

I thank the chairperson of the committee for their recommendation and in particular recommendation No.2 on taxing the SACCOs. Madam Speaker, a very big proportion of Ugandans have been keeping money informally. When we talk about SACCOs in terms of *Wazalendo* and the like, those are different SACCOs. We would like Parliament to address its mind to the SACCOs that are trying to mobilise the local women, the rural communities and the youth into putting their money together, saving it and seeing that they can gainfully get to support each other.

Our idea is that let us allow the SACCOs to extract money that people have been keeping informally so that members of these various groups are able to start to spur themselves into supporting each other on the various economic activities at a macro level so that with time, Ugandans can once again become economically active.

Besides that, the tendency and drive of Government now is to mobilise people into smaller groupings and these are the SACCOs. We should not discourage members of the public in Uganda from withdrawing from SACCOs.

Madam Speaker, I would like us to strongly support the committee on recommendation No.2 so that we defer the idea *–(Member timed out.)*

4.31

**MS STELLA KIIZA (Independent, Woman Representative, Kyegegwa):** Thank you, Madam Speaker. I also stand to applaud the recommendation of the committee urging Government to do a deeper study of the SACCOs because it seems it was generalised and made on assumptions. Once the Government does the study, we shall get all the data and where possible the SACCOs that have good performance are taxed.

We shall get a threshold that this minimum of a SACCOs’ capital should be taxed and our informal SACCOs should be mobilised into village banks such that Government can be able to be involved and organise the SACCOs at an informal level. For example, in my area, you will find one village with about 12 or 20 SACCOs. If Government intervenes through the district commercial officers and community development officers, people would make a village bank and from there, we would know which thresholds to tax and which one to improve until they reach that threshold. I submit, Madam Speaker.

4.32

**MR ATKINS KATUSABE (FDC, Bukonzo County West, Kasese):** Thank you very much, Madam Speaker. I think you will recall that I moved the proposal and that proposal for a tax exemption was supported by literally everybody in the House.

Madam Speaker, I am happy this Parliament has not yet changed - this is still the Tenth Parliament. The basis upon which I moved a proposal for tax exemption was basically that the SACCOs now are the only security available. Our people, especially the rural and urban poor, do not have security to give to the banks. Therefore, for them to be able to send their kids to school and send their wives to hospitals for medical hospitals, their first place of call are the SACCOs.

Madam Speaker, I missed your submission yesterday but I am happy that just like you supported this last year, you have supported it again. Therefore, I would like to ask all of our colleagues in the Tenth Parliament to give Ugandans a gift by supporting proposal number two.

Lastly, I request for the deletion of the study. Let us not have a study because even the study can come tomorrow. We cannot kill the only source of livelihood to Ugandans, which are the SACCOs. Thank you very much. *(Applause)*

4.34

**MR INNOCENT PENTAGON KAMUSIIME (NRM, Butemba County, Kyankwanzi):** Thank you very much, Madam Speaker. I thank the committee for the report. However, my point of diversion from their view is on the taxation of SACCOs. I represent an upcountry area and I know our SACCOs in the villages and towns.

Madam Speaker, we have to be careful as Government so that we do not collapse our banks. As we talk now, the big people have withdrawn money from the banks and formed SACCOs. As my honourable colleague said, we should look at a possibility of setting a threshold so that at a certain point, we empower these small SACCOs to form banks. SACCOs are supposed to shock absorb the need for the financial services that is provided by the banks. However, if we do not look further to empower our communities to develop from one stage to another then there will be a time when our banks will collapse.

We should empower our commercial officers at the districts, so that we can start from the small groups to the SACCOs and then develop our people to the banks. Otherwise, if we close our eyes and say we should not look at the taxation of SACCOs – as I speak, there is information that some of the rich people who have invested in SACCOs are campaigning behind curtains to make sure that Government does not come up with any form of *- (Interjection) -* I have that information and I am entitled to it.

As I conclude, I feel we should give time to the SACCOs to mature in terms of financial management and as time goes on, we should also empower them to either turn into banks or when at a certain threshold, the Government should look into the possibility of taxing them. I thank you, Madam Speaker.

**THE SPEAKER:** Honourable members, I know Members want to contribute but there are three other Bills. Some of them will contribute to the other Bills. I want to put the question that the question now be put.

*(Question put and agreed to.)*

**THE SPEAKER:** I put the question that the Bill be read the second time.

*(Question put and agreed to.)*

BILLS

COMMITTEE STAGE

THE INCOME TAX (AMENDMENT) BILL 2018

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

**MR MUSASIZI:** Clause 2 is amended-

i) By deleting paragraph (a)

1. In paragraph (b)-
2. In the proposed (ae) by substituting for the words “two hundred” with the words “one hundred” and the word “ten” the word “five”.
3. In the proposed (af) by substituting for the words “thirty” the words “fifteen” and the word “ten” the word “five”.

Justification

1. There is need to have consistency in taxation; and

2. To reduce the threshold in order to encourage investors to qualify for investment, operate industrial parks and strategic investments.

**MR NIWAGABA:** Madam Chairperson, whereas, I have no problem with the committee’s proposal on clause 2(b)(ae) and (af), my concern is based on the Bill we shelved - the Investment Code (Amendment) Act - where we proposed that a wide range of incentives that are to be given to investors either foreign or local, should be clearly stipulated under that Bill. Therefore, in my view, clause 2(b)(ae) and (af), would fit very well in the proposed Investment Code (Amendment) Bill, and not in this particular Bill.

**MR BAHATI:** Madam Chairperson, it is true that while debating the Investment Code *(*Amendment*)* Bill, we agreed that the committee should go back and look at the proposals we had put in the tax measures and whether there is a possibility to incorporate all of them in the Investment *(*Amendment*)* Bill.

We had a meeting with the Committee on Finance, Planning and Economic Development and there was general consensus that these are tax measures, which are going to be administered by Uganda Revenue Authority (URA). Therefore, it is better to have these tax measures in their parent laws than having them in the Investment Code Act.

Arising from that, I would like to persuade the Shadow Attorney-General that we concentrate on the content and I think it is the best law that can accommodate these proposals.

