PARLIAMENT OF UGANDA

PARLIAMENTARY DEBATES

(HANSARD)

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THIRD SESSION - THIRD MEETING

THURSDAY, 6 MAY 2024

IN THE PARLIAMENT OF UGANDA

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THIRD SESSION - 33RD SITTING - THIRD MEETING

Monday, 6 May 2024

Parliament met at 10.00 a.m. in Parliament House, Kampala

PRAYERS

(The Speaker, Ms Anita Among, in the Chair.)

The House was called to order.

COMMUNICATION FROM THE CHAIR

THE SPEAKER: Honourable members, I want to welcome you to this morning's meeting. You recall that last Friday, we stood over the consideration of the tax Bills and revenue, pending realignment and an addendum to the Certificate of Financial Implication that was given which is in conformity with Section 76 of the Public Finance Management Act, 2015. I will require an update from the minister on that and he will bring the document.

Honourable members, on 3 May 2024, Uganda National Roads Authority (UNRA) issued a public notice on the deterioration of Karuma Bridge. Effective today, access to the bridge will be restricted to only passenger vehicles carrying about 28 people. Alternative routes have been provided so as not to affect the road users. You know what that comes with? Cost implications, delays etcetera. So, I urge UNRA to expedite the repairs.

Honourable members, a few weeks ago, we talked about the disaster that is happening in most of the areas. It is worse in Kenya; we condole with our brothers and sisters in Kenya on what is happening. Otherwise, the same is likely to spill over. Therefore, I would like to ask the Minister, Office of the Prime Minister (Relief, Disaster Preparedness and Refugees) to give us information on what action has been taken especially on areas that were talked about last week.

I was a little mean by mentioning my own constituency, but we will get a feedback from the minister on how far she has gone with it and how ready we are, as Ugandans. Since it is happening in Kenya, Tanzania and everywhere, I would like to know, how ready are we as Ugandans to mitigate the disaster that is happening in the country? How are we going to handle it?

This is a very serious matter. It is not a joking matter this time around. We need to take action. Thank you.

The Leader of the Opposition, are you responding to my communication? Leader of the Opposition, allow your two troops to first speak then you will come.

10.05

MR PAULSON LUTTAMGUZI (DP, Nakaseke South County, Nakaseke): Thank you, Madam Speaker-

THE SPEAKER: Sorry for calling you troops, but allow the two Members of Parliament. -

MR LUTTAMAGUZI: Of course, we are. *(Laughter)*Madam Speaker, you have talked about the broken Karuma bridge-

THE SPEAKER: It is actually a cracked bridge…

MR LUTTAMAGUZI: In the same vein, we have a bridge on River Mayanja that connects Nakaseke to Mityana, but it has already curved in and vehicles are no longer using it.

Madam Speaker, UNRA should also consider the people of Nakaseke. Thank you.

THE SPEAKER: Thank you. Hon. Allan -

MR MAYANJA: Thank you, Madam Speaker, for the opportunity. I would like to raise a procedural matter.

Madam Speaker, I expected you to give a comment on the activity of national census which will begin in three days. I thought that the minister responsible for that activity could give us an update because most Ugandans are not aware of the activity yet, it is very important specifically to Parliament since it will help us to budget for the Ugandan population.

Madam Speaker, I thought you would allow the minister to give us an update because the agency for the national census has not advised. Otherwise, most Ugandans are not aware of the 150 questions which are going to be asked to them and they are not yet prepared. Thank you.

THE SPEAKER: Thank you. Government, you will need to give an update on that. Hon. Wakayima and Hon. Richard.

10.07

MR HANNINGTON WAKAYIMA (NUP, Nansana Municipality, Wakiso): Thank you, Madam Speaker. Madam Speaker, as UNRA has considered working on Karuma Bridge, there are many bridges that have collapsed.

The new bridge on Masaka Road collapsed and it is the old one functioning. So, we need to go deep –

THE SPEAKER: The workmanship.

MR WAKAYIMA: …the workmanship - those who make the bridge should be technical enough so that what they do is good and can last a long time. Thank you.

THE SPEAKER: Thank you. Hon. Richard.

10.08

MR RICHARD LUMU (DP, Mityana County South, Mityana): Thank you Madam Speaker, for the opportunity. I hope this microphone cable is long enough because when I try to pull it, it is not moving.

I would like to add onto what Hon. Luttamaguzi has just submitted. The road he talked about comes all the way from Kanoni, Mityana, Busunju and then to that bridge.

The bridge on Mukiragwe is caved in. The bridge on Kokatimba on the same road is not there. What is the problem on these bridges? The problem is the heavy traffic coupled with heavy rains.

As I talk, on Sunday, I was there, but all the trucks cannot pass and there is no alternative road. Even the alternative roads have been broken by the heavy trucks.

I wrote to UNRWA and the answer they gave me is that right now, they do not have culverts to repair those areas. Madam Speaker, you urged UNRA to expedite working on Karuma, but these roads are also important as important as Karuma. I think that UNRA should come out right now and repair these roads. Thank you.

THE SPEAKER: Thank you.

10.10

MR JONATHAN ODUR (UPC, Erute County South, Lira): Madam Speaker, thank you. On your communication about Karuma, I would like the Government to provide a reliable ferry as an alternative from the Masindi Port to Kungu –

THE SPEAKER: To Kungu.

MR ODUR: Because the ferry that has been there in the past is not reliable and it has very limited carrying capacity. With the increase in traffic, especially of heavy trucks and passenger vehicles - that ferry is not working - if possible an emergency ferry can be got from somewhere else and taken to that place.

Secondly, there is something that the Government overlooked as they were constructing the new dam at Karuma. There is reasonable suspicion that it should be subjected to studies. The feasibility study of that dam did not consider the impact on the bridge itself. The bridge deteriorated faster than anticipated. While this was brought to the attention of the Government in the 10th Parliament, no action has been taken since then.

This stoppage has come abruptly and it has disorganised the communities across. I know that the impact will eventually be that goods and services will be more expensive to the people and trade will be limited. I do not know how, in this struggling economy, that will affect the people crossing the Nile.

The most feasible solution would be the commitment that the ferry is repaired urgently and another one is added, where possible even the time frame because these ferries operate from 7.00 a.m. to 7.00 p.m. If possible both the frequency and the time should be enlarged. Thank you, Madam Speaker.

THE SPEAKER: Thank you. Honourable Government Chief Whip, you will need to take that up seriously because you may not be able to reach Agure – Hon. Ojara?

10.12

MR MARTIN OJARA (Independent, Bardege-Layibi Division, Gulu City): Thank you, Madam Speaker, especially for your communication as far as Karuma Bridge is concerned.

There are two things: one, last year when I raised this matter, Gen. Katumba Wamala made a commitment that the Government would embark on carrying out an assessment and doing a design for a new bridge. Madam Speaker, as they have embarked on rectifying the defects that they have detected, it would be good for us to understand from Gen. Katumba Wamala how they have gone in designing the new bridge. Can we get to know when they will start working on the new bridge because what they are doing is a temporary measure?

Two, last year when we went - there was an event next to Karuma Dam where the Government put in resources to extend clean water from the Nile to Gulu. When we went for the commissioning, we got to know that there is a bridge that was built as part of the Hydropower Project that connects to the other side of the Nile. I would like to know because as I speak, UNRA has provided an alternative route for heavy trucks and buses that puts an additional burden on road users of over 100 kilometres.

The question I am putting to the Government is whether the bridge that was built as part of the hydropower project can be used as an alternative route to reduce the burden on road users. I would like to understand from the Minister of Works and Transport the strength of that bridge and whether it can be used as an alternative.

From what I see, much as UNRA is saying that heavy trucks will use the other road, there is a possibility from the magnitude of the work that even light vehicles will have to take an alternative route. Wouldn’t it be okay for us to understand whether the other bridge can be used as well? Thank you.

