HOW TAXES ARE CRIPPLING THE EAC

By Ali Twaha

The failure to reach a sufficiently comprehensive agreement on tax harmonisation over the last decade among the East African Community (EAC) continues to leave a bad taste in the mouth of traders, MPs and civil society.

"For the greater part of the existence of the EAC, it has been largely officialdom (or bureaucracy)," says George Stephen Odongo, the co-ordinator, Uganda Chapter, East Africa Legislative Assembly (EALA).

"There is too much official work and there is little that is coming in from the other stakeholders," Odongo says.

It is more than 10 years now since the regional bloc instituted a code of conduct to eliminate harmful tax competition among partner states.

Most of the policies currently at the EAC are largely meant to harmonise existing policies with different partner states to further ease trade across borders.

The EAC integration efforts lean on four major pillars – a customs union, common market protocol, monetary union and a political federation.

Over the last decade, EAC's customs union has been hailed as one of the most successful towards regional integration.

To a varying degree, the regional bloc has also booked some achievements with regard to the common market protocol and plans for common monetary policies and even single currency.

Tax harmonisation is the process of adjusting tax systems of different jurisdictions in the pursuit of a common policy.

Policy analysts say tax harmonisation does not necessarily mean the application of the same tax laws or rates across the bloc, but rather a move that will ensure reduced red tape on the free movement of goods, services and capital in the region.

Reports show that some tax harmonisation policy documents that have been developed by the bloc over the last decade remain in draft form on the back of a grandly slow process from partner states.

In 2014, the EAC developed a policy on harmonisation of domestic tax laws intended to, among others, eliminate distortions that could undermine the EAC Common Markets Protocol, avoid harmful tax competition, and enhance tax compliance.

The policy just received a nod in May 2019, five years down the road. But the policy is still general and the EAC needs to put in more time to develop more detailed explanations of the policies.

"In May 2012, that was the first time the idea of harmonisation was discussed by the sector committee of finance and economic affairs of the EAC," Dickson Kateshumbwa, the former commissioner customs at Uganda Revenue Authority, says.

Kateshumbwa is now the MP Sheema Municipality and chairman parliamentary forum on EAC. He says: "Since 2012, there is little progress that has been made on the issue of harmonisation."

Trucks at Malaba border. The differences in levies and fees among partner states in the East African region is causing difficulties in trade

BETWEEN THE LINES

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TINY DETAILS

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For instance, the structure of personal income tax differs across partner dtates. Uganda has the highest marginal tax rate for the highest income earners at 40% compared to 30% charged by Kenya and Tanzania.

Apart from Kenya, Uganda and Tanzania have a standard VAT rate of 18% on general goods and services. Kenya charges 16%.

There are also differences in application of tax on items listed under exempt and zero -rated. Insurance premiums in Kenya are exempt from VAT. In Uganda and Tanzania, only life assurance premiums are exempt.

The delays to harmonise taxes had further been exacerbated by different partner states' industrialisation policies. Initiatives such as Buy Uganda Build Uganda, Buy Kenya Build Kenya, among others, have been reported to be fundamentally incompatible with plans for tax harmonisation and regional integration.

Experts say a common income tax base for companies operating in different jurisdictions would be instrumental not only in enhancing efficiency, but also in preventing overlaps or gaps in the tax claims by different countries.

"The idea of having EAC as a common destination is being lost along the way because of the individual interest," Kateshumbwa says.

According to Jane Nalunga, the executive director of Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI), there are several advantages linked to working together as a bloc.

"As a country and the EAC, we need to position ourselves better. For example, some of the EAC members are yet to ratify the EAC Double Taxation Agreement, which has been on the table for the last 11 years," she says.

The agreement was developed in 2011 with the aim of avoiding double taxation and preventing fiscal evasion with respect to income taxes. The agreement has not yet come to force because while all partner states have ratified the agreement, Tanzania has not.

BUREAUCRACY

The main organs of the EAC are the Summit, the Council of Ministers, the Co-ordinating Committee, the Sectoral Committees, the East African Court of Justice, the EALA and the Secretariat.

The Summit comprises heads of government of partner states that give strategic direction towards the realisation of the goal and objectives of the community.

According to Odongo, EALA has shared legislative function with the Summit of heads of states in the regional bloc. He noted that the role of EALA is limited to oversight and overseeing implementation of policies once passed.

"Whereas EALA can pass laws, the Summit has the powers to Veto powers. We hope in the conversations that are going on, there can be reforms in order to empower the EALA with exclusive mandate to

FOREX RATES

CURRENCY	BUY	SELL
DOLLAR	3507	3525
EURO	3920	4075
POUND	4715	4900
KENYA SH	29.5	31.8
TZ SH	1.40	1.55
DIRHAM	800	1000
S. A. RAND	170	245
JAPANESE YEN	15.12	32.10
RWANDESE FRANCS	2.0	4.0
DOLLAR SMALLER & OLD	3300	3525

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WHY IS INDIA'S LARGEST INSURER BEING LISTED?

Umeme loses sh26b to vandalism

By Ricks Kayizzi

Umeme, Uganda's biggest electricity distributor, has decried the rising loss of its property in western Uganda due to vandalism.

According to a recent press release, the company has noted that vandals have stolen over 133km of cable in just 12 months, causing unprecedented disruption of electricity supply.

"The theft of our property in the western region now stands at 72%. As a result, we have lost over sh26b due to stolen copper wires, vandalised transformers and poles, among others," said Selestino Babungi, Umeme's managing director. He made the revelation while meeting security officers in Mbarara recently.

The release, signed by Peter Kaujju, the firm's head of communications, further said while Umeme is committed to furthering Government's agenda to increase the proportion of households accessing electricity, resources that would have been spent on expanding the grid are being diverted to replace assets that the vandals steal.

"These accumulating losses are affecting the price of electricity through rising operational costs. The same vices are affecting uptake of electricity among residents since the higher the number of people who use electricity, the lower the cost," the press statement reads.

Umeme's head of operations in western Uganda, Isaac Katewanga, said the west accounts for 72% of cases of vandalism of electricity conductors, adding that in 2021 alone, 133 kilometres, equivalent to the distance between Mbarara and Kabale town, of bare conductors were stolen in the region.

The assets targeted normally include pylons, wires/conductors, transmission infrastructure parts made of steel, aluminium wires, copper wires, transformers, transformer oil, poles, underground cables and related accessories.

Umeme is the largest electricity distributor in Uganda, with a total of 1.6 million customers.