Madam Speaker, I also agree with the amendments of the committee except that we wanted to amend from five years to 10 years.

**THE CHAIRPERSON:** Which one?

**MR BAHATI:** (af). We would like to amend it to 10 years from the date of commencement of business instead of five years.

**THE CHAIRPERSON:** Do you want to maintain the 10 years?

**MR BAHATI:** Yes, we want to do 10 years.

**THE CHAIRPERSON:** No, he brought 10 years. He does not want the five years.

**MR BAHATI:** MadamChairperson, we have looked at the payback period of most of these companies that come to invest here and it is between seven and 10 years to do business before they break even. Therefore, five years is actually at a lower end. That is why I am suggesting 10 years.

**THE CHAIRPERSON:** You want to maintain the 10 years?

**MR BAHATI:** Yes, 10 years.

**MR MUSASIZI:** Thank you, Madam Chairperson. I am hesitant to agree with the minister for one reason; if you have a business of this nature and Government has provided you with the necessary incentives yet you cannot break even and start making money in five years, we can only imagine what you are doing in business. Ideally, you should pack and go. *(Applause)*

**MR SSEMUJJU:** Madam Chairperson, I can now understand why hon. Bahati wants the draft budget revised almost every after a month. You are the one who brought the five years. Now, you are saying on second look, you think this is a shorter period. We thought the information you supply to Parliament is after research and consultation with beneficiaries of these exemptions.

The fear I have is that the moment you make it 10 years, you are going to allow all the speculators - that is what has happened with all the industrial parks. You allocated them land; they are looking for other people to buy the same land you had given them and then you announce that now you want to repossess the land.

The moment you widen the window for them that now it is 10 years or 15 - because sincerely, if you own a business for five years and you do not understand which direction that business is taking, I think the proposal by the minister to amend his proposal is going to cause us problems. At least let it work so that after five years, you realise it is not working.

**MR JAMES KAKOOZA:** Madam Chairperson, the reason we are insisting on five years is because we are trying to be consistent with what we passed in the last financial year. You remember when they insisted that we should exempt corporation tax up to 2033; we thought that for anybody who makes an investment business decision to come to Uganda, the tax incentives are given. You must calculate and know the period when the company in which you have invested the money is going to break even.

There is no business person who comes to invest $10 million in Uganda when the tax incentives are put on the website but you know that within five to 10 years, you are not going to break even. You go away. This is what we are trying to do; that we become consistent with other laws and we are on the same page.

**MR SSEMUJJU:** My proposal - because all these are trials – is that let us start with five years as you have proposed, honourable minister, and then you can come and seek for a revision if five years is not attractive enough. However, you do not propose five years and before it is implemented, you are saying 10 years. Maybe next week, he will come and say 15 years.

**MS BINTU:** Madam Chairperson, I do not know whether the Bill which I have reads differently. The Bill that I received in my pigeonhole talks about five years from the date of commencement of business. When I look at the committee’s recommendations, they propose to replace the word “ten” with the word “five”. I do not know whether we received two Bills because I believe the Bill we are using is the one with five years. If it is five years, then even the recommendation by the committee falls on the wayside.

**MR BAHATI:** Madam Chairperson, it is true that in the Bill that we have, we have five years. However, you know it is a process to make these laws because in the committee, we took some amendments which the chairperson accepts and it was 10 years. Even when you look at some of the laws that we have under the Act now, we recognise 10 years as a tax holiday.

Honourable members, there are really huge businesses that require a lot of time. For example, if you look to invest in iron ore as a business, you are going to invest something like $600 million. To say that the payback period is five years might not be possible.

Therefore, the framework we have so far, Madam Chairperson –*(Interruption)*

**MR NIWAGABA:** Honourable minister, the clarification I am seeking from you is; your own Bill is talking of two different scenarios. You are talking of a scenario of commencement of construction and there, you are proposing 10 years. You are also talking about a scenario of commencing of business, where you are giving a period of five years.

Ordinarily, developing the construction for 10 would be okay. However, for the scenario of commencement of business, you are saying an investor is coming and the construction is ready. What he is only coming with is the money to start the business. If surely in five years he wants to equate that business person to the one who is developing the construction facilities to 10 years, don’t you think that would also be a bit unfair?

**MS NAUWAT:** Thank you, Madam Chairperson. I am trying to look at (ae) and (af). Whereas (af) is bringing on board foreigners and there is a tax for them that they are supposed to pay, (ae), which is income of a developer of an industrial park, is only talking about Ugandans.

I would like to find out from the Chairperson; does it mean that in the case of a developer, it is only the Ugandans - Won’t the foreigners be there and therefore under that, we need to tax them, just as we are doing under (af)? If that is so, then we need also to design a tax for the foreigners under (ae). Thank you.

**MR ANYWARACH:** Madam Chairperson, when you look at (ae) and (af), (ae) is talking about the income of a developer with a higher threshold of $200 million and he is given a ten-year period. What is not clear about this clause is that the commencement date is about construction; then we have $200 million and then we have a developer of an industrial park enjoying exemption.

(af) is on any operator of an industrial park. An operator is different from a developer. It goes ahead to talk about $30 million for a foreigner. For a Ugandan, it is $10 million and the period is five years from commencement date. My understanding is that you are an operator of an industrial park, which has already been put in place. Since you are coming to invest your $30 million as a foreigner or $10 million as a Ugandan, I will not see any logic why you should enjoy exemption. As an operator, why should you enjoy an exemption of more than five years? Honourable minister, you need to convince me there.

It is understandable because this is a developer who has a bigger threshold of $200 million to be given ten years. Actually, you could even extend it to 15 years depending on the nature of the business, honourable members. However, for this operator to be given more than five years, honourable minister, you should concede that five years are good enough.

**THE CHAIRPERSON:** Honourable minister, if the operator is coming when the facilities like power, roads and water are there why do they need ten years?

Honourable members, I put the question that Clause 2 be amended as proposed.

