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KENYA BUDGET ANALYSIS 2021

ALLOCATION AND TAXATION POLICY MEASURES.

BUDGET 2021

National Treasury Cabinet Secretary Ukur Yatani

on Thursday, June 10, 2021 presented the 2021/22 financial year budget estimates before Parliament with Kenyans hard hit by the Covid-19 pandemic expecting some relief measures.

Government Spending Priorities Highlights

The budget's total programmed spending for the financial year 2021/2022 excluding redemptions amounted to Ksh. 3.03 Trillion.

Treasury CS Ukur Yattani has read out the Budget allocations for the financial year 2021/22, with the Teachers Service Commission (TSC) getting the lion's share of Ksh281.7 billion.

Spending priorities

1. Economic stimulus programme (includes Kazi Mtaani): Sh23 billion
2. Big Four Agenda -health, food security, affordable housing and manufacturing: Sh142.1 billion
3. SMEs to ease cash crunch: Sh1.9 billion
4. Dongo Kundu special economic zone, as well as Kenanie and Athi River industrial parks: Sh8.3 billion
5. Nairobi Metropolitan Service: Sh27.2 billion
6. Agriculture and Food Security: Sh1.97 billion
7. Recruitment of health care interns: Sh1.2 billion
8. Kenya Wildlife Services to engage community scouts: Sh1 billion
9. Construction of SGR Phase II (Nairobi Naivasha): Sh27.2 billion
10. Lapsset project: Sh7.5 billion

Education Sector

1. Free primary education: Sh12 billion
2. Competency-Based Curriculum: Sh1 billion
3. Hiring of teachers: Sh2.5 billion
4. Teacher Service Commission: Sh281.7 billion
5. Examinations: Sh4 billion to cater for examination fees waiver for the KCSE and KCPE candidates.

VACCINES:

Government sets aside KSh14.3 billion for the purchase of Covid-19 vaccines.

SMEs:

Government allocates an additional KSh 2 billion for the Credit Guarantee Scheme.

Tax Measures

The Ksh. 3.66 trillion budget, the highest in Kenya's history represents about a 9% increase from last year's Ksh. 3.36 trillion. The budget also unveiled amendments in taxation. Some were reliefs to taxpayers while others not favorable. With the ambitious tax revenue targets set by the Treasury in Yatani's second budget, the following tax measures are proposed;

Proposed Amendments to the Customs Duty Act.

It is important to note that these proposed measures were agreed during an EAC Partner states Pre-budget consultations held in the month of May 2021.
The aim for the proposed custom Duty measures and the amendments to the Finance Bill 2021 is to generate additional Ksh. 8.7 Billion Kenyan shillings in revenue.

The measures put in place are as follows.

1. It was noted with concern the **proliferation of cheap imports into the region**
2. Due to this, various measures have been put in place in order to protect locally manufactured products from unfair competition. The agreed measures under customs shall become effective from **1st July 2021.**
3. **Extension of the duty-free importation window for raw materials and inputs for manufacture of masks, sanitizers, ventilators and personal protective equipment remission for a further 1 year-** in order to sustain the fight against the Covid 19 Pandemic.
4. **Imported iron and steel products to continue attracting a duty rate of 25% with the corresponding specific rates for a further one year**. This is to protect the local manufacturing in the metal and allied subsector that is currently facing stiff completion from cheaper imports. This subsector has continued to generate job opportunities for the youth.
5. **Vegetable products including potatoes, peas, tomatoes among others to attract a duty rate of 30% for one year as we await the finalization of the review of the EAC Common External Tariff**. This is mainly to protect our farmers who have been working hard to produce enough food to satisfy demand in the region from cheaper imports.
6. **Extension of the duty free importation of inputs for the manufacture of baby diapers for a further 1 year**. This is meant to support Kenya's capacity to continue manufacturing these products locally, create jobs , nurture the growth of this industry, and also continue sustaining the smiles of babies,
7. **Retainment of the import duty on imported products for manufacture of leather and footwear products at 25%**- This is because Kenya has sufficient raw materials for manufacture of leather and footwear products but is currently facing stiff competition from imported products due to undervaluation, thereby discouraging investments in the sector.
8. **Extension of the applicable import duty on furniture at the rate of 35% for a further one year**. This is meant to discourage the stiff competition from imported finished products sometimes usually of low quality. The industry has continuously attracted local artisans who have been able to provide high quality products.
9. Extension of the duty-free window for importing inputs for the manufacture of roofing tiles under the Duty Remission Scheme for a further 1 year.- This is in order to give impetus to the affordable Housing Programme and facilitate availability of locally made roofing tiles at affordable prices.