THE SPEAKER: Thank you. Hon. Ababiku, the Chairperson of the Committee on Presidential Affairs, and then I will come here. Honourable members –I would like the public to see what we are going to do today on taxation; to raise money for financing a budget which will be used for building hospitals, the roads that we are talking about and all those kinds of things.

However, we voted 529 Members of Parliament here and they are not here. Honourable members, I request whoever is entering to check in so that the people out there know which people are in this House to legislate for them. Yes, Hon. Ababiku?

10.16

MS JESCA ABABIKU (NRM, Woman Representative, Adjumani): Thank you, Madam Speaker –

THE SPEAKER: There is a procedural matter.

MR SSEMUJJU: Madam Speaker, in most of the campaigns I attended, the Chairman of the National Resistance Movement (NRM), Mr Yoweri Tibuhaburwa has consistently said that NRM Members of Parliament (MPs) are voting machines; he said that even if they come here and sleep, but wake up to vote - the procedural issue that I am raising is if he did not make you aware that his MPs are for purposes of voting such that if you are on the voting stage, they can pick *boda bodas* and run here and vote.

THE SPEAKER: I have never heard that from the President so I am happy to hear it from you today that they are voting machines. All we need is attendance in the House. They are voted to come and do representation, legislation and appropriation in the House. How come you are in the House every day? I have never seen you missing the House. *(Laughter)*

MR SSEMUJJU: Madam Speaker, I am not a voting machine. That is why I must stay here and process before voting, but the chairman of their party said –

THE SPEAKER: Honourable members, I want members in the House whether they come and vote, sleep or whichever, I want them in the House. Hon. Ababiku?

MS ABABIKU: Thank you, Madam Speaker, for the opportunity. We are so grateful that the Government is going to work on that bridge because it is life-threatening. However, we would love that the Minister of Works and Transport brings a statement on what exactly is going to be done.

Yesterday, I crossed the bridge because I travelled from Adjumani. We were kept there for more than one hour and no one gave us adequate information on what was being done. This question is being asked daily. If the minister could come here and give us the update that would be okay.

Madam Speaker -

THE SPEAKER: I saw the minister at the locus. He is in that area, but one can come and give us a statement when we resume the House.

MS ABABIKU: Thank you. Secondly, Madam Speaker, one of the alternative routes we are thinking about is via Masindi where we have our park. The last time I crossed via that we were charged per person, all four of us in my car were charged. Now that our buses may also be crossing, we would like to know whether those charges will remain because we are passing via a tourism route where we are normally charged per person. Yes, information?

MR NSAMBA: Thank you, honourable.

THE SPEAKER: My chairperson?

MR NSAMBA: Madam Speaker, I read an advert by Uganda Wildlife Authority (UWA) where they communicated information to do with vehicles that are going to pass through the park. What touched me most was the fact that they limited the time.

They said that vehicles must pass there only during the day. Most of the heavy vehicles normally travel at night. I think it is going to increase the cost further if vehicles cannot travel within the time that has been- they normally move because they said from 7.00 am to 7.00 pm. That implies, at night goods vehicles and buses cannot move during that night. That is the information I need to give you.

MS ABABIKU: Thank you, Madam Speaker. I will propose that the issues of the cost to be incurred be part of the brief being brought by the minister. That will help us explain to our companies because this is all going to affect the population, not only in the north, but in the neighbourhood that is in South Sudan. Thank you.

THE SPEAKER: The transporter should not take advantage of this kind of scenario because it is not created by anybody. Increasing costs will not be the best thing for our people. In addition to what Hon. Patrick has said, that it is going to increase the cost, that should be avoided. Uganda National Roads Authority (UNRA) should do its work as fast as possible to ensure that we restore the bridge. Dr Bhoka then Hon. David-

10.22

MR GEORGE BHOKA (NRM, Obongi County, Obongi): Thank you so much, Madam Speaker. I thank you for the concern you have shown for the people in the north and West Nile who are affected by the close or the restrictions on the use of the bridge. I have two key issues that I would like to observe. We thank you for the guidelines that have been provided, but there are two issues that the people of West Nile and the northern region are uncomfortable with.

The first is the restrictions on the travel hours from 7.00 am to 7.00 pm.

The second is the issue of the escalation of the travel charges, especially by the buses. For example, the proposed bus fare for Obongi to Kampala is going to double from Shs 50,000 to Shs 100,000 which is very prohibitive.

Madam Speaker, the other issue is related to a time bomb we are sitting on, which is the Pakwach Bridge that recurrently, in every year, has been cut off. As we speak, there are already fears that as the rains intensify, the bridge is going to be cut off. That means the people of West Nile are going to be cut off.

The Laropi Bridge would have been an alternative gateway to West Nile. Madam Speaker, this Parliament passed a loan from the African Development Bank in the 10^{th} Parliament; to date, the people of West Nile have not gotten an update on what is happening. Where is the money? When is the bridge construction project on Laropi Bridge starting? We pray, that when the minister comes with an update, will be able to talk about the status of procurement of works for the construction of Laropi Bridge as an alternative gateway to West Nile. I submit.

THE SPEAKER: Thank you. Hon. David, Afidra -

10.24

MR DAVID LAGEN (NRM, Agago County, Agago): Thank you so much, Madam Speaker. Regarding your communication on the Karuma Bridge.

THE SPEAKER: You are all Davids. Hon. Lagen.

MR LAGEN: Indeed, I pass via the bridge, and it is very risky. I would think that the Government needs to divert all the roads. They should not leave only the small car to pass via there, because you do not know the magnitude of the cracks. That is why we need the minister to come and explain to us the magnitude of the cracks for us to be safe.

Otherwise, we are risking the lives of the passengers passing there, and that will be a very big shock to the country.

Madam Speaker, two, I have a sub-county which has been cut off by the river. The community is not able to access the medical services. Children are not able to access the school. When counsellors are going to a council meeting, they have to swim.

It is very difficult for them to cross because the road has been blocked and that place needs a real bridge. Women are not able to access the markets, and so this has become a very big problem. The Government needs to do an assessment thoroughly. I wrote a letter to the ministry. Up to now, I have not got feedback. I thank you.

THE SPEAKER: Thank you.

Hon. Afidra - but the issue Hon. Odur raised on getting another ferry and increasing on what is there and the timing is very important because it will help us for people going to Lango region, even Acholi. You just go, when you reach Kungu, you now branch back to the main road and go to Kamdini and continue to Gulu. From Kamdini you can also go to Western Nile.

That would be one of the best solutions, so that you are not limited because you are interfering with the animals. They are telling you 7.00 am to 7.00 pm, do not move in the night. It is for your safety. You are interfering with animal rights. Yes, Hon. Afidra -

10.27

MR RONALD AFIDRA (NRM, Lower Madi County, Madi-Okollo): Thank you, Madam Speaker. I again rise on your communication regarding the upcoming weather conditions that are within this country. We are going to be faced with, the harsh rains and the Karuma Bridge reconstruction. Allow me to make these three observations.

One, Karuma Bridge and Park are the routes to West Nile, which I use very often. Indeed, at this point, I want to give thanks to the Government, that our Government in the few years comes up with alternatives as far as the bridge infrastructure in this country is concerned.

If the ministry now decides that Karuma is stopped for large vehicles and an alternative goes through the park, this is coming from the fact that a new bridge has just been constructed across the River Nile, that is in Para. We are glad that this has been opened.

However, Madam Speaker, as alluded to earlier on, the Pakwach Bridge connection to Gulu will be faced with these heavy rains once the River Tangi floods again. Why am I saying so? The junction between entry to Nwoya Road going to Gulu will automatically be cut off. We have experienced this earlier on before, and the work done on Nwoya Road is not as to the quality expected when these rains come. My fear is, will the people of Gulu not be cut off if this alternative route is used for them if the rains come?