(*Question put and agreed to.*)

*Clause 2, as amended, agreed to.*

*Clause 3, agreed to.*

Clause 4

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

1. In sub-clause (3) by deleting the words “who is a member of a group” and substituting the words “to other members of the same group or an associate”.
2. In sub-clause (5) (b) by substituting for the definition of the word “group” the following: “’group’ means associates or companies with a common underlying ownership of 50 per cent or more”.

The justification, Madam Chairperson, is to:

1. Open up the restriction to debts owed to group members of the same group or associates; and
2. To specify a minimum percentage of the common underlying ownership.

**MR MWIRU:** Madam Chairperson, I rise to oppose that proposal by the chairperson. I propose that the Bill remains in the form it is proposed for one reason; when you read the object of the Bill, particularly in respect to this, it is to provide for restriction on deductible interests. What is taking place is that group of companies keep on lending amongst them. So, the interest that would accrue and come to the country, they tend to treat it as part of allowable deductions, hence reducing the chargeable income.

So, if we are to proceed the way the chairperson is going, we are - In this case, we are looking at the multinational companies. They are the ones which are engaged in group of companies. I do not think the chairperson, hon. Musasizi, has a group of companies. What is taking place is that these multinational companies keep on lending amongst themselves and when it comes to the actual declaration, they would show they have lent amongst themselves.

Therefore, the interest accruing out of the sales forms part of the allowable deductions hence, reducing the chargeable income. Thank you.

**MR MUSASIZI:** Madam Chairperson, I am persuaded by my brother hon. Mwiru. Therefore, I concede. (*Applause*)

**THE CHAIRPERSON:** Honourable members, the question is that Clause 4 do stand part of the Bill.

(*Question put and agreed to.*)

*Clause 4 agreed to.*

*Clause 5, agreed to.*

Clause 6

**MR MUSASIZI:** Madam Chairperson, we propose that clause 6 be deleted. The justification is that income tax cannot be charged on gross turnover.

**MR BAHATI:** Madam Chairperson, a few minutes ago, the chairperson of the committee and colleagues said when a company is not making profits for five years, it should close. That is what we have decided a few minutes ago.

In this case, we have seen companies, because of some - I know hon. Nandala-Mafabi is looking at me talking about capacity for us to investigate and all that - However, with our limited capacity, we have seen companies which continue to claim losses for over ten years. So, we are saying if you are claiming losses, why are you in business? So, we think and suspect that the solution - This has been really used everywhere. (*Interruption*)

**MR MWIRU:** Thank you, Madam Chairperson and honourable minister. To the contrary, I will give you an example of the radio business. As it has the rating of international companies like IPSOS, when you start, you may finish even five or ten years without making profits because business is given according to IPSOS’ ratings. In as long as your radio is not among those, which are probably listened to, you will never get business. The advertisers will look at the ratings and say you are still down.

So, you have to stay in business until a time when IPSOS rates you among the best and that is when you will get business.

**MR BAHATI:** I thought it was a friendly information. (*Laughter*) If I can respond to that, it is why we have a special way of taxing rental income. It is very special and separate. However, we are saying if you continue disguising that you are making losses, let us put some 0.5 per cent on gross and then we see how you are going to respond.

Madam Chairperson, we have discovered that companies continue hiding that they are making losses and yet we are losing money as a country. So, I want to beg that we maintain this very important clause in our Bill.

**MR NANDALA-MAFABI:** Madam Chairperson, URA is well equipped and they have a department called Investigation Department. It is the one that deals will back duty; it is where to look for those making losses and where you are claiming wrong expenses.

Madam Chairperson, with technology now, there is no way somebody would claim an expense by saying he bought an item in London at X amount when you can check to see if that is the value.

So, the moment you start taxing losses, it ceases to be called “income” tax, it becomes “loss” tax because of the reasons we are trying to raise to you.

**MR BAHATI:** Thank you, hon. Nandala-Mafabi as a member of the committee.

**MR NANDALA-MAFABI:** Madam Chairperson, I would like to make this conclusion that we would like URA to become more capable to do investigations and deal with companies, which are making losses. Even a company might be making profits when it is under declaring. So, URA should have the capacity to do it. An interest, which is being paid for example - Madam Chairperson, let me make this conclusion. If you say the company is over claiming interest, the interest is income of a bank. So, if you have paid interest, we will assess it as income of the bank. All expenses of a company are sales of another taxpayer. So, there is no way you can come and tax me when I am making losses. This would be the first tax to be called “loss” tax in the whole world. Then, you must make another law so that instead of calling it Income Tax Act, you make it “Loss” Tax Act. (*Laughter*)

**MR NIWAGABA:** Let me give you information, which is useful to you. Madam Chairperson, this particular clause is an amendment of section 38 of the principal Act. That section makes reference to section 75 of the principal Act. When you read the two sections, it is very clear that actually the loss you are talking about is an allowable deduction and that is after URA has carried out the assessment and realised that this loss is an allowable deduction.

Specifically for companies, section 75 is even stricter. It reads; “*Where during a year of income there has been change of 50 per cent or underlying ownership of a company as compared with its ownership one year previously, the company is not permitted to deduct an assessed loss in the year of income or on subsequent years unless the company for the period of two years after the change warrant assessed loss has been exhausted if that occurs within two years after the change*.”

This particular amendment is irrelevant. We should support the committee’s position and delete this particular amendment because provisions of section 38 and 75 are adequate enough to help URA do its work and carry out *–(Interruption)*

**MR KAKOOZA:** Madam Chairperson, this law is trying to create a creative accounting, which is not the practice because when you say that a taxpayer who has carried forward losses for a consecutive period of seven years of income shall pay tax at 0.5 per cent, how do you calculate your losses on a turnover? You pay a tax after making a profit and if you know that you are not making a profit, an auditor will come and audit and say you are correct. This is inefficiency of URA. We should not make it as if in the law that because URA is inefficient, we give them a leeway to go and tax other people because of their inefficiency.

They should be empowered to audit these companies and confirm that they are making profits and ask them to pay charges but not making a creative accounting in the law.

**MR BAHATI:** We had this discussion in the committee with hon. Nandala; he was almost getting convinced. I do not know why he is coming here to change his mind. However, the tax we are posing is on the turnover and not on the loss. I have said that a few minutes ago, we have made a point on this Floor that if you are not making profits for five years then, why are you in business?

