



## Terms of Reference

### Policy brief to inform the reform process of the Tax Amendment bills 2017 to make them compatible with the CMP

#### Introduction

Regional economic integration can play an important role in fostering sustainable economic growth and development. It can spur greater efficiency, productivity gain and competitiveness, not just by lowering border barriers, but also by reducing other costs and risks of trade and investment.

In order to widen and deepen regional economic integration, the EAC adopted the Customs Union protocol in 2009 and the Common Market protocol in 2010. The EAC common market protocol provides for the free movement of goods, free movement of capital, free movement of workers, free movement of services, rights of entry and the right of establishment by any member of the 5 EAC partner states in any partner state. To enable the free movement of capital, 20 operations related to securities, direct investments, credit operations, and personal capital operations are required to be free of restrictions. However, laws and regulations of the EAC Partner States in general and Uganda in particular still present barriers to increased cross-border trade and foreign direct investment into the region. For services, 67% of identified measures negatively affect foreign direct investment. Barriers to the movement of goods also affect investment, this is especially given that many investors start as traders, then gain confidence in a country's markets and move production there. But without such confidence, such investment will not happen.

The successful implementation of the EAC common market protocol rests within partner states' national laws, policies and regulations. For this reason, partner states are required to harmonize their national investment related laws and policies to the EAC CMP to effect the implementation of the protocol and enhance intra-regional cross border investment.

It is against this background therefore, that SEATINI Uganda seeks to develop a policy brief highlighting private sector policy proposals to influence the reform process of Tax Acts that are currently under amendment. This will involve undertaking research and develop a policy brief on the non-conforming measures in these Tax Bills 2017 with CMP.

The policy brief will specifically seek to:

- Identify provisions in the Tax Bills 2017 which do not conform to the Common Market Protocol

- Identify the implications of these non-conforming provisions on the free movement of capital under the EAC CMP
- Propose amendments/ recommendations and justifications for reforms to inform peer to peer dialogues and policy advocacy to influence policy reforms
- Identify potential peer groups and the responsible government line ministries, departments and agencies to influence and fast track policy reforms

### **Scope and Methodology of the Research**

- Identify provisions of the Tax Amendment Bills 2017 that do conform to the East African Common Market Protocol.
- Identify the implications of these non-conforming provisions and gaps on free access to the EAC market as provided for under the EAC CMP through engagement with the identified companies. Through desk research, questionnaires sent relevant public agencies (such as central banks and capital market authorities) and private organizations (such as law firms engaged in cross-border financial operations, legal departments of investment firms and commercial banks, and brokerage houses and stock exchanges.
- Propose amendments/ recommendations and justifications for reforms to address the existing non-conforming provisions of the Tax Amendment Bills
- Identify the responsible government line ministries, departments and agencies to fast track these proposed reforms
- Draft and submit the first draft highlighting the findings and proposed amendments/ recommendations for policy reform
- Work with SEATINI Uganda to interact with other private sector players to validate the draft policy brief and obtain input from the private sector on their policy proposals.
- Revise the report to include policy proposals generated during the validation meeting to develop a final policy brief
- Present the final policy brief at a dissemination meeting to be organized by SEATINI Uganda which will bring together a wide range of stakeholders including private sector, government MDAs in charge of trade, EAC affairs, investment and labour.

### **Expected deliverables**

- **Inception report:** The consultant will be expected to produce and submit an inception report for review by the SEATINI Uganda team within 5 working days after signing the contract. The inception report is expected to highlight a clear matrix that shows the key information points that will be explored during the research phase. The inception report will be preceded by a meeting with the SEATINI Uganda team to outline expectations for the assignment, including the key deliverables.
- **Draft policy brief:** The consultant shall produce a first draft policy brief, developed through desk research and in consultation with public sector institutions with responsibilities for implementing the common market protocol, and present it for discussion with SEATINI Uganda. The consultant will incorporate suggestions and develop a second draft which he/ she shall present to other private sector players and government MDAs for validation.

The final policy brief shall incorporate stakeholders' comments, concerns and input. This policy brief will be presented for dissemination during a meeting that will be organized by SEATINI Uganda.