The second issue is; I am grateful to the bus companies we have in the Northern region. The fares I would cite; Nile Star has not increased in fares to use the alternative route. This is crucial for us and I want to urge the bus companies within that they should not take advantage of this calamity that has befallen Karuma so that the travellers can be able to travel through very well.

The last one is, Madam Speaker -*(Member timed out.)*

THE SPEAKER: Thank you. Honourable members, let us not repeat what has been said, because we are now just going around and within. Yes, Hon. Faith, Hon. Dan, Hon. David I am coming-

10.29

MS FAITH NAKUT (NRM, Woman Representative, Napak): I thank you. I will not repeat what has been said. The issue of the heavy rains is cutting across and those who are not prepared for these heavy rains will indeed suffer the consequences. We might see even more serious issues than the bridges we are talking about. Already, some gardens are being flooded and there will be a disaster in terms of crop failure in the short term. Therefore, we need to prepare.

THE SPEAKER: Food security.

MS NAKUT: Yes. We need to prepare for these disasters.

Madam Speaker, I wish to remind you, that last year, the former Minister of State for Disaster Preparedness told this House in a statement that the Cabinet was reviewing a disaster plan. Can we know how far the disaster preparedness plan has come? This is because preparing for a disaster is more important than responding. It is costly to respond. Now we have to spare money for bridges, for giving people food, for doing everything. Can we plan? Can we know the stage at which that disaster plan has reached; is it at the level of Cabinet? Is it now ready to be used?

THE SPEAKER: Thank you. The gardens are swept off. We are going to have a food shortage. The houses are swept off and people have nowhere to stay. The cows and human beings are being swept off and they have died. The roads are impassable. I cannot personally reach my home where I do not need a visa to go.

10.13

MR DAN KIMOSHO (NRM, Kazo County, Kazo): Thank you, Madam Speaker. I have two issues. One, the issue of bridges, and then the issue raised by Hon. Jonathan. This comes in at the right time of budgeting. I think it is very important that we ring-fence this money, specifically for ferries, if we want to solve this matter. Then subsequently hold the people responsible to have these ferries within a specific time. That would address our issue.

The issue of climate change is real, world over. I have been following what happened in Dubai and the other parts of the world that affected almost everyone equally. Passengers all over the world are coming to stand still. And we are not an exception as a country. Accordingly, we must respond to those challenges.

I would like to propose that the Ministry for Relief, Disaster Preparedness and Refugees be given a vote, an independent vote, from the general vote of the Prime Minister's Office. This would give us specific attention to hold them accountable and scrutinise their planning processes and how they intend to respond to the situations that happen in this country.

I worry that if we leave it lump-summed in the Prime Minister's Office, it becomes amorphous as it has been. And subsequently, even when they want to respond, like they have been doing, they do not respond with the speed and the magnitude of the challenges that we and our people face.

Therefore, it is my humble prayer that we consider making that ministry a self-accounting entity with an accounting officer that we can hold accountable to a smaller size of work and then we are able to follow up as Parliament, but also as a country. Thank you very much, Madam Speaker.

THE SPEAKER: Thank you. This is so that we do not continue relying on the main vote.

10.34

MR ENOS ASIIMWE (NRM, Kabula County, Lyantonde): Thank you, Madam Speaker. With all the discussion that has been made, my simple request through you, is why can't we task the Rt Hon. Prime Minister to coordinate her ministries? The one in charge of the environment, to give us an update on the weather forecast; coordinate the Ministry of Finance to tell us the status of our Contingency Fund just in case the weather continues in the way it is *–(Interruption)*

THE SPEAKER: Can we have the shadow minister? She is more knowledgeable in that matter. *(Laughter)* Very knowledgeable and passionate about the environment.

MS KAAYA: Thank you for giving way. Madam Speaker, the forecast is already with us. It has been projected that it is going to rain up to the end of June. Now, the preparedness that we want the Government to come to – that is why we were refusing the money allocated to Mr Magoola.

The money that would address the disasters currently, is the preparedness we are looking out for. What we can do now is rainwater harvesting and preparedness in that. Everybody to prepare where to store this water.

The other one is the de-silting of dams and rivers. That is the preparedness we want now. All tractors should be seen.

THE SPEAKER: Are you listening here, Enos?

MS KAAYA: Excavators should be seen now to desilt dams and all water channels where all these drainages go, especially around the lake shore.

Then the other one is resilience. Whoever is constructing any road – we have just been given the balance of Shs 500 million on the Road Fund. Every construction should be cognizant of climate change and the supervisor should be able to show us how what they are constructing is resilient to flooding.

Otherwise, we wish all of us well. The rains are going to come till the end of June. Thank you. *(Applause)*

THE SPEAKER: Thank you. Yes, have you got the information?

MR ENOS ASIIMWE: No, Madam Speaker. Thank you very much, the alternate minister. My actual argument was that we should put the Rt. Hon. Prime Minister to task to tell us how ready or prepared the Government is to counter what she is telling us.

THE SPEAKER: It is not ready because –

MR ENOS ASIIMWE: How best can we put them to task?

THE SPEAKER: Listen, it is not ready. My people would not be sleeping out. We do not have a place to stay. To show you that it is not ready, you ask the chairperson of the Committee on Infrastructure. We are building in trenches, not even wetlands, trenches; how ready are we? If you can build somewhere that even a blind person can see that this is a trench, and you put a house or a mall in that trench, then how ready are we?

10.37

MR LAWRENCE SONGA (NRM, Ora County Zombo): Thank you, Madam Speaker. We have spoken about the issue of floods in Uganda for a very long time in this House. My experience from the 10th Parliament up to date –

THE SPEAKER: I want a report about people building in trenches.

MR SONGA: My experience from the 10th Parliament up to now is that whenever we enter the rainy season, we talk about issues of floods, climate change, and disasters. But when the money comes, we forget about allocating money for addressing those disasters.

The last time the level of Lake Victoria rose to 14.3 metres was in 1964, and we have attained it this year again. The level is the same. Between the level of Lake Victoria to the highest peak in Kampala is only 124 metres. What is helping us here is that we have wetlands in the Port Bell area, and Luzira area, that are preventing the water from coming this way.

I stated in this House that we need disaster preparedness. If this Parliament House is flooding because of rainwater. We block the rainwater. If your compound is getting flooded because of water from the roadside, you block it. That is disaster preparedness. Do not wait for disasters.

I asked in this House that, "For how long are we going to buy blankets, saucepans, rice, and *mabaati* to stop disasters? The best thing we need to do is to allocate money to the Office of the Prime Minister, especially the Ministry for Disaster Preparedness.

If you look at the budget now, you have forgotten to allocate enough money for the Climate Change Department. These are the people who should be working to prevent disasters in this country. Thank you very much.

THE SPEAKER: Hon. Kateshumbwa, Hon. Obua, Professor and Hon. David.

10.39

MR DICKSONS KATESHUMBWA (NRM, Sheema Municipality, Sheema): Madam Speaker, we have discussed, but we need to come up with a clear recommendation to the Government, to take clear actions on the matter. For example, we have talked about the bridge; the issue of a ferry is very critical, but the costs are going to go up. I have talked to a few business people who do exports to South Sudan. Going through the national park, and being charged when it is a longer distance, will result into high cost of doing business. So, the

Government should pronounce itself and waive off those costs so that people are not charged.

Secondly, the ministry in charge of roads; we really need answers. We have talked about disasters, but this morning I received a call from one of the airlines that flies to Kisoro District. We appropriated money for that airstrip to be rehabilitated. It has been closed. We are entering into the high tourism season, but the airstrip cannot function. We do not have timelines for people.