Proposed Amendments to the Income Tax Act.

The proposed Amendments to the Income tax act have been aligned with international best practice, through introduction of provisions to prevent tax base erosion and profit shifting as well as restrict treaty benefits to curb tax evasion and avoidance.

The Proposed amendments are as follows;

1. **Expansion of the definition of the term "Permanent Establishment" to align the Income Tax Act with the international best practice.**
2. **Expansion of the scope of the digital service tax to include income derived through internet and electronic network.** It has been noted the current tax provisions in digital service tax do not cover all traders who use the digital service platform to transact their businesses.
3. **Alignment of the rate of withholding tax on service fees in the extractive industry with that withheld in respect of management and professional services under the same sector**. This amendment is meant to remove ambiguity and manipulation that result in leakage of tax revenue through recharacterization of income.
4. **Introduction of a 15% tax relief on the contributed amount, for NHIF Contributors-** In order to support the contributors and encourage more non-registered persons to join the Fund it being the largest medical cover for the majority of Kenyans.
5. **Amendments to the Income tax act where the law offers a tax rebate to Employers who offer internship programmes to a minimum of ten university graduates for a period of one year to now include internship for both Universities and TVET institutions**. These employers will be allowed to deduct, from their taxable income, an extra fifty percent (50%) out of the cost of the apprentice emoluments. This will create room for young graduates from the TVET institutions to gain practical experience to expand their employability.
6. **Replacement of the reducing balance method with the straight-line method, which provides definite timeline for the deductions.** It has been noted that with the reducing balance method, deductions rarely are exhausted. This replacement will provide certainty in taxation, ease tax administration and enhance compliance.
7. **Replacement of the current thin capitalization rule that is based on debt-to equity ratio with interest restrictions based on a ratio of earnings before interest, taxes, depreciation and amortization.** In addition, any interest paid in excess of 30% of a company's earnings before interest, taxes, depreciation and amortization will be disallowed in determination of taxable income. This amendment has come as a result where it has been noted that the current provisions on deductibility of interest allow some taxpayers to manipulate their balance sheets to reduce their tax liabilities.

Proposed Amendments to the VAT act

The following have been proposed to be vat exempt.

1. **Medicaments used in our health facilities including decongestants and food supplements.**-This is In order to strengthen our healthcare system, make the cost of medicines affordable for Kenyans, and step up the fight against COVID-19 Pandemic.
2. Diagnostic and laboratory reagents, artificial respirators including therapeutic respiration apparatus, breathing appliances, gas masks as well as medical equipment and technologies used in the provision of medical services.
3. **Inputs used in the manufacture of medical ventilators and breathing appliances**. This will help promote local manufacturing of pharmaceutical products and enhance access to these products that are essential in management of the COVID-19 complications.
4. **Goods for exclusive use in geothermal or oil exploration and mining prospecting**. This proposal is meant to promote exploration and mining activities in the country.
5. **Equipment for generation of solar and wind energy** –This is meant to boost Kenya's effort on green energy.
6. **Introduction of a transition clause for companies that had already signed power purchase agreements with the Government before April 2020,** to enable them continue benefiting from the VAT exemption in respect of taxable goods used in the projects. This transition will expire upon completion of the said projects.
7. **Asset transfer into the Real Estate Investment Trusts and Asset Backed Securities**. This will deepen our Capital Markets by encouraging investors to participate in Real Estate Investment Trusts.

Proposed Amendments to the Excise Duty Act.

1. Reintroduction of Excise duty on betting at the rate of 20% of the amount wagered.
2. **Introduction of excise duty on products containing nicotine or nicotine substitutes at a specific rate of Ksh 5.0 per gram**. This rate of excise duty is equivalent to the duty applicable to similar products under the Act.
3. Introduction of a rebate on the excise duty paid on internet data by a person who purchases the data in bulk for resale. This is mainly to support the growth of service industry particularly e-commerce,

Reintroduction of Excise duty on betting at the rate of 20% of the amount wagered.