Therefore, we maintained that we put a vote on this matter because companies have been hiding behind the scenes on losses. They should have a way - and we are not talking about *–(Interruption)-* I gave the chairperson.

**THE CHAIRPERSON:** I am the Speaker. *(Laughter)*

**MR TUSIIME:** Thank you, Madam Chairperson. I have heard the argument with the honourable minister but in my opinion, given my professional orientation, this particular clause seems to suggest that those who declare profits are actually declaring truthfully.

Secondly, it also seems to suggest that we should compile penalties for those who are making losses. Losses are arrived at normally when your capital investment takes a while for you to generate return to investments. The same Act that we want to amend has provisions for those who under declare for purposes of cheating tax. Hence we shall be making a law in futility to provide for something that is already provided for in the Income Tax Act.

I, therefore, highly recommended, Madam Chairperson, that URA should raise its competence to verify not only those who are declaring losses but even those who declare profits because they might be under-declaring. Therefore, I find that particular clause irrelevant and I concur with the committee for it to be expunged.

**THE CHAIRPERSON:** Honourable members, the proposal is to delete clause 6. Honourable members, I put the question that clause 6 be deleted.

*(Question put and agreed to.)*

*Clause 6 deleted.*

Clause 7

**MR MUSASIZI:** Madam Chairperson, we propose to delete clause 7 and our justification is that there was no information provided to the committee to justify this proposal.

**MR ANYWARACH:** Thank you. Madam Chairperson, we have just done a good job and said if a company is making losses, it should not be taxed. However, there is also a practice in this country where we need your guidance that any Ugandan who gets a Tax Identification Number (TIN) whether for starting to register a company or even transfer of vehicles or whatsoever and you are not in business, they have always been slapped with taxes. Sometimes, URA rolls out Shs 3 million against you and these villagers have no idea of what is happening to them.

Madam Chairperson, wouldn’t it be also procedurally right that as we do not tax companies for losses, we should also not tax Ugandans who have acquired TIN because they encourage everyone to acquire the TIN and they do not know that those TINs are attracting taxes and they have been taxed all over.

Madam Chairperson, wouldn’t it be procedurally right to ask the finance minister to come clearly if not, we also do amendment to save those Ugandans?

**THE CHAIRPERSON:** May I know from the minister whether TINs are taxed? Do you become eligible for tax?

**MR NANDALA-MAFABI:** Madam Chairperson, TIN is called Tax Identification Number and you can only get a TIN if you are involved in activities for tax purposes. One of the things for example, somebody has mentioned a car. To buy a car, you must have generated income. The reason they are trying to raise that tax on that person buying a car; where did you get the money to buy a car? Therefore, there are things we should be very careful about.

Recently, I went somewhere and got a very powerful farmer with a huge shop in one part of western Uganda. I asked a question but he had no TIN, but if you looked at his capital, it must have been over Shs 200 million. I asked him in whose name his car was. He said he cannot change his car because they will ask him for a TIN and eventually get what he is supposed to pay. Therefore, those who have accepted to come, at least let us widen the tax base.

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

*(Question put and agreed to.)*

*Clause 7 deleted.*

*Clause 8 agreed to.*

*Clause 9 agreed to.*

*Clause 10 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

**MR MUSASIZI:** We propose to amend the headnote by substituting the following:

(i) 18) insertion of section 118 (e) and 118 (f) into the principal Act.

(ii) Re-numbering the proposed section 118(c) as 118(d).

(iii) Renumbering the proposed clause 118(d) as 118(e).

(iv) Re-numbering the proposed section 118(e) as 118(f).

**THE CHAIRPERSON**: Honourable members, I put the question that clause 18 be amended as proposed.

*(Question put and agreed to.)*

*Clause 18, as amended, agreed to.*

*Clause 19, agreed to.*

*Clause 20, agreed to.*

The Title

**THE CHAIRPERSON:** Honourable members, as we proceed, I would like you to join me in welcoming the two groups of guests. We have pupils and teachers of Nawanjuki Child Development Centre in Bugiri represented by hon. Taaka and hon. Gaster Kyawa. You are welcome. *(Applause)*

Again, join me in welcoming the members of the International Catholic Legislators Network, that is Dr Christiaan Alting Geusau, hon. Lucia Chitura from Zimbabwe, hon. Melania Mahya, hon. Otlin Maluleko, hon. Thomas Mwadeghu, hon. Titus Maluleko, Fr Joseph Koramoza, Mr Shaun Paul, Ms Alice Muchiri, Mr P. Makoni, Ms Dorothy Kadungure. You are welcome and we wish you a good stay in Uganda.

So, honourable minister, is there a schedule? I think there is no schedule.

**MR BAHATI:** Madam Chairperson, I have crosschecked. Yesterday, you asked about the update on Islamic Banking. One of the reasons we had included section 7 was to provide an anchor for the minister to regulate the issues of tax accounting, which is a very key component of Islamic Banking subsequently.

If we delete this, then it means that we are going again to delay the whole process of regulating Islamic Banking. It needs a minister to regulate on tax issues of Islamic Banking and for us to do it we need an anchor in the principal law, which is the income tax law.

**THE CHAIRPERSON:** Can’t you bring it in the regulations?

**MR NANDALA-MAFABI:** Madam Chairperson, in tax accounting, if you have never known, it is Parliament which accounts for tax. (*Interjections)* Yes. That is why we talk about revenue and expenditure. We are the ones who even have the capacity to impose the tax.

If we make this regulation, the minister will sit there and start applying his own rates. Parliament cannot allow this because tax accounting is the responsibility of Parliament.

**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

5.19

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Chairperson, 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.

*(Question put and agreed to.)*

*(The House resumed, the Speaker presiding\_)*

REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

5.20

**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 Income Tax (Amendment) Bill, 2018” and passed it with amendments.