Finally, before I take information, we have talked about flooding. Madam Speaker, if you go to the shores of Lake Victoria, after it has rained, you will be shocked to see the number of plastics that come down to the lake. I agree with Hon. Christine on the desilting, but there is an issue of plastics in this country which block the drainage systems. When you go to the lakeside, you can see that we are messing ourselves up, and something needs to be done in respect to the aspect of the environment. I can take the information.

THE SPEAKER: Hon. Bua –

10.42

MR JULIUS ACON (NRM, Otuke East County, Otuke): Thank you, Madam Speaker. For correction, I am called Julius Acon Bua.

A number of times, we have raised this issue of floods and disaster since Parliament began. The issue of Karuma Bridge has woken up the problems of bridges and culverts across the country. The money which was released in this House to help the districts if you move –

THE SPEAKER: Do you mean the Shs 1 billion?

MR ACON: Yes, the Shs 1 billion, which has been granted by this Parliament. When you look at, for example, Otuke District, and you move around a swampy area – those who put the culverts, sometimes you wonder if they had eaten food before the culverts were dug. You find that most of the culverts are not covered with soil. When the road is graded, the water trenches are not dug well, and you find all roads covered by water. This is one of the key things we request from this ministry, to send teams on the ground to do good supervision.

Regarding the issue of Karuma Bridge, it is very scary, honourable members. When you go across –

THE SPEAKER: Members, let us limit ourselves to two minutes.

MR ACON: The amount of water that goes under that bridge, before you cross it, you must make a sign of the cross, for Jesus to help you. Thank you. *(Laughter)*

THE SPEAKER: Thank you. Professor –

10.44

PROF. ELIJAH MUSHEMEZA (Independent, Sheema County South, Sheema): Thank you, Madam Speaker. On the issue of disasters, all the signs are very clear. For us who are *matooke* and coffee growers, apart from landslides and hailstones, heavy rains can put down coffee and *matooke*. We need to advise our farmers to construct trenches that will hold water. They need to have support that will hold *matooke* and coffee to minimise losses.

Secondly, I have observed over the years during heavy rains, that lightning is a very serious issue. We need to advise all institutions, especially schools and those families which can afford, to have lightning arresters. Otherwise, we shall have so many cases and some people will believe that it is witchcraft when it is not. We need to install lightning arresters on important institutions.

10.45

MR DAVID KALWANGA (NUP, Busujju County, Mityana): Thank you, Madam Speaker. I have a few issues to put forward. Last year, I came here with a document and the response from the Prime Minister was very clear that they were going to work on the road from Kanoni to Mityana. To date, there is nothing that is going on. It is on record. Some of us are going to fail to access our homes. The swamps are full of water. I cannot access my home from Kitenga or Mityana. If I cannot access my home as a Member of Parliament, what of the voters?

Madam Speaker, we need to wake up. We have a lot of challenges as far as roads are concerned. To summarise, we need a clear statement on how these issues are going to be handled. This business of us coming here, and we discuss issues then leave them here, looks awkward. It rained from Friday throughout Saturday to Sunday. Just imagine if it remains the same for the next two weeks, what will happen in Uganda?

We need to wake up and get a clear statement from the minister responsible. If possible, the Prime Minister should come up and revise whatever statement she gave us here. When we commit ourselves before our voters and we fail to do what we are supposed to do, it looks awkward. There is no reason you should sit here and discuss on behalf of people who are crying. They just want what is right. What should we do? There is a lot of pressure on the ground over these swamps. Thank you.

THE SPEAKER: Honourable members, when you look at the deterioration of all these roads, it is going to have a significant impact on the economy. The cost of the goods is going to reduce, the cost of transportation is going to increase, and people are not going to go for tourism. What we would get from tourism will also reduce, and at the end of the day the productivity is reduced because they are saying that the gardens have been washed away.

I also implore the Government to deploy security on all the alternative routes that have been created because the highway robbers can take advantage of this. They must be saying that now we have them. It is budgeting time; instead of bundling all the monies in one account, let this Parliament decide and say that this is the money for disaster preparedness, and it should be used for A, B, C and D. There should be a plan for disaster preparedness.
Leader of the Opposition –

10.48
THE LEADER OF THE OPPOSITION (Mr Joel Ssenyonyi): Thank you, Madam Speaker –

THE SPEAKER: Honourable members, when the Leader of the Opposition is speaking, you first give him time. The only person that can respond to him now on this side is –

MR SSENYONYI: Madam Speaker, as you did say in your communication, climate change is real and it is hitting us hard. When we saw the devastating effects in far-off countries like Dubai, some people thought it was quite far, but now, it is right at our doorstep. Torrential downpours have caused devastating effects next door in Kenya. It is reported that over 200 people have been confirmed dead because of the heavy flooding. About 100 people are missing. A total of 170,000 people are displaced, and the situation is going to get worse. Here in Uganda, the rains are pounding and the metrology authorities have told us that it is only going to get worse.

As colleagues are sharing, bridges are breaking, roads are caving in and the situation is going to get a lot more problematic.

As we need to find a separate budget for disaster preparedness, I want to suggest that even before we move in that direction, let us set a proper foundation.

Firstly, with the law and I want to quote the Constitution verbatim. Article 249 of our Constitution talks about the Disaster Preparedness and Management Commission. I request the Minister of State for Disaster Preparedness to just pay attention to this issue so that she can respond to this House.

1. "There shall be a Disaster Preparedness and Management Commission for Uganda to deal with both natural and man-made disasters". That is 249(1)

249.2. "Parliament shall, for purposes of this article, prescribe the composition, functions and procedure for implementation of the functions of the Commission". Government, where is the Commission because this is the law that we passed.

In about 2018, I was still in the media, but I was following the happenings here in Parliament, the Government was mooting the idea of a Disaster Management Bill, but it did not come through. Is the Government still interested in this?

Maybe we should bring it as a Private Member's Bill, so that, we have a proper foundation, we get to plan because if you do not plan and then we give you money, what are you going to put it to use towards? It is important that we plan. We need this commission in place, because legally it is covered. That Bill will help us.

Right now, we want to deal with the short-term issues, which are important, like Hon. Kaaya was mentioning, desilting, it is important and it is short-term, but we need to deal with it long term.

So that, in a few months down the road, we are not here again trying to run around to deal with the short-term issues. Can we plan appropriately?

Let us have this commission in place. Let the Bill be brought and then we can discuss the idea of giving you money when we know the docket to which exactly it is going and then we hold you accountable. It is important that we give you money and then task you to put that money to very good use.

THE SPEAKER: Leader of Opposition, maybe before you continue, find out from the Government if there could be a problem having that commission in place because it has come up several times. We need to understand; why don't we have a commission in place? It is a constitutional requirement. Hon. Obua, that is a question from the LOP.

MR SSENYONYI: It is Very important because it legally covered in our Constitution, Article 249, but if you don't want it in place, then explain to us why not and then the law should change.

Otherwise, why should we have redundant articles in our Constitution? The reason it was provided for is because the makers of the law then thought it important and it is important. So that we stop having these challenges and get to plan properly.

Finally, the water levels of Lake Victoria are going higher every day. I am sure minister you have taken note of that. My worry is that what is happening in Kenya could potentially happen here in Uganda.

How ready are we? we need you to point us in that direction because maybe Kenya did not think it would ever happen, but it has happened and it could happen here in Uganda too. How ready are we to avert such a situation? It is important that government talks to us about this. Thank you.

THE SPEAKER: Can we hear from the Ministry of Disaster Preparedness and then the Government?

10.54

THE MINISTER OF STATE, OFFICE OF THE PRIME MINISTER (Relief, Disaster Preparedness and Refugees) Ms Lillian Aber): Thank you, Madam Speaker. First of all, I would like to note that we do have a disaster risk management plan that was approved in Cabinet in July, 2022 and it was launched in September, 2022 and presented in this House in November, 2022.