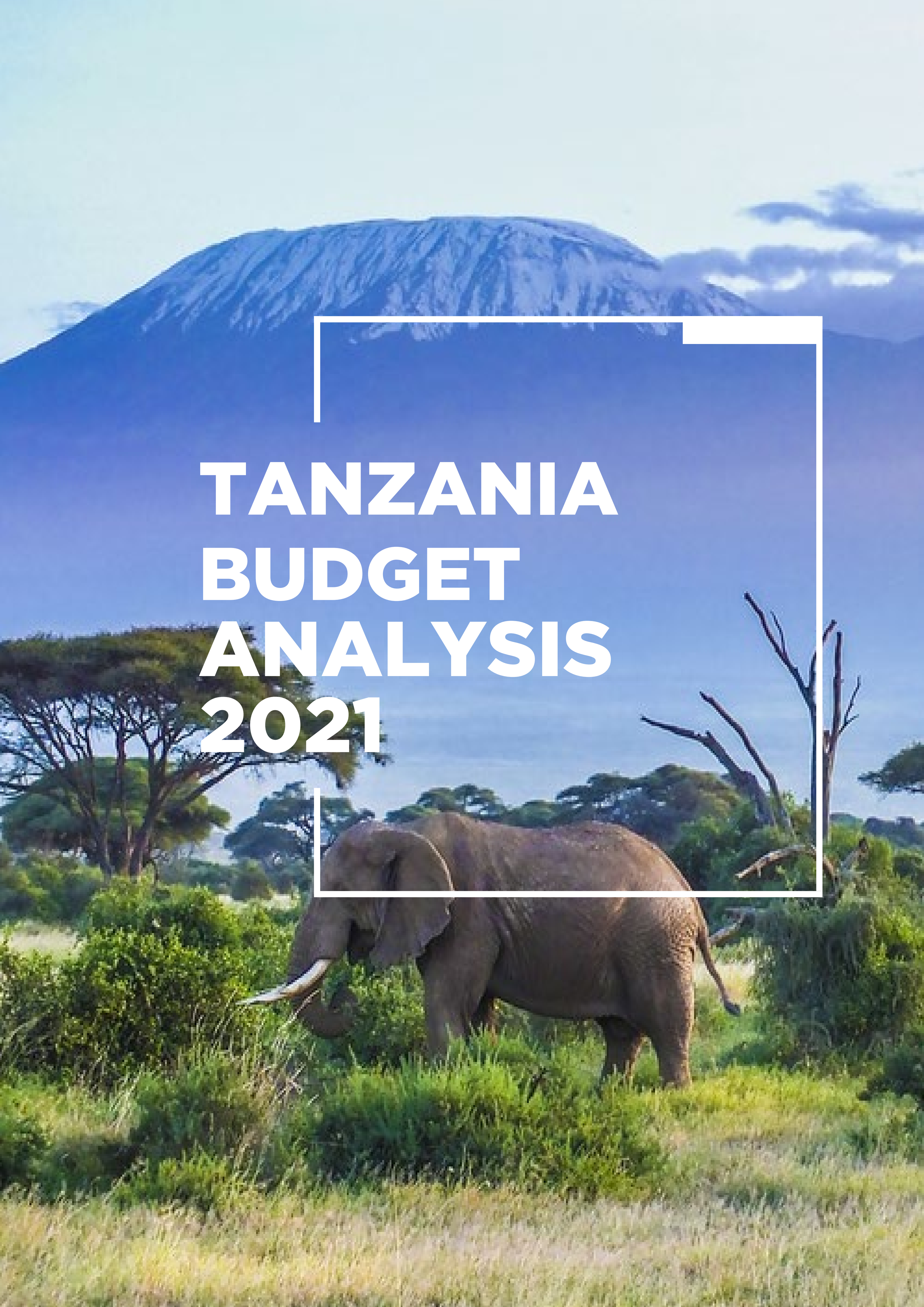
Kenya Revenue act propose a reward for any person who provide information leading to recovery or identification of unassessed taxes.

Proposed Amendments to the Tax Procedures Act

1. **Facilitation of the Implementation of the Multilateral Convention for Mutual Administrative Assistance in Tax Matters (MAC) with the Global Forum on Transparency and Exchange of Information on Tax Matters which was ratified on July 2020**. This Convention is meant to facilitate automatic exchange of tax information between the Kenya Revenue Authority and other jurisdictions. The convention will also enhance tax compliance by foreign taxpayers and act as deterrence to tax evasion and illicit financial flows.
2. Empowerment of the Kenya Revenue Authority to seek intervention of other Agencies to facilitate compliance with the provisions of the digital service tax.

Proposed Amendments to the Kenya Revenue Act.

1. **Increament of the maximum reward to a person who provides information leading to the identification of unassessed taxes from Ksh 100,000 to Ksh 500,000**. This will encourage receipt of voluntary information to Kenya Revenue Authority thereby bolstering tax compliance and revenue collection.
2. **Increament of the reward to a person who provides information leading to recovery from maximum of Ksh 2 million to Ksh 5 million.** This will encourage receipt of voluntary information to Kenya Revenue Authority thereby bolstering tax compliance and revenue collection.