MOTION FOR THE ADOPTION OF THE REPORT FROM THE COMMITTEE

 OF THE WHOLE HOUSE

5.20

**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.

*(Question put and agreed to.)*

*Report adopted.*

BILLS

THIRD READING

THE INCOME TAX (AMENDMENT) BILL, 2018

**MR BAHATI:** Madam Speaker, I beg to move that the Bill entitled, The Income Tax (Amendment) Bill, 2018” be read the third time and do pass.

**THE SPEAKER:** Honourable members, I put the question.

*(Question put and agreed to.)*

A BILL FOR AN ACT ENTITLED “THE INCOME TAX (AMENDMENT) ACT, 2018”

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

**MR MWIRU:** Thank you, Madam Speaker. Now that the minister had construed tax accounting to mean Islamic banking regulations, wouldn’t it be procedurally right that he commits when the regulations will be in place because he has been briefing the House and all his hope was in this misconstrued clause.

Misconstruing the tax accounting for regulating Islamic banking had made us have hope that we were on the right track and almost at the tail end of implementing it.

**THE SEPAKER:** He had given an update on the Islamic Banking earlier.

**MR BAHATI:** Thank you, Madam Speaker. Hon. Mwiru had not yet entered the House when I informed the House that the regulations had already been gazetted. Thank you.

**THE SPEAKER:** Honourable members, yesterday, we had partly handled the issue of the loan for rural electrification and we differed it to today so that we can get some answers about the structure of the loan before we proceed.

MOTION FOR A RESOLUTION OF PARLIAMENT ON A PROPOSAL BY GOVERNMENT TO BORROW $ 212,669,840.08 FROM THE EXPORT-IMPORT BANK OF CHINA FOR THE IMPLEMENTATION OF THE PROJECT “BRIDGING THE DEMAND SUPPLY BALANCE GAP THROUGH THE ACCELERATED RURAL ELECTRIFICATION PROGRAMME”

**THE SPEAKER:** Honourable members, I had earlier indicated that before we proceed with this matter, we need an update on the loan of 2015 from the African Development Bank (ADB).

5.23

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOMENT (PLANNING) (Mr David Bahati):** Madam Speaker, it is true we borrowed $100 million from the African Development Bank. There were some delays in terms of procurements, which we have finished and we have written to the bank for a “no-objection”. We hope that they will come back to us in a few weeks and the construction starts.

That is the difference between the different lenders. There are those lenders who allow the process to procure a contractor before a loan is approved and when that happens, the process is easier. When we start with a loan approval and then we do procurement thereafter, we get these challenges sometimes –(*Interjections*)– hon. Kenneth Lubogo, this is an update but I would like to tell you that it is going to work out.

5.24

**MR SAMUEL ODONGA OTTO (FDC, Aruu County, Pader):** Madam Speaker, I think it would be prudent if you directed the minister to bring a formal statement to that effect, which would be debated by the House. The loan had conditions; the issues of delays, interest rates and penalties. The whole House needs to be briefed on the hidden and open conditions attached to that loan of $100 million before we can even be lured into borrowing another one. We need to be told – *(Interjections)* – all right; we may proceed to the next motion.

However, I would like to move formally that the minister presents a formal statement on the status of the previous loan so that we debate it other than that kind remark he has made, which cannot even be answered. I do not know from which page he was reading; I will seek your indulgence. Our children will pay for this money so we need a written statement regarding why you came to the House, delayed, where the problem was and why it will not happen again. The whole country should be informed because this is a loan.

**THE SPEAKER:** Honourable minister, that loan was passed by this House. We had a lot of expectations and hope but now it has been asleep so we need a formal statement on that issue.

**MR BAHATI:** I will do that on Tuesday. Madam Speaker, the Minister of Energy can respond to a few issues, which were raised. Yesterday, Members raised some issues, which need response and the minister is here to respond; including the list of all the sub-counties that are going to be included in the loan.

**MR NIWAGABA:** Madam Speaker, before the minister comes, wouldn’t it be procedurally right for Members to first exhaust the issues they may have had so that the minister comes to answer them comprehensively? If the Members feel that they exhausted the issues, on our side as the Opposition, we would like to raise the following issues on this loan.

We have in our possession the Memorandum of Understanding that was executed between the Government of the Republic of Uganda represented by the Rural Electrification Agency (REA) and TBEA (Tebian Electric Apparatus) Company Limited. That Memorandum of Understanding attaches what is called a “due diligence report” on TBEA Company Limited dated December 2016.

In that due diligence report, the following issues need to be noted by the Members for you to make a decision as to whether you are dealing with the right company or not. Page 5 of the Due Diligence Report, particularly paragraph three, states that TBEA Company was established in 1993. Paragraph six on the same page states that TBEA has 76 years of transformer manufacturing history and 60 years of wire and cable manufacturing history. Therefore, between 2018 and 1993, much as I am a Lawyer and I never passed mathematics well, at least it is not yet 76 years and neither is it 60 years.

Secondly, paragraph eight on page 6 of the Due Diligence Report states that, “In respect of the proposed project...” and this is important for Members who were talking about local content, “...the team was satisfied with TBEA’s technical capacity in the areas of...” This is what they will bring, “...transformers, wires, cables and switch gear manufacture”.

On page 10 of the Due Diligence Report on local content, the report states, “In respect of the project to procure anything locally for the components of the project, the following are available; labour, materials e.g. electricity wooden poles if determined in engineering designs”. Therefore, the only thing we can give as a country is labour and wooden poles if they even find our wooden poles here satisfying the engineering designs.

The Due Diligence Report further shows that TBEA made a presentation to the members of the team in which they indicated that they have done similar projects in Togo, Ethiopia and other African countries. However, the Due Diligence Team does not attach any findings of whether they visited Togo, Ethiopia or other unnamed African countries to see whether what was presented to them is true or not.

On page 8 of the due diligence report, there is a table that shows the growth of TBEA over time. Interestingly, the company, which is stated to have started in 1993, shows a growth dating 1988. Therefore, it shows the growth before it was born –*(Laughter)*– For record purposes, I will be laying this due diligence report at the Table.