I associate myself with the concerns of members and as a ministry, we are trying our best to do what we can with the limited resources.

As you may be aware, on 1 March, 2024, the Uganda National Meteorological Authority released the March-May 2024 seasonal rainfall outlook over Uganda and its implications.

The March to May 2024 indicated a high chance of near-normal to above-normal rainfall, resulting in episodic flush floods, events and landslides in localised areas that would receive heavy downpour.

We have already witnessed flooding incidents in districts including Butaleja, Alebtong, Dokolo, Nakapiripirit, Nabilatuk, Bukedea, Bulambuli, whereas landslides were reported in Kasese, Kisoro, Bulambuli, Sironko, Bududa, Bunyangabu districts. Some claimed lives; we lost seven people.

Recently, Uganda National Meteorological Authority released a 10-day rainfall forecast from 1st to 10th of May 2024, which indicates a continuation of wet conditions over most parts of the country. The heavy to very heavy rainfall events were expected over southwestern in some of the areas in Kigezi and greater Bushenyi districts. In the northeastern, in districts of Karamoja and Teso subregions and neighbouring Acholi subregions.

Other areas expected to receive enhanced rainfall are in mid-western subregions in the districts of Masindi, Kiryandongo, Kagadi, Kabarole and Elgon Highlands.

The 10-day rainfall forecast by Uganda Meteorological Authority indicates that very heavy rainfall events are expected to cause potential hazards, such as flash floods, debris flows, landslides, in addition, water logging, contamination of water sources due to increased surface rain off into such sources.

Disruption of traffic flow along transportation routes as some bridges may be washed away or collapse, an example of the bridges you have already mentioned earlier. Moreover, these heavy rainfalls are expected to damage critical infrastructure- like schools-

THE SPEAKER: Her report should have been uploaded, it is a maiden speech and she has just been writing there.

MR SSEMUJJU: I have not raised the procedure. Madam, you are ruling-(*Laughter*)-

THE SPEAKER: Okay. Please, raise it.

MR SSEMUJJU: The response the minister is giving, apart from being governed under our rules, if you are going to give a statement, is a response to confirm everything that has been said. The questions that have been asked by members require an answer, not just an illustration of how bad things will be. The procedural issue I am raising is whether if the minister thinks that it is important to give a statement like that, should not be given an opportunity to do so, such that, we engage with itself under the rules?

THE SPEAKER: She is making a preamble and after that, she will tell us that; "I have sent 20 tonnes of beans to this place, I have done this." Just make a brief preamble. We know the areas that are affected.

MS ABER: Thank you, Madam Speaker. I thought I would use the opportunity to highlight to the country some of the key issues which are expected and authoritatively present to the House. I needed to refer to some of the data so we do not misquote someone. However, let me go straight to some of the issues, which are raised. One of them was about the issue of having a disaster risk management plan, which I noted earlier that we do have.

There are some issues which were raised by the LOP about having the disaster Bill presented. That is underway. We are working on it and soon we will be bringing it to the House.

On the issues of the lightning that one of the Members talked about -

THE SPEAKER: Honourable minister, is it a Bill or a commission?

MS ABER: The commission is a different one. He talked about the disaster Bill and then the commission. In the short time I have been in the office, we have not had a discussion on the commission, but I will follow it up as a concern that I picked from the House and discuss with the Office of the Prime Minister and report back to the House after a discussion.

Madam Speaker, the Ministry, Office of the Prime Minister (Relief, Disaster Preparedness and Refugee) is very ready to respond, and on time, but as you know, we are constrained by the limited -

THE SPEAKER: There is a procedural matter.

MR BASALIRWA: Thank you very much. Madam Speaker, I remember in 2021, the then Deputy Speaker who is now the current Speaker did direct the Government on the Floor here to establish the disaster management commission as provided for in the Constitution.

I recall, there was an undertaking from the Executive that they would come back to the House and report that the commission had been established. Madam Speaker, are we proceeding well when we continuously raise the same issue yet there is no response from the Government?

THE SPEAKER: Government - Let us first hear about the commission.

11.04

THE DEPUTY ATTORNEY-GENERAL (Mr Jackson Kafuuzi): Thank you very much, Madam Speaker. My brother, Hon. Asuman has kind of put me in a corner on that. It is 29 years since the promulgation of the Constitution and this commission has not been put in place. The unfortunate bit is that the voices are coming up at a time when we are rationalising so we need to do a thorough assessment of ourselves as the Executive.

THE SPEAKER: How do you rationalise what is not there? *(Laughter)*

MR KAFUUZI: Maybe I should be a little clearer. I am saying you are raising the voices at the time a number of Government institutions are being rationalised.

The undertaking I can make is that we shall bring this to the attention of the powers that be. The most important thing is that a study needs to be done on the necessity for this commission.

THE SPEAKER: Framers of the Constitution, did you understand why we needed this commission?

MR KAFUUZI: I do understand that the framers at the time may have deemed it fit, but it has not been in place for 29 years. That is why the law is not cast in stone.

Madam Speaker, I want to commit that we will come back to this House and report on this matter.

THE SPEAKER: When are you coming back to give us a response?

MR KAFUUZI: In three weeks.

THE SPEAKER: Three weeks?

MR KAFUUZI: Yes.

THE SPEAKER: I want to give you one week.

MR KAFUUZI: I will take that, Madam Speaker.

THE SPEAKER: In three weeks, we shall be in the next session.

11.05

MS CHRISTINE KAAYA (NUP, Woman Representative, Kiboga): Madam Speaker, since 2018 we tasked ourselves to establish the Climate Change Act, the Wetlands Act and the Disaster Management Act - the two stalled and we anticipated that in the Disaster Management Act, that is where we would put the commission.

Now that the Bill stalled, it may be difficult for us. We are just beginning to chop small things. When you talk of the plan and the commission, it means we are killing the other efforts of establishing the Disaster Management Act. I pray that my minister fast-tracks the establishment. Otherwise, we had even established the principles of the Bill, which is where we shall now be putting the urgent issues.

THE SPEAKER: Thank you. Can you finish, Hon. Aber?

MS ABER: Let me conclude. Madam Speaker, I only need support from this House in terms of funding if I am to respond to the issues of disasters in this country. We need a budget. We cannot do anything as a ministry if we do not have a budget. So far, I have requests from Members, for 30 districts, but we are not able to do much. Therefore, I request this House to support the ministry with the relevant funding and then we will be able to respond. I will physically be in their constituencies to address the issues. *(Ms Ababiku rose_)*

THE SPEAKER: Honourable members, much as we are here lamenting, there is no money so we need to provide money for that. However, we are happy that you are now there. Next item.

BILLS
SECOND READING

THE VALUE ADDED TAX (AMENDMENT) BILL, 2024

THE SPEAKER: Honourable members, we stood over a number of very important Bills. First of all, I need to apologise to the Leader of the Opposition. I dragged him out of his - he was not well, but I said, “Please, you are here to represent your people” so I must say, “Thank you, for coming”. I have said Members should come because this is the most important activity you are doing for this country; your voters. We are going to the tax Bills.

We had an issue, which was raised by the Leader of the Opposition. This morning, we had a harmonisation meeting, unfortunately, he was not there, but we received the document. Can I give you the Floor? I wonder why more people want to be on Zoom. I think we should transform this Parliament into a digital Parliament.

I have many Members on Zoom than in the House. Is it the fuel prices that is making people not to come here?

11.08

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Thank you so much, Madam Speaker. Arising from the harmonisation and the consultations we have been making, I wish to provide additional information through an addendum to the Certificate of Financial Implications which I laid before this House accompanying the Bill. Most critical, is that we now provide the numbers on the expected expenditure; we now provide two years, Financial Year 2024/2025 and Financial Year 2025/2026.