TANZANIA
BUDGET
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2021

Tanzania Budget Highlights.

East African Finance ministers presented their national budgets in their respective parliaments for the fiscal year 2021/22 on 10th June 2021.

In Tanzania, the $15.59 billion (Tsh36.32 trillion) Budget was unveiled by the new Minister of Finance and Planning Dr Mwigulu Nchemba.

The Tanzanian Budget proposals were mainly based on priority areas mentioned in the speech by Her Excellency the President of the United Republic of Tanzania.

The Key priorities were as follows:

1. Maintenance of national values that is peace, unity and solidarity which are the core values of the development of the nation
2. Continuation of the implementation plan to improve business environment by reviewing policies, laws and various regulations in order to attract private sector investment and increase employment opportunities;
3. Improving tax collection and administration systems to simplify tax payments and widening the tax base, and continue strengthening parastatal operations to operate profitably, pay dividends and appropriate contribution to the Government.

Other priorities included.

1. Increasing productivity in agricultural, livestock and fishery products through improving access to capital by small scale farmers and investors from the financial institutions, including Tanzania Agricultural Development Bank and other banks
2. Improving irrigation, value addition and markets for agricultural produces
3. Promoting industrial investments specifically those utilizing domestic raw materials and labor intensive.
4. Continue with the curbing of mineral trafficking and promoting construction of mining refining and processing industries in order to increase contribution of mining sector in the GDP.
5. Improving transport, transportation and energy infrastructure, including roads, bridges, railways, marine, aviation, ports expansion and electricity generation, transmission and distribution.
6. Continue improving and enhancing

   provision of social services especially health, education and water; and strengthening cooperation with other countries, regional and international organizations.

TAX POLICIES

From the priorities Stated above, we note that taxation has been listed as one of the key areas whereby the Tanzanian Government intends to improve tax collection and administration systems to simplify tax payments and widening the tax base, and continue strengthening parastatal operations to operate profitably, pay dividends and appropriate contribution to the Government.

In Tanzania, the $15.59 billion (Tsh36.32 trillion) Budget was unveiled by the new Minister of Finance and Planning Dr Mwigulu Nchemba.

The proposed Amendments has covered the following Tax laws.

1. The Value Added Tax Act, CAP 148;
2. The Income Tax Act, CAP 332;
3. The Excise (Management and Tariff) Act, CAP 147;
4. The Tax Administration Act, CAP 438;
5. The Stamp Duty Act, CAP 189;
6. The Motor Vehicle (Tax Registration and Transfer) Act, CAP 124;

These amendments are intended among other things;

1. To promote economic recovery to the normal growth path after the impacts of COVID -19, meanwhile maintaining stability in tax system, which is predictable for conducive investment climate suitable for foreign direct investment as well as local. The reforms are expected to promote economic growth particularly in agriculture, industrial production, increase individual purchasing power and therefore, increase Government revenue.

Proposed Amendments to the VAT Act 2014, CAP 14

The following have been proposed to be Exempt, effective 1st July 2021.

1. **Cold rooms (HS Code 9406.10.10 and 9406.90.10)**. -The measure is intended to reduce production costs and promote modern horticultural farming in the country
2. **Imported precious metals and raw minerals**- The measure is intended to allow more importation of precious metals and raw minerals for refining and smelting by Local industries. This will increase employment and Government revenue;
3. **Insurance of livestock farming**- This measure is intended to promote livestock farming in addition to the crop insurance granted last year;
4. **Imported and Local Purchases of Goods and Services for East African Crude Oil Pipeline (EACOP)**. - This measure is intended to reduce operational cost of the pipeline project from Uganda through Tanzania to the port.
5. **Crude Oil under HS Code 2709.00.00.** - This measure is intended to provide relief to final consumer including relief to the operational costs of the EACOP;
6. **Artificial Grass with HS Code 5703.30.00 and 5703.20.00 for football pitches in City Councils**. -The exemption will be granted subject to approval by Tanzania Football Federation. This measure is intended to promote sports in the country;
7. **Contactless Smart Cards (HS Code 3921.11.90) and Card Consumables (HS Code 3921.11.90) for National Identification Authority**. - The measure is intended to reduce cost of producing National Identification cards;
8. **Imported or Local Purchases of Goods and Services by a Non-Governmental Organizations (NGO's) solely for implementation of project through an agreement with the Government of the United Republic that provides Value Added Tax exemption on the project;**
9. **Smart phones with HS Code 8517.12.00, Tablets with HS Code 8471.30.00 or 8517.12.00 and Modems with HS Code 8517.62.00 or 8517.69.00. -** The purpose of this measure is to promote usage of data services in the country in order to attain the target of 80 percent of users of in the country
10. **Aluminum and Stainless-steel Milk cans with HS Code 7310.29.90, 7310.10.00 and 7612.90.90**. The Government has also Abolished Value Added Tax exemption on cans intended for preserving milk with HS Code 7310.29.20 - The measure is intended to reduce production costs and promote modern dairy milk industry in the country;