The other information I would like the Members of Parliament to get acquainted with is that in the contract agreement, they are providing for a completion time of 36 months for all the sub-counties mentioned. Never mind that they do not even indicate the distance between the sub-counties, which will be the targeted areas for delivery and the local areas that they are mentioning that will be obtaining services; 36 months without even indicating the exact map; where and which areas.

Thirdly, this particular report showing the beneficiary service territories and scope - Members, you will realise that definitely a number of your constituencies and sub-counties do not feature anywhere. Personally, for example, in Kabale District, the only sub-counties featuring to benefit are from my colleague, hon. Bahati’s constituency. There is nothing for my constituency and I have two sub-counties which have not benefitted –*(Interjections)*– yes. Therefore, you will find that some of your sub-counties are not mentioned.

Lastly and of interest, is a letter dated 19 June 2017 from the Public Procurement and Disposal of Public Assets Authority –*(Interjection)* I am giving information based on documents; so you will give yours later. The letter dated 19 June 2017, page 2 thereof, clearly says that the entity intends to use direct procurement method basing on a presidential directive. I do not know since when presidential directives overtook laws made by this Parliament.

Therefore, with these pieces of information, Madam Speaker, I beg to lay the documents I have referred to on the Table. And in my view, the committee would need to really go back and do a thorough job to help us determine whether indeed the country will benefit through this loan the way it has been structured. I beg to lay.

**THE SPEAKER:** Honourable minister, I do not know whether you have the answers to the questions I raised yesterday on the structure of the loan. Please be quick.

5.35

**THE MINISTER OF STATE FOR ENERGY AND MINERALS (ENERGY) (Mr Simon D’Ujanga):** Thank you, Madam Speaker. Yesterday you raised –*(Interruption)*

**MS OGWAL:** Madam Speaker, on procedural matters, there are a number of gaps, which I think the House, is entitled to understand. First, the loan terms - we would like the committee to lay on the Table the loan agreement we are talking about so that we can examine and understand it. They should also lay the feasibility study and assessment, which is conditional so that we study all that.

Secondly, Madam Speaker, performance of the loan under Rural Electrification Agency (REA): The guidelines demand an assessment of previous loans - it is in the guideline. Therefore, it is not just assumption - demand of assessment of previous loans.

Thirdly, Madam Speaker, the cost of the loan. The committee is not telling the House the truth because this loan is anchored on the six-month London Interbank Offered Rate. Therefore, to say the rates are fixed is a lie. You recall that the Ninth Parliament had a similar experience - if you remember the loan of $131 million from Japan. It was based on the same rate and the rate is not fixed.

The committee is giving the impression that the rate is fixed. Therefore, there are very many issues, Madam Speaker, that the House is entitled to know. Let me tell you, if there is anybody who supports the purpose of this loan, I am one of them. I would really want all the sub-counties to have electrification but we must do it properly. Nobody is opposing this but it must be done properly, in accordance with the law. We must not hide anything. Let the House know the whole truth, nothing but the truth, and we decide from an informed position.

**THE SPEAKER:** Honourable members, as I invite the minister, join me in welcoming a delegation of Muslims from Kamuli and Buyende Local Government led by the District Khadi, Sheikh Ismail Kazibwe. He also has the former District Khadi, Sheikh Muganza and County Sheikhs from many counties and chairpersons and women are here. You are welcome. *(Applause)*

5.39

**THE CHAIRPERSON, COMMITTEE ON NATIONAL ECONOMY (Ms Syda Bbumba):** Thank you, Madam Speaker. In response to the issues raised by my good sister, hon. Cecelia Ogwal, I wish to repeat the papers, which were laid on Table yesterday:

1. The signed report
2. Minutes
3. Brief on the proposal
4. Loan request
5. Contract management plan
6. Government concession loan agreement
7. Contract agreement
8. Feasibility study report
9. Project brief on environmental and social impact assessment
10. Date of confirmation and availability of counterpart funding from the finance ministry.

Madam Speaker, the cost of the loan from the information we have is as follows:

The loan amount is $ 212,669,840.08 with a maturity period of 20 years, including a grace period of five years. The interest is two per cent per year with a management fee of 0.25 per cent and a commitment fee of 0.5 per cent.

These loan terms are similar to terms for many loans borrowed from concessional and near concessional lenders like the African Development Bank (ADB) and the Islamic Development Bank (IDB). I beg to submit.

**MR D’UJANGA:** Madam Speaker, yesterday a few things were raised, especially what you raised - and this was mainly to do with the list of sub-counties to benefit. This list is now uploaded to all our iPads and I would request Members to check for their sub-counties on their iPads and if they are not there, raise this matter because there might be some omission. We are not saying that we are 100 per cent correct. That is as far as the list is concerned. *(Members rose\_)*

**THE SPEAKER:** Honourable members, allow the minister to respond quickly.

**MR D’UJANGA:** Madam Speaker, I have confirmed that the list is on the iPads. The other issues that were raised; the cost per kilometre - and I think hon. Syda Bbumba has alluded to this. The cost per kilometre is $17,562, whereas the one for IDB is $18,481 for medium voltage. For low voltage, cost per kilometre is $10,200, while for IDB, it is $10,579.

The other thing, Madam Speaker, was the loan content which would be –*(Interjections)-* I wish my colleague could pay attention because he specifically raised this matter. The supply of poles will be by local companies and this is for $36,200,000, which is 18 per cent of the total cost. Then all the construction works will be done by our local engineering companies - $30.9 million. Most importantly, 26,200 kilometres of wires will be obtained locally. I would like to emphasise this; it is important to mention the quality. We will buy materials locally if they meet the quality because we do not want shoddy work. *(Applause)*

In all, 25 local companies and engineering construction groups will benefit. That is to do with the local content. If you value everything being done locally; it is $77 million out of $ 212 million and that is like 38 per cent of local content. *(Applause)*

The other issue was to do with procurement. Madam Speaker, I would like to confirm that this is not the first loan from Exim Bank. We have used similar procurement with Entebbe Express Highway and with Karuma and Isimba. We went through the same process involving the Attorney-General, the Ministry of Finance, Planning and Economic Development and the Ministry of Energy. We are satisfied with these companies that they can do the job. I thank you, Madam Speaker.