We also provide two years of estimates of revenue to the Government for Financial Years 2024/2025 and 2025/2026, and we also state in detail the overall impact of the Bill to the economy. Madam Speaker, I beg to lay the addendum of the certificate on the Table.

THE SPEAKER: Thank you.

11.10

THE LEADER OF THE OPPOSITION (Mr Joel Ssenyonyi): Thank you, Madam Speaker. As you mentioned, I was not able to attend the harmonisation meeting, but again, I wanted to draw our attention to another small legal matter. The reason I keep insisting on these legal matters, Madam Speaker, is because I do not want Parliament to be taken to court and then we look shabby when we lose a matter on a technicality that could have been avoided. Good enough, my learned friend, the Attorney-General is here, so we can find a remedy.

I have an issue with the addendum, because the law does not provide for an addendum in relation to the Certificate of Financial Implications. When you read Section 76 of the Public Finance Management Act - when you read Rule 118 of our Rules of Procedure, it adumbrates very clearly, what a Certificate of Financial Implications should be. It does not make room for an addendum.

However, we can have a remedy. Rule 119 of our Rules of Procedure provides for urgent Bills. Rule 119(1) states: *“Where, upon the recommendation of the appropriate Committee of the House appointed for the purpose, the House determines that a particular Bill is of an urgent nature, that Bill may be introduced without publication.”*

My suggestion, therefore, is, as we did handle the RAPEX Bills, and it is good Hon. Haruna Kasolo is here, we prevailed upon him and insisted that he must follow the right procedure, which he eventually did. I suggest that we follow the procedure neatly.

Honourable minister, withdraw the Bills via Rule 119, and table them with a new Certificate of Financial Implications because when you provide an addendum, somebody will go to court and challenge it, especially for these controversial Bills because you are introducing a Bill to increase taxes, which some of us and many people out there are opposed to.

Parliament will be taken to court. My worry is that we, here, Parliament, are the ones that will be taken to court as opposed to the minister and there will be a challenge. Let us do this neatly; table the Bill again with the new Certificate of Financial Implications via Rule 119 and then we debate and agree or disagree regarding the introductions that you are mooting. Of course on our end, we shall disagree, but ultimately that gets to be done right. That is my point.

We have not even gotten to the stage yet of agreeing or disagreeing with the content. I am putting you on notice that we are going to disagree with the content, but before we get there, let us follow the procedure. That is my thinking.

THE SPEAKER: Thank you. Hon. Basalirwa -

11.13
MR ASUMAN BASALIRWA (JEEMA, Bugiri Municipality, Bugiri): Madam Speaker, let us help the Minister of Finance, Planning and Economic Development on matters of certificates of financial implications. This issue of certificates, we first raised it in the Committee on Legal and Parliamentary Affairs. Actually, we are the ones who informed the House that there was a problem with certificates.

Along the way, you were doing things rightly. What you are calling an addendum, as the Leader of the Opposition has said, is not provided for in the law. In fact, what you are calling an addendum should have been tabled as the certificate. You did not have to use the word addendum because it is the information – an addendum is a matter of form while the certificate is a matter of substance. I do not know why you want to take us back.

Therefore, if what you are presenting captures what Section 76 says, you only have to come here and say this is the certificate for these Bills, without even making statements that this is an addendum. I do not know why you are creating a problem for yourself. Just say; this is the certificate, and we are able to proceed without hiding under the word addendum or corrigendum or what you want to call it.

THE SPEAKER: You see, in the meeting that we had, we said there were things that were lacking in the certificates, and the issue that was raised was an additional one year. When you look at an addendum, it is an addition to what is provided for. Hon. Nandala Mafabi?

11.15
MR NATHAN NANDALA-MAFABI (FDC, Budadiri County West, Sironko): Madam Speaker, thank you so much. It is unfortunate that on Friday, we did not present a report of the meeting we held, but nevertheless, we all agree that the minister's Certificate of Financial Implications was missing, because the law says it should be two years. As such, I have done some analysis and as the Hon. Asuman has said, we need to help the minister.

Number one, did we receive a budget here? Yes. And we received the budget with the expected income and the expected expenditure. This income will come in so many forms; taxation, grants, loans, mention it. We have been processing a lot of loans here, but the next one is taxation, which the minister is coming with, so that he operationalises the budget, which you have received.

In short, the tax laws they are bringing are talking about the income side. And the Uganda Revenue Authority (URA) already exists, which operates and uses those taxes. The Government too, already exists. I do not think that the tax laws they are bringing are going to call for another authority to collect. It talks about what the implication of the Bill will be, and the implication is that the Bill is talking about the budget, which budget will talk about how the Government will raise revenue and spend, and that is for the purpose of the country.

Madam Speaker, what I wanted to help the minister go over, is the issue of addendum; the Certificate of Financial Implications is basically - which to me, if I were you, I would have said; one, the financial implications on this are already in the Budget Framework Paper -

THE SPEAKER: Yes. So, is this additional?

MR NANDALA-MAFABI: Exactly. Madam Speaker, I do not know - I have not looked at the financial implications of the minister-

THE SPEAKER: First of all, was the first Certificate of Financial Implications laid on the Table?

MR MUSASIZI: Madam Speaker and honourable colleagues, the Bills were all accompanied by the Certificate of Financial Implications, which I laid on the Table.

11.18

MR GEOFREY EKANYA (FDC, Tororo North County, Tororo): Madam Speaker and colleagues, we need to look at the principle upon which the Public Finance Act was enacted. Sometimes we legislate without reading the *Hansard*.

When Parliament decided to come up with the Public Finance Management Act, and in Section 9, the idea of a Certificate of Financial Implications came about to address two important issues worldwide, and this has been picked from the tradition of South Africa, we picked from the United Kingdom and Nigeria.

Hon. Dan Wandera Ogalo, who had travelled too much - we discussed and proposed that we legislate here and pass Acts or Bills, which come into Acts. The Government fails to establish the necessary institutions and implement the Act. Therefore, it was agreed that every Bill, which comes here should be planned for in the Budget.

However, for the tax Bills, as Hon. Nandala has said, the institution that is supposed to implement it already exists; the Uganda Revenue Authority. So, we do not need - by the way, we may need to look at this.

For tax Bills, Madam Speaker, the entire infrastructure in the institution that is supposed to implement them is in place. The staff are there; the vehicles are there. This is just to support the budget process. So, the provision of Section 76 in the Public Finance Management Act says that:

1) *"Every Bill introduced in the House shall be accompanied by a Certificate of Financial Implications issued by the minister.*

2) *The Certificate of Financial Implications issued under subsection (1) shall indicate the estimates of revenue and expenditure over the period of not less than two years after the coming into effect of the Bill when passed."*

For this purpose, we only need to look at the aspect of revenue and it is indicated in the addendum that the minister has presented. The aspect of expenditure is about salary and staff who still exist at the Uganda Revenue Authority.

While reading this, Madam Speaker, we need to look at the principle of the Certificate of Financial Applications according to every Bill. For some Bills, the institutions are in place; for other Bills, you need money to rent offices, hire directors, managing directors and recruit staff. However, for this, we only need to know how the revenue will impact on the economy, which is the addendum.

THE SPEAKER: Thank you. Let me hear from Hon. Basalirwa.

MR BASALIRWA: Madam Speaker, the finance minister has said he Tabled a certificate and it is on record if I heard him well. I do not want him to create an impression that he can introduce another certificate. Those would be two certificates and it would call for a withdrawal of one of them.

As I said earlier, we need to help –

THE SPEAKER: They are not two certificates.

MR BASALIRWA: Yes, and we need to help each other. What you are presenting here is additional information, but it cannot be worded as a certificate. We must be very clear on the record-

THE SPEAKER: Additional information to the previous certificate.