Other Amendments to the VAT Act include;

1. **Abolishment of Value Added Tax exemption on cans intended for preserving milk with HS Code 7310.29.20** - The measure is intended to align the treatment with the EAC-CMA exemption, which aimed to exempt equipment for generation of solar energy, leaving out the distribution and transmission to the appliances that use energy. However, the measure is also intended to bring equality for users of all kinds of energy.

2. **Zero rating Value Added Tax on transportation services of Crude oil and all other related services attached in transportation of crude oil through the pipeline, which will be constructed under an intergovernmental agreement between the Government of Tanzania and Government of Uganda (EACOP). This is an international best practice on transit nations**.

3. **Limitation of Value Added Tax deferment on Capital Goods as specified under chapters 84, 85 and 90 of the EAC CET.-** This measure is intended to address abuse of incentives granted incentives due to lack of clarity.

4. **Change of manner in which VAT exemptions on Government and donor funded projects will be granted whereby beneficiaries shall submit requests for exemption directly to the Commissioner General of the Tanzania Revenue Authority instead of the current requirement of granting exemption through a Government Notice by the Minister for Finance**.- This proposal intends to simplify and enhance efficiency in the VAT exemption process by ensuring that VAT exemptions are processed and managed directly by TRA through its offices throughout the country.

5. **Restoration of VAT refund for goods purchased in Tanzania Mainland and utilized in Zanzibar by registered persons.**-Zero-rated VAT system for manufactured goods only resulted into Zanzibar traders who purchase goods with VAT in Tanzania Mainland being taxed again for the same goods in Zanzibar.

Zero rating Value Added Tax on transportation services of Crude oil and all other related services attached in transportation of crude oil through the pipeline

Proposed Amendments to the Income Tax Act CAP 332.

1. **Reduction of the minimum PAYE rate from 9 percent to 8 percent**. This measure aims at providing tax relief to employees. The measure will reduce Government revenue by Tsh 14,178.06 million but will improve workers welfare. The current rates and proposed rates are as indicated;

Current rates

Total Income	Rate payable
Where the total income does not exceed TShs. 3,240,000/=	Nill
Where the total income exceeds TShs.3,240,000/= but does not exceed TShs.6,240,000/=	9% of the amount exceeding TShs. 3,240,000/=
Where the total income exceeds TShs.6,240,000/= but does not exceed TShs. 9,120,000/=	TShs. 270,000/= plus 20% of the amount exceeding TShs. 6,240,000/=
Where the total income exceeds Shs.9,120,000/= but does not exceed TShs. 12,000,000/=	TSh. 846,000/= plus 25% of the amount exceeding TShs. 9,120,000/=
Where the total income exceeds TShs.12,000,000/=	TShs. 1,566,000/= plus 30% of the amount exceeding TShs. 12,000,000/=

Proposed rates

Total Income	Rate payable
Where the total income does not exceed TShs. 3,240,000/=	Nill
Where the total income exceeds TShs. 3,240,000/= but does not exceed TShs. 6,240,000/=	8% of the amount exceeding TShs. 3,240,000/=
Where the total income exceeds TShs. 6,240,000/= but does not exceed TShs. 9,120,000/=	TShs. 240,000/= plus 20% of the amount exceeding Shs. 6,240,000/=
Where the total income exceeds TShs. 9,120,000/= but does not exceed TShs. 12,000,000/=	TShs. 816,000/= plus 25% of the amount exceeding TShs. 9,120,000/=