**THE SPEAKER:** Honourable minister, I just want you to reconcile the provisions of Article 2(5) of the commercial agreement which provides that the goods, technologies and services purchased using the loan shall be procured from China, preferentially.

The second one, that the technical standards to be used for the implementation of the projects shall be preferentially relevant to the Chinese standards. The body does not talk about local content. It talks about it only in respect to the $36 million and that is what is in the commercial contract.

**MR D’UJANGA:** Madam Speaker, “preferentially” means what I have said; that if those materials are locally available and as the project steering committee will determine - if those materials are locally available, they will be procured from here. It will not be Chinese standards and we have negotiated that. It will now be international standards.

**THE SPEAKER:** Have you concluded the discussions about the agreement? Can you lay that agreement on the Table, the one with what you are saying? The one I have is saying what I have read.

**MR ODONGA OTTO:** Madam Speaker, as they are picking the document, it should be of interest to Members that the sub-counties which they claim they are taking the power to - they have even failed to say the number of the kilometres here. However, it is very interesting and I cannot read the entire list. If we come to the north, you find that in the central north, they are just considering Gulu, Amuru and Oyam. Dokolo appears nowhere; Pader appears nowhere and Kole appears nowhere. This is the document that we have –*(Interjections)*– no, I am submitting.

Madam Speaker, my friend from Dokolo wants to give me information but before you do that, let me just raise one more thing: This habit of signing contracts with companies and then running to Parliament to borrow money must stop. This is a bad habit. You did sign an agreement with TBEAon the 31 October 2017 - this was a company that was saying they have all the money - then you run to Parliament retrospectively to borrow the same amount of money you had initially signed with the contract. This is not acceptable. Our children will pay for these loans.

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Madam Speaker and hon. Odonga Otto, we should be able to – really we have done this procedure here in Parliament. We did it with Karuma; it does not state anywhere that this company is the one going to provide money. It is going to secure resources from the Exim Bank of China. That is how Exim banks work. We have done it with Karuma, Isimba and Kabaale International Airport. This procedure solved the problem of delays that we have been having; when this loan is passed, the contractor will be on site in a few months.

You have seen what happened with the World Bank. We passed the loan and then procurement takes two years; it is now three years and we have not started. When this loan is passed, in a few months we will start.

**MR ODONGA OTTO:** Thank you, honourable minister, for giving information and other Members who are clapping their hands uncontrollably. I am telling you that before 36 months, you will come back here crying loudly.

The information I would like to give – I am pleading with Members. It looks like we may not block this loan the way I see the wind. However, I am pleading with Members that we need additional assurance that the local companies – we even need the list of the local companies that are going to be involved in extending electricity in various parts of the country. Please, I am pleading with you, honourable Members.

**MR GILBERT OLANYA:** Thank you, Madam Speaker -

**THE SPEAKER:** Honourable members, are you organising yourselves without me?

**MR GILBERT OLANYA:** I would like to seek clarification from the honourable minister. From the list you have provided, you have indicated the areas that have already been connected and the areas that have got no electricity connection. I would like to find out, like where I come from - Amuru District to Turdakatuba in Toro parish in Amuru sub-county -it is indicated that the place has already been connected to electricity yet we do not have power in that particular area.

It means there is a problem with the list. Honourable minister, when you are bringing the list, you have to bring the concrete list. Therefore, you have to take it very seriously. In my home sub-county, you are saying that the power is already there yet there is nothing –

**THE SPEAKER:** Honourable members, take your seats. *(Interjections)* Okay. Honourable members, yesterday we were discussing the issue of local content. The local content they are talking about is about those poles. There is nothing about the human resource. *(Interjections)* Yes, it is not there. Transformers are not human resource - *(Interjections) -* honourable minister, what we have is a draft agreement. Are you still discussing?

**MR BAHATI:** Madam Speaker, in the process of approving the loan, Parliament can make some recommendations. One of the challenges I have been having is lack of – I do not know how far hon. Patrick has gone with the local content Bill. It would be helping all of us in these issues. Therefore, all the issues that you have said - for example, we agreed – as you have looked at the bill of quantities – what the local companies are going to supply.

We have also agreed with the contractor that 25 local companies will be working with them. We have divided the country into 83 lots. We are going to have 25 companies participate in the construction. They will be local and they will employ over 3,000 Ugandans. *(Applause)* Whatever is not here, we will be able to include it.

**THE SPEAKER:** What we need to add is the component for the women and the youth. That must be specific. *(Applause)* It must be part of that agreement.

**MR BAHATI:** Most obliged.

**THE SPEAKER:** Do you have the local companies or are you going to advertise? Have you already got them? I think not.

**MR BAHATI:** Madam Speaker, as policy makers, we need to differentiate between the issues of implementation and the issues of approval processes. We are going to approve this loan. The process of prequalifying local companies is ongoing. What we are confirming to this House is that the construction of these power lines will be done by local companies. That is the confirmation to this House.

**THE SPEAKER:** So, with our amendments that the women and the youth must be visible in those local companies, I now put the question that this House adopts the report.

*(Question put and agreed to.)*

*Report adopted.*

**THE SPEAKER:** Now, Attorney-General, there was something you were supposed to update this House on, concerning the case which is in Arusha.

Honourable members, where are you going? I know the Muslims must go but where are the rest of you going?

5.56

**THE ATTORNEY-GENERAL (Mr William Byaruhanga):** Madam Speaker and honourable members, I was informed yesterday that the honourable member from Yumbe was alleging here that my chambers did not file an appeal in the British American Tobacco matter. So I have brought evidence to show that we filed the appeal. I am happy to lay it on the Table.

**THE SPEAKER:** Can you give us an indication on when you will have the hearing?

**MR BYARUHANGA:** Madam Speaker, as a matter of fact, the actual hearing is on 12 June 2018.

**THE SPEAKER:** Can you lay the document on the Table?

**MR BYARUHANGA:** I have it here before me; first the application, which is dated 22 February 2018. This is the application arising out of this reference - British American Tobacco v. the Attorney-General of Uganda. I also have the notice of appeal dated 25 January 2018 - the notice of appeal at the East African Court of Justice. I beg to lay.