MR BASALIRWA: Let him set the record straight. Otherwise, the minister cannot say he is coming on the Floor to lay another certificate or an addendum. For purposes of –*(Interjections)*- I said, Madam Speaker, that we need to help the minister, in light of section 76, to put the record straight. "I am providing additional information to the certificate that I laid on the Table".

THE SPEAKER: You know, there is no difference between an addendum and additional information. It is just a matter of English. Honourable members, what is the definition of "addendum"? It is an item of additional material added on to - do you get it? *[Honourable members: Yes.]*

11.22

MR XAVIER KYOOMA (NRM, Ibanda County North, Ibanda): Madam Speaker, thank you very much. I would like to thank the Members who have submitted and we seem to be on the same page. Because of that, Madam Speaker, if I am allowed, I would like to move a motion that we proceed to Committee Stage. I beg to move.

THE SPEAKER: Is the motion seconded? It is seconded by Hon. Paul Omara, Hon. Julius Acon Bua, Hon. Lt Col Alanyo, Hon. James Olobo "Dubai", Hon. Acora, Hon. Sauda Kauma, "Obama", Hon. Fred, Hon. Margaret, Hon. Mariam Naigaga, Dr Acuti, Hon. Ochan, Hon. Susan Amero, Hon. Connie Galiwango, Hon. Aber and everyone on this side.

(Hon. Odur rose_) There is a procedural matter from Hon. Odur.

MR ODUR: Thank you, Madam Speaker –

THE SPEAKER: Now that you have seconded, I put the question that "The Value Added Tax (Amendment) Bill, 2024" be read for the second time.

(Question put and agreed to.)

MR ODUR: Thank you. Madam Speaker, the procedural matter I was raising, which is still relevant, is that both reports of the committees had found that there was no competent Certificate of Financial Implications. In other words, the Bill that came here did not have a foundation to rest on.

The cure proposed by the minister, for which are trying to find a solution, was whether what was tabled here as an addendum is a new certificate that could support the reading of a Bill or not. In law, you cannot have an addendum replacing a certificate.

Your Chair has not ruled officially. The question has been put here and we are moving; you have not addressed that matter.

THE SPEAKER: Chairperson of the committee, you were supposed to go on the microphone and say that what you are providing is additional information to the certificate that was laid on this Table, in relation to these Bills.

MR ODUR: Madam Speaker, I wanted to conclude, so that you get the gist of what I am raising. What I am saying is, as it is stated in both the reports, there is no Certificate of Financial Implications. Can you then, therefore, purport to provide additional information to a non-existent document? That is the question.

Let me explain this to Members. The Certificate of Financial Implications helps you, as a Member of Parliament, to determine whether to proceed with a Bill or not. If you are going to bring a tax Bill and it is going to impose a challenge on your citizens, but you are collecting only, say, Shs 20 billion, as Parliament, you can say, "Because we have seen you are going to collect only Shs 20 billion at a cost which is more, we have decided it is no longer relevant to even move with this Bill".

This Bill has not told us in detail that this particular Excise Duty Bill, this is the total amount we are going to collect so that we determine whether you can impose additional charges on Ugandans on fuel, cement and other things. It helps Parliament to move. We should not reduce the Certificate of Financial Implications as a formality. It helps to guide us.

THE SPEAKER: Honourable Attorney-General, did we have a Certificate of Financial Implications in the first law? Secondly, the impact in terms of the revenues to be collected and whichever, were they included in the Budget Framework Paper and Medium Term Expenditure Framework that we can read together with the certificate that was provided for?

MR KAFUUZI: Thank you very much, Madam Speaker. Your questions have kind of shed more light on what I wanted to say.

One, Hon. Odur, it is wrong for you to say there is no certificate. The finding of the committee - and the report is here - on page 2 says "The certificate was inadequate," meaning that something was missing. The statement goes ahead to say, "It was inadequate, in as far as detailing the estimates of revenue is concerned."

This means that you cover the inadequacy by providing the estimates that were not there. It is those estimates that have been provided for in the additional information or addendum. That makes the Certificate of Financial Implications adequate. I beg to submit.

THE SPEAKER: He has finished, Hon. Odur. There was a question. First of all - *(Hon. Ssemujju rose_)*- my very able Minister of Finance, we had gone into – my clerks have slept on the job.

BILLS
COMMITTEE STATE

THE VALUE ADDED TAX (AMENDMENT) BILL, 2024

THE SPEAKER: Honourable members, I had not put the question for second reading. Did I? *[Honourable members: Yes]* The one I put was for the motion. I put the question that "The Value Added Tax (Amendment) Bill, 2024" be read for the second time.

(Question put and agreed to.)

BILLS
COMMITTEE STAGE

THE VALUE ADDED TAX (AMENDMENT) BILL, 2024

Clause 1

THE CHAIRPERSON: Hon. Odur.

MR ODUR: Thank you, Madam Chairperson. On this particular Bill, I do not want to escort the presiding officer in violating the law. I will reserve my participation. *(Laughter)*

THE CHAIRPERSON: Hon. Nathan Nandala-Mafabi, I do not want to come back when you say that there is an amendment. I put the question that clause 1 stands part of the Bill.

(Question put and agreed to.)

Clause 2

THE CHAIRPERSON: I put the question that clause 2 -

MS AISHA KABANDA: Thank you, Madam Chairperson. On clause 2, the committee noted that the amendment of Sections 5 and 10 of the Principal Act was intended to clarify that where a debtor's property is disposed off through a sale, then the supply is treated as made by the debtor and not the auctioneer or creditor.

Madam Chairperson, what this import demands -

THE CHAIRPERSON: Yes.

MS AISHA KABANDA: What this import brings in is that if a debtor fails to pay and the property is auctioned, after deduction of the money that is to be paid to the creditor, the residue money that the original owner of the property gets is subjected to Value Added Tax (VAT).

That is a very unfair import because this person is already suffering loss; he is a struggling person who has failed to pay, so subjecting that person to VAT would be extremely unfair. That should not be taken as an earning or a gain that should be subjected to tax. I beg that we drop this one.

THE CHAIRPERSON: Shadow minister, clause 2 -

MR SSEMUJJU: I have no problem with her amendment.

THE CHAIRPERSON: You do not have a problem with the committee- with her proposal? Committee chairperson.

MR AMOS KANKUNDA: Madam Chairperson, in the deliberations of the committee- I need my colleagues to understand this. As you read, the Committee further noted the amendment of sections 5 and 10 of the Principal Act is intended to clarify that where a debtor's property is disposed of through a sale, then the supply is treated as made by the debtor and not the auctioneer or creditor. Further, the auctioneer or creditor is not entitled to a credit.

Therefore, what we are saying is that the Value Added Tax (VAT) credit should not go to the auctioneer because it is not his or her property; that is the reason.

MS AISHA KABANDA: Madam Chairperson, he is explaining it halfway; let me give a scenario. Suppose someone had a property as security that is worth Shs 20 million and failed to pay to the extent of Shs 17 million. If that property is auctioned and Shs 17 million is given to the creditor, the original owner of the property retains only Shs 3 million.

The new amendment we are bringing is that they require the original owner of the property to pay VAT out of that Shs 3 million that has remained which seems to be extremely unfair. Furthermore, this is a result of an amendment that was made in 2023 where we said that there should be VAT on auctioned properties.

There, afterwards, we realised that it was difficult because banks do not pay VAT. It was difficult to collect it and neither auctioneers would pay; no one was paying.

The big question is, "Who would pay?" The new import you are bringing is that banks will not pay because they do not pay VAT neither will the auctioneer because he does not have the money, but the little money that the debtor has retained should be subjected to VAT, which in my submission is very unfair.