1. **Exempt Income Tax on interest income derived from Government bonds.** The Government exempted Income Tax on interest derived by a person from Treasury bonds of not less than three years' maturity for the fiscal year 2002/03 only. This measure is intended to extend the exemption in order to promote investment in treasury bonds meanwhile financing government projects.
2. **Reinstate power of the Minister to grant income tax exemption**. With a view to streamline process of exempting development projects funded by Government on specific projects, grants and concessional loans, I propose to reinstate power of the Minister to grant income tax exemption without a requirement for approval by the Cabinet on implementation of such projects, provided that there should be an agreement between the donor or lender with the Government of the United Republic which provides for income tax exemption;
3. **Introduce a non-final withholding tax of 2 percent on payments** which are made to suppliers of agro-products, livestock and fisheries when supplied to processing industries, millers and other Government Agencies. Currently, only Government Institutions such as NFRA, withhold 2 percent on payments as a non-final withholding tax to withholdees. However, this measure will not apply to small farmers and sales to Agricultural Marketing Cooperatives Societies (AMCOS). This measure is expected to increase Government revenue by Tanzanian Shillings 43,954.2 million;

SMALL MINING OPERATIONS

Introduce special income tax at a rate of 3% of the sale value of the minerals.

4. **Depreciation costs.** Amend the Income Tax Act, in order to enable depreciation costs calculation at a rate of 5% on the cost of assets under the East African Crude Oil Pipeline (EACOP). This measure is intended to harmonize the depreciation cost with the lifetime of the respective crude oil pipeline in accordance with the agreement signed between the Governments of Uganda and Tanzania;
5. **Introduction of taxation of individuals engaged in small mining operations whose annual turnover does not exceed Tanzania shillings 100 million per annum** as follows;

   a. Establish time of payment of income tax for individuals engaged in small scale mining operations to be the time when selling minerals as opposed to the current regular installment arrangement which oblige them to pay tax regardless of the cash flows;

   b. Create an obligation for individual employers engaged in small scale mining operations to withhold tax at the time of selling minerals and payment of royalty as established by the Mining Commission;

   c. Establish the time of payment of withholding tax on payments from persons engaged in small scale mining operations to be the time of selling minerals and payment of royalty at the mining area, mineral buying stations or at mineral and gem Houses designated by the Mining Commission under the Mining Act;

   d. Amend paragraph 4(a) (iii) of the First Schedule in order to introduce income tax at the rate of 0.6 percent of the sale value of the minerals. The payment shall be deemed as PAYE from employment income of an employee to an individual in a small scale mining operations at the time of selling minerals and payment of royalty at buying stations or at Mineral and Gem Houses designated by the Mining Commission.

Proposed amendments to the Excise Duty Act. CAP 147.

1. **Reduction of Excise duty rate for beer made from locally grown and malted barley from Tanzanian Shillings 765 per litre to Tanzanian Shillings 620 per litre -** The aim of this measure is to promote use of locally grown barley in manufacturing of beer and create employment.
2. **Introduction of Excise duty of 10 percent on imported and locally produced synthetic (plastic) fibres (Heading 55.11 and 56.07) except fishing twine (HS Code 5607.50.00**). This measure aims to promote Local manufacturing of sisal products and protecting environment and is also expected to increase Government revenue by Tanzanian Shillings 2,644 million.
3. **Introduction of an excise duty rate of 10 percent on imported used Motorcycles aged more than 3 years (HS Code 8711).** The objective of introducing excise duty on these products is to discourage importation of used Motor Cycle and controlling anti-dumping. This measure is expected to increase Government revenue by Tanzanian Shillings 263.7 million**.**

The Excise Duty measures on non-petroleum products altogether are expected to increase Government revenue **by Tanzanian Shilling 2,907.7 million**.

Proposed Amendments to the Tax Administration Act CAP 418.

1. **Deletion of section 92A in order to allow the court of law to collect and account for revenue emanating from fines and penalties due to ruling of tax offences by the Courts instead of the previous arrangement where the dues were collected by the Tanzania Revenue Authority**. - The objective of this measure is to facilitate collection and accounting of such revenues in the manner other offences' ruling are implemented;
2. **Deletion of Section 70 (2)** in order to give the Commissioner General of TRA power to implement the provision of the Law relating to remission of interest and penalties, and enhance efficiency and effectiveness in the determination of such applications.
3. **Removal of the 100% penalty of sales adjusted for failure to comply with the requirements of the law**. The objective of this measure is to relieve taxpayers with the heavy burden of the penalty with a view to improve the business environment and promote investment in the country.
4. Proposed Amendments to the Stamp duty Act, CAP 189

The aim of the Stamp duty amendments is to update the current Stamp Duty rates with the current Economy.