**MR ALIONI:** Madam Speaker, the Attorney–General came to this House; he is telling us he appealed in January but it was in the month of February when we raised this matter in this House and he told this House – the *Hansard* is there – that he was in the process of appealing. Yet today he is telling this House that he appealed in January. Is this right?

**THE SPEAKER:** You know, you first file the notice, then you file the grounds, then you get a hearing date, then –

**MR ALIONI:** Madam Speaker, the Attorney–General told this House that he was appearing in court in April; it is on record. And today he has changed it that he is going to appear in court in June. Can he tell us the truth?

**MR BYARUHANGA:** Madam Speaker, I appreciate the enthusiasm of the Member except that the time table of the courts is determined by the courts themselves. I have just told you and I will bring the records; the hearing is on 12 June 2018 as a matter of fact.

**THE SPEAKER:** Thank you very much. Should we expect an update around the budget time?

**MR BYARUHANGA:** Yes. In fact, I was hoping that at an appropriate time, I would even give a status-of-the-matter so that the Members can appreciate what to expect because on the basis of the pleadings, we are in a position, to a large extent, to predict the outcome –

**MR ODONGA OTTO:** Thank you very much, my learned Attorney-General. In the last two months alone, we have lost Shs 2.4 billion in taxes because of the behaviour of the BAT company. You know the orders which they got from court restraining Uganda Revenue Authority from collecting taxes.

You are telling us that the hearing begins on 12 June 2018 yet the Speaker had requested for a certificate of urgency. You know the implication of this. Litigation never ends.

These people are bringing tonnes and tonnes of cigarettes basing on the injunction which they got from the other court. We would have expected you, as the learned Attorney-General, to tell us that, “Well, much as we are in court, which might take three or four years, these are the measures we have taken to overcome the lacuna which BAT is using to import tax-free cigarettes, which is killing the local industry.”

**THE SPEAKER:** Actually, Attorney-General, the reason I asked you to file a certificate of urgency was because our revenue collection was being endangered. I had hoped that you would apply for an injunction after filing the notice pending the hearing.

**MR JAMES KAKOOZA:** These people know that what they did was wrong because excise duty has never been regionalised in the East African Community. Tanzania has a different rate and so does Burundi. They had come to the Committee of Finance to amend the law yet the case is still in court. They know that they are doing an illegal thing. The measure that the Speaker had directed was helping this country; the status quo could have stayed and they pay the taxes. When they pay the taxes, even if they win the case, URA could have paid them back.

The last one - last time, you did not include URA. They went to court alone and yet they are the people who can participate and help give you proper information. Are you including URA to be part of your pleading this time?

**MR ODONGA OTTO:** Thank you. *(Interjections)–* I had just given way. Attorney-General, I know you are the official legal advisor for Government. In a situation where someone got an injunction stopping the Government of Uganda from collecting revenue – the law school I went to – the remedy cannot just be an appeal.

Ordinarily, you should have thought of doing something about the order for which they got the injunction. Something should be done about that. For example, in April when the Speaker directed that you report to the House, BAT imported 7,000 cartons using that injunction and they evaded tax of Shs 1.4 billion. In the subsequent month, they brought 20,000 cartons, evading tax of Shs 4.4 billion. Therefore, in a space of six months alone, the country lost Shs 5.8 billion.

Therefore, we cannot go with a normal trial. We may need another application for setting aside that injunction. We need something pragmatic. This money can help the Universal Primary Education programme or pregnant mothers. It is not business as usual. This is what the House wants to hear from you. *(Applause)*

**THE SPEAKER:** Attorney-General, what do we need to get a stay of execution?

**MR BYARUHANGA:** Madam Speaker, first, I would like to answer hon. Kakooza about the absence of Uganda Revenue Authority (URA). The duty of my office, as the chief Government legal advisor, is that when a matter comes before us, we write to the relevant ministry, department or agency and ask them to give us instructions. This is because, as you know, we simply apply the law but the facts of the matter come from the MDAs.

We wrote to Parliament, the Ministry of Finance, Planning and Economic Development and Uganda Revenue Authority. The only institution that was kind enough to respond was Parliament. URA did not respond *–(Interjections)–* What we did then was to go to the Ministry of Finance, Planning and Economic Development ourselves to try and extract as much information as we could. In any case, we went and presented a defence.

Madam Speaker, the court did rule, and it is within their mandate, that *prima facie* – I think you learnt that in the same law school – there was a good case for BAT and the court wanted to determine whether BAT had the financial capacity to refund the money if the court were to hold against it and the court so decided. That is why I was saying that what would be more useful, I think, is to give the genesis of the case because in my view, I am not totally sure that all Members are aware about the actual genesis of the case.

The genesis of the case, Madam Speaker, is the protocols and treaties that we signed and whether – somebody might argue – their applicability across the East African countries is correct and equivalent. That is what might be determined. Otherwise, we are signatories to the protocol and treaty whose intention was to create one custom union, one border stop, one passport, etc.

Madam Speaker, I would be glad to come to this House on an appropriate date and explain the actual genesis of the case, where it is now and what is going to be before the court on the 12th of June as well as the possible solution to this matter.

**THE SPEAKER:** If you could, do that before this session closes.

**MR BYARUHANGA:** I will be glad to. If you give me a day and the place, I will do that. *(Laughter)*

**THE SPEAKER:** The place is here. *(Laughter)*

**MR BYARUHANGA:** I thought it was the committee room as opposed –

**THE SPEAKER:** No, you come and inform the House and we shall ask you to go to the committee. The House wants to know.

**MR BYARUHANGA:** If you tell me when next week, I can come, Madam Speaker.

**THE SPEAKER:** Okay, come next week on Tuesday.

**MR BYARUHANGA:** Member for Yumbe, please! *(Laughter)*

**THE SPEAKER:** Honourable members, we cannot proceed further because we have got guests in the parking. The House is adjourned until Tuesday next week. Thank you very much for the work done.

*(The House rose at 6.07 p.m. and adjourned until Tuesday, 29 May 2018 at 2.00 p.m.)*