



## ***Parliament Heeds to CSOs' Call to Approve the Tax Amendment Bills for FY 2020/21***

Following Calls to Parliament from Civil Society Organizations (CSOs) under the Tax Justice Alliance Uganda (TJAU), on Tuesday 20<sup>th</sup> October 2020, Parliament embarked on debate to review and pass the Tax Bills for FY 2020/21. The delayed Tax Bills for FY 2020/21 that were eventually debated and passed included;

- **Tax Procedures Code (Amendment) Bill 2020.** This Bill sought to defer payment of income tax for companies and the business in the manufacturing, tourism and floricultural sectors whose turnover is less than Shs.500,000,000. The bill also sought to defer payment of tax on employment income (PAYE); and also to waive interest on tax arrears for businesses that voluntarily complied. Parliament therefore resolved that those businesses that had made their tax payments prior to the bill's approval would claim tax credits from the Uganda Revenue Authority.
- **The Value Added Tax (Amendment) (No.2) Bill 2020.** This Bill, among other things sought to exempt taxes on items used by medical workers to treat COVID-19 and grant relief to hotel owners. Also exempted are materials and inputs used in the manufacture of equipment for the prevention, protection and treatment of COVID-19 patients. Parliament also granted relief to lodges and hotel owners inside the radius of 50 kilometers of the boundaries of Kampala from payment of VAT. In addition, Parliament exempted VAT from persons involved in the manufacture of chemicals for agricultural and industrial use, textiles, glassware, leather products, industrial machinery and electrical equipment, sanitary pads and diapers. This was intended to extend incentives given to strategic sectors and others provided for in the Investment Code Act.
- **The Excise Duty Amendment Bill 2020.** This Bill sought to amend the Excise Duty Act 2014 to vary the tax charged in respect of un-denatured spirits made from locally produced raw material. The new approved law therefore exempted these products from payment of this tax.
- **Income Tax (Amendment) Bills 2020.** This Bill sought to amend the Income Tax Act, Cap. 340 to offer tax reliefs to the companies that offered donations to the Government in the fight against COVID 19.

Members of Parliament rejected proposals to The Income Tax (Amendment) Bill, 2020 that had been returned earlier by the President. The president had asked Parliament to reconsider the provision for taxpayers who declare losses for a consecutive period of five years of income. He suggested that these should pay a minimum tax amounting to 0.5 per cent of the turnover for each year commencing with the sixth year. As you may recall, this was and still is the position of TJAU. Efforts by the Minister of State for Finance, Planning and Economic Development, Hon. David Bahati and Chairperson to the Committee of Finance, Hon. Henry Musasizi to convince MPs that the loss-making declaring companies were actually



making profit yielded no fruit after legislators unanimously rejected the proposal. Nevertheless, other MPs who were in favor of the proposal argued that it was irrational for any business to remain operational while registering losses for a consecutive five year period. Parliament also rejected the proposal to allow deductions for persons for their charitable donations made to the Government to fight against the COVID19 pandemic on the argument that these had been made on voluntary basis. They therefore resolved to pass the Bill as it was in its earlier state.

The passing of these Tax Bills for FY 2020/21 is timely as they offer tax reliefs geared towards supporting businesses and the economy in the COVID 19 recovery. TJAU will continue with the advocacy on some of the contentious issues which were not considered this FY.