The amendments are as follows:

a. Increase of Stamp duty rate on Memorandum and Articles of Association from Tanzanian Shillings 5,000 to Tanzanian Shillings 10,000.

b. Increase of Stamp duty rate on Partnership Instruments whose capital exceeds Tanzanian Shillings 100,000 but does not exceeding Tanzanian Shillings 1,000,000 from Tanzanian Shillings 2,000 to Tanzanian Shillings 5,000.

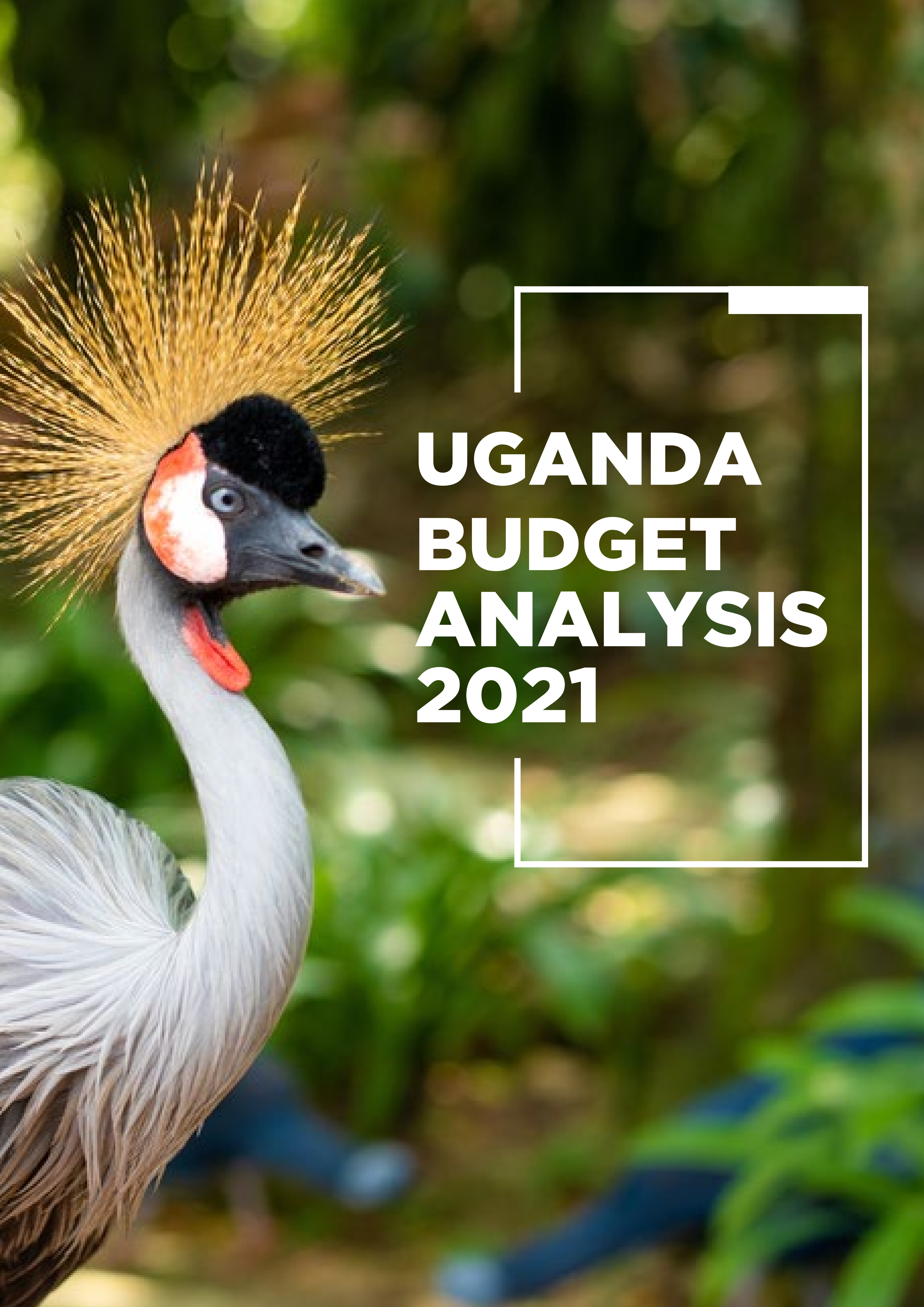
c. Increase of Stamp duty rate on Partnerships whose capital exceeds Tanzanian Shillings 1,000,000 from Tanzanian Shillings 5,000 to Tanzanian Shillings 10,000.

d. Increase of Stamp duty rate for instruments of dissolution of Partnerships from Tanzanian Shillings 1,000 to Tanzanian Shillings 10,000.

