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**BILLS****SUPPLEMENT No. 4****27th March, 2019****BILLS SUPPLEMENT***to The Uganda Gazette No. 13, Volume CXII, dated 27th March, 2019*

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**Bill No. 7***Value Added Tax (Amendment) Bill***2019****THE VALUE ADDED TAX (AMENDMENT) BILL, 2019****MEMORANDUM**

The object of this Bill is to amend the Value Added Tax Act, Cap. 349; to define a citizen; to provide for the percentage of withholding tax to be remitted, to empower the Minister to make Regulations for prescribing the equivalent tax treatment of supplies made in the course of Islamic financial transactions; and to provide tax incentives to investors by exempting certain supplies from Value Added Tax.

MATIA KASAIJA (MP),  
*Minister of Finance, Planning & Economic Development.*



## THE VALUE ADDED TAX (AMENDMENT) BILL, 2019

## ARRANGEMENT OF CLAUSES

*Clause*

1. Commencement
2. Amendment of Value Added Tax Act, Cap. 349
3. Amendment of section 5 of principal Act
4. Insertion of section 73A
5. Amendment of First Schedule to principal Act
6. Amendment of Second Schedule to principal Act
7. Amendment of Third Schedule to principal Act

A Bill for an Act

ENTITLED

**THE VALUE ADDED TAX (AMENDMENT) ACT, 2019**

**An Act to amend the Value Added Tax Act, Cap. 349; to define a citizen; to provide for the percentage of withholding tax to be remitted; to empower the Minister make Regulations for prescribing the equivalent tax treatment of supplies made in the course of Islamic financial transactions and to provide tax incentives to investors by exempting certain supplies from Value Added Tax.**

BE IT ENACTED by Parliament as follows:

**1. Commencement.**

This Act shall come into force on 1<sup>st</sup> July, 2019.

**2. Amendment of Value Added Tax Act, Cap. 349.**

The Value Added Tax Act, in this Act referred to as the principal Act is amended in section 1 by inserting immediately after paragraph (aa) the following—

“(aaa) “citizen” means—

- (a) a natural person who is a citizen of a Partner State of East African Community;
- (b) a company or a body of persons incorporated under the laws of a Partner State of the East African Community in which at least fifty-one percent of the shares are held by a person who is a citizen of a Partner State of East African Community;”

**3. Amendment of section 5 of principal Act**

Section 5 of the principal Act is amended—

- (a) by substituting for subsection (2) the following—

“(2) The Minister shall, by notice in the Gazette, designate persons who shall withhold tax on payment of taxable supplies.”;

- (b) by inserting immediately after subsection (2) the following—

“(2a) A person designated under subsection (2), shall remit to the Uganda Revenue Authority, six percent of the taxable value referred to in sections 21 and 23 of this Act.

(2b) Subsection (2a) does not apply to a taxable person who the Commissioner General is satisfied has regularly complied with the obligations imposed on a taxable person under this Act.”

**4. Insertion of section 73A.**

The Principal Act is amended by inserting immediately after section 73 the following—

**“73A. Islamic financial transactions**

The Minister shall make Regulations for prescribing the equivalent tax treatment of supplies made in the course of Islamic financial transactions.”.

**5. Amendment of First Schedule to principal Act.**

The First Schedule to the principal Act is amended by inserting immediately after “United Nations High Commission for Refugees” the following—

“United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)”

**6. Amendment of Second Schedule to principal Act.**

The Second Schedule to the principal Act is amended in paragraph (1)—

(a) by inserting immediately after subparagraph (d) (iv) the following—

“(v) aircraft insurance services.”;

(b) by inserting immediately after subparagraph (s) (xxxv) the following—

“(xxxvi) rice mills;

(xxxvii) agricultural sprayers.”;

(c) by substituting for the words “one hundred” wherever they appear in subparagraphs (mm), (nn) and (oo) the word “fifty”;

(d) by substituting for paragraph (pp) the following—

“(pp) supply of services to conduct a feasibility study and design; the supply of locally produced materials for

the construction of a factory or a warehouse and the supply of locally produced raw materials and inputs or machinery and equipment to an operator within an industrial park, free zone or to an operator who owns a single factory or other business outside the industrial park or free zone whose minimum investment capital is ten million United States Dollars in the case a foreigner or two million United States Dollars in case of a citizen, who uses at least seventy percent of the raw materials that are locally sourced, subject to their availability and at least sixty percent of the employees are citizens and who—

- (i) processes agricultural goods;
  - (ii) manufactures or assembles medical appliances, building materials, automobile, house hold appliances;
  - (iii) manufactures furniture; or
  - (iv) carries on business in logistics and ware housing, information technology or commercial farming.”;
- (e) by substituting for the word “fifteen” wherever it appears in subparagraphs (pp) and (vv) the word “ten”;
- (f) by inserting immediately after paragraph (yy), the following—
- “(zz) the supply of services to conduct a feasibility study, design and construction; the supply of locally produced materials for the construction of premises and other infrastructure, machinery and equipment

or furnishings or fittings for technical or vocational institute operators whose investment capital is at least ten million United States Dollars in case of a foreigner or two millions United States Dollars in case of a citizen;

- (aaa) the supply of drugs and medicines;
- (bbb) the supply of imported mathematical sets and geometry sets used for technical and vocational education;
- (ccc) the supply of woodworking machines;
- (ddd) the supply of welding machines and sewing machines.”

#### **7. Amendment of Third Schedule to principal Act.**

The Third Schedule to the principal Act is amended by substituting for paragraph (c), the following—

- “(c) the supply of drugs and medicines manufactured in Uganda;”