These Stamp duty measures altogether are expected to generate Government revenue by Tanzanian Shillings **2,500.89 million.**

Proposed Amendments to the Motor Vehicle (Tax Registration and Transfer) Act, CAP 124

1. **Reduction of Personalized Plate Number Registration fee from TZS 10,000,000 to 5,000,000 for every three years**. - This measure aims at enabling individuals to opt their preferred personalized registration at low cost as the current rate received a very low response.



UGANDA BUDGET ANALYSIS 2021

Uganda's Budget Highlights.

MP Amos Lugoloobi, the newly appointed Minister of State for Planning, on 10th June,2021 read the Uganda Budget for FY 2021/22 on behalf of the President.

In the budget for 2021/2022 sector allocations, Defense took Ushs 3.4 trillion, Uganda National Roads Authority Ushs 3.1 trillion, Ministry of Health Shs1.4 trillion , Ministry of Gender Labor and Social Development shs1 trillion and Ministry of Agriculture Ushs 500 billion.

1. Access to affordable medium-to-long term capital is key to boosting business. Uganda Development Bank capitalized with an additional Ushs. 103 billion in financial year 2021/22
2. Innovation and technological development Ushs. 358.5 billion.
3. Agro industrialization initiatives Ushs 1.67 Trillion.
4. Mineral development interventions Ushs. 49 Billion.
5. Development of the integrated transport infrastructure and related services Ushs. 5.1 Trillion. Development of energy infrastructure and services Ushs. 1.1 Trillion.
6. Digitization of the economy Ushs. 134.9 billion
7. Procurement of vaccines Ushs. 560 billion
8. Rural water and Ushs. 523.4 billion for urban water Ushs.124.9 billion.
9. Peace and security projects Ushs. 6.9 Trillion
10. The Judiciary Ushs. 376.9 billion.

TAX POLICIES

To achieve the above revenue target and ensure sustainable revenue collection, the Government will, effective 1 July 2021, implement revenue generating measures, which were approved by Parliament. These measures were approved while taking into account the need to foster economic recovery and welfare of citizens but at the same time ensure service delivery.

Uganda Revenue Authority will implement them in addition to tax administration reforms. The tax policy measures are expected to generate Ushs. 460.61 billion, while tax administration measures are expected to generate Ushs. 799 billion. The tax policy measures are as follows.

Income Tax

Corporation Tax

a. Reduction of depreciation rates for automobiles (buses, mini-buses, specialized trucks, trailers and trailor-mounted containers).
b. Discontinue concurrent deduction of initial allowances and depreciation in the first year of use of the qualifying assets.
c. For Capital Gains Tax, provide for inflation indexing.

Rental income Tax

a. Harmonize the tax regime for rental income derived by individuals and non-individuals with that of individuals with cap of 60% on expenses.

1. Excise Duty

a. Reduction of Excise duty on opaque beer to 30% or UShs. 230 per litre whichever is higher. Also, introduction of excise duty of 30% or UShs. 230 per litre whichever is higher on any other value alcoholic beverages (alcoholic kombuchas, mukama nayamba, kituzi, kazire etc).

b. Introduction of excise duty of 60% or UGX 950 per litre whichever is higher on all other fermented beverages including cider, Perry, mead, spear, near beer.

c. Replacing excise duty of 120% or Ushs. 10000 per kg of plastic bags with an excise duty of 5% or USD 100 per kg tonne on local and imported plastic granules and all other plastics.

d. Introducing a harmonized excise duty rate of 12% on airtime VAS and internet data – However, scrap of excise tax on OTT.

BUDGET ALLOCATION FOR COVID-19 VACCINATION

Procurement of vaccines Shs. 560 billion

2. Value added tax

a. Removal of vat exemption on the supply of all production inputs into limestone mining and processing into clinker in Uganda and the supply of clinker for further value addition in Uganda.

3. Custom and NTR

a. Introduction of export levy of UGX 70000 per kg on fish maws.

b. Grant Uganda a stay of application of the EAC CET and apply a rate of 35% or USD 3 per Kg of textiles (import duty)

c. Levy on processed and unprocessed tobacco leaf.

d. Impose import duty of 10% on CPO of Sub-heading 1511.10.00

e. Increase infirs registration fees for all motor cycles and motor vehicles. Also, introduction of compulsory annual licensing of all motor vehicles – Ushs. 50,000

f. Impose export levy of USD 200 per kg of 99.9% refined gold and 2% on other gold export

g. Increase in revenues from URBRA

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