MR MUSASIZI: Madam Chairperson, the question Hon. Aisha Kabanda should appreciate is whether goods sold through auction are vatable or not and the answer is that these goods are vatable. In other words, there is VAT paid on auctioned goods.

Who pays the VAT? The VAT is charged by the buyer; he pays plus VAT and who receives the VAT, the seller or the recipient. What this provision requires is that after this recipient has received the VAT, he should be able to remit it. I do not see anything wrong with it.

MS AISHA KABANDA: I need to be helped by colleagues.

THE CHAIRPERSON: Hon. Aisha Kabanda, "(ab) in the case of supply of goods through auction, is to be paid by the recipient of the proceeds of the auction;"

Now, the person who has bought will pay VAT to the recipient- For instance, if the bank is auctioning a vehicle, it is the person who is buying the vehicle to pay VAT to the bank and then the bank will be the one to remit.

MS AISHA KABANDA: Madam Chairperson, let us read this paragraph again which was written by the committee.

“The committee further noted that the amendment of sections 5 and 10 of the Principal Act is intended to clarify that-

THE CHAIRPERSON: Are you reading the report?

MS AISHA KABANDA: Yes, the committee report.

THE CHAIRPERSON: I want you to look at both; look at the Principal Act and then look at the Bill.

MS AISHA KABANDA: I am. Madam Chairperson, the report explains better. When they say the recipient of the proceeds - after the auction and money is gotten, proceeds are divided into two or one. Part of the money goes to the one who is claiming the money, that is the creditor and some residue money goes to the-*(Interruption)*

MR NANDALA-MAFABI: Madam Chairperson, and Hon. Aisha Kabanda, what the law says-

THE CHAIRPERSON: Hon. Aisha Kabanda, listen.

MR NANDALA-MAFABI: In the case of a supply of goods through auction, it is to be paid by the recipient of the proceeds from the auction; it is to be paid by the recipient of the proceeds from the auction. Let us give an example of Centenary Bank’ if it is selling somebody’s goods for failure to paid a debt, I assume that the goods were being sold at Shs 20 million. When Centenary Bank gets the Shs 20 million, it will now be at 118 per cent. It will only take off 100 per cent and 18 per cent will be the one to be accounted for as Value Added Tax (VAT) on the sale.

THE CHAIRPERSON: But the recipient is Centenary Bank.

MR NANDALA-MAFABI: The recipient is Centenary Bank and it will say, out of your goods we sold at Shs 20 million, we only got 20 over 118; multiply by 100. The balance was accounted as VAT to the Uganda Revenue Authority. In short, it will be less than the Shs 20 million that they have as the principal amount.

Therefore, this is not bad, *Hajjati.* It is trying to aid so that nobody would run away because I acted as a seller, and I cannot account for the VAT from the sale.

MS AISHA KABANDA: I would like to seek clarification from my honourable friend. When you say that it will be less by this amount, whose money is lessened because banks are VAT-exempt? Let us define that.

THE CHAIRPERSON: Actually, the amount that has been received is the total amount that Centenary Bank is claiming plus the VAT. Do you get it? No money is lessened; VAT is on its own and Centenary Bank is on its own.

MR NANDALA-MAFABI: Madam Chairperson, she has a point in what she is raising. She is asking, how she knows that her goods were authentic. Let us just give a scenario which your goods were sold at Shs 20 million, inclusive of VAT that means they will remove 100 and they will say your goods went for Shs 19.2 million because the balance was paid for VAT. That is the accounting they are trying to look for.

Even if Centenary Bank is exempted, it must collect VAT on goods that are taxable for purposes of tax. For example, if it was selling a commercial building, which is subject to VAT – I know where your point is coming from. There are properties like residential houses that do not attract VAT when you sell. I mean those properties that attract VAT.

THE CHAIRPERSON: Hon. Kateshumbwa –

MR KATESHUMBWA: I thank the honourable colleague for the explanation. VAT has input and output. If I bought a car for example, that is arising out of a loan, I incurred VAT that becomes my input VAT. If it is auctioned, the amendment here is trying to protect the debtor to be able to claim input VAT. That is in his favour because the auctioneers would have been claiming if they were the ones entitled to it. Your concern, Hon. Aisha Kabanda, is that this amendment is actually in the interest of the debtor.

THE CHAIRPERSON: Thank you. I put the question that clause 2 stands part of the Bill.

(Question put and agreed to.)

Clause 3

THE CHAIRPERSON: Committee Chairperson –

MR KANKUNDA: Madam Chairperson, the committee proposes that clause 3 be deleted.

Justification

The removal of commercial farmers from the list of persons who may apply to the Commissioner-General to be registered for VAT undermines the contribution of commercial farming to the Ugandan economy.

Although most of the plants and machinery used by commercial farmers are listed in the second schedule as exempt supplies, the registration under Section 7(4a) is not compulsory, but optional and does not make the provision redundant.

MR SSEMUJJU: The argument was URA has a tax register of Shs 4 million or more, including those who are exempted, so they wanted to remove them. The committee says that they should stay there, either way, I do not see any problem. Whether they stay there or they are removed. After all, they are not paying.

THE CHAIRPERSON: Minister –

MR MUSASIZI: This is a harmonised position. I, therefore, agree with the committee.

THE CHAIRPERSON: Attorney-General –

MR KAFUUZI: I agree with the committee's position.

THE CHAIRPERSON: I put the question that clause 3 be deleted as proposed.

(Question put and agreed to.)

Clause 3, deleted.

Clause 4, agreed to.

Clause 5

THE CHAIRPERSON: I put the question that clause 5 –

MR SSEMUJJU: I propose to delete clause 5. My argument is that we do not stop employers from incentivising their staff by requiring them to pay VAT on goods they are donating and not selling. So, I propose that clause 5 be deleted.

THE CHAIRPERSON: Yes, Hon. Richard Wanda –

MR WANDA: Thank you, Madam Chairperson. Listening to the Shadow Minister of Finance, Planning, and Economic Development, we need to look at it holistically. VAT is per value that is added. In this case, where you choose to give goods to your employee, it is like you have consumed them yourselves.

Under the law, that has been treated as an application to own use. You are giving it to your worker or employee, yet you have claimed input VAT. So, if there was input VAT claimed, you must account for output VAT.

Again, opening it would lead to a lot of temptations. People would begin claiming donations in massive numbers and we would be losing a lot of revenue. Thank you. *(Applause)*

THE CHAIRPERSON: Thank you. Hon. Maxwell Akora –

MR AKORA: I support the committee position that VAT is charged on a taxable supply by a taxable person. That taxable person has been registered, has claimed input taxes and so must charge output tax. If they consume the goods themselves, then they should pay the tax. So, I agree with the committee's position.

THE CHAIRPERSON: Thank you. I put the question that clause 5 – *Hajjati* -

MS AISHA KABANDA: Thank you, Madam Chairperson. I would like to make an attempt to support my shadow minister as a human resource professional. We all know that salaries are demotivators. The best way to motivate your staff is to find other means of motivating them. As an economy that is looking forward to boosting the economy; having factories to flourish, the best way to do it is to give that one back to the community by allowing or motivating them to give it back to the people. I persuade honourable colleagues to support the dropping of these donations so that employers can give back to the employees.

THE CHAIRPERSON: Let me hear from another Value Added Tax (VAT) person.

MR OKUPA: Thank you, Madam Chairperson. One way we can address this is the way we address discounts. Unless the manufacturer is giving a discount of 70 or 80 per cent, that is when it would raise a question. However, they are not taxable. Here, we can provide a threshold for the value of the gift. If it goes beyond this amount, then it should be taxed.

The other alternative is to allow it, but deny the manufacturer from claiming input tax on this amount, which I am persuaded to do. Let us allow the gifts because this is like corporate social responsibility – Madam Chairperson, I am still –

THE CHAIRPERSON: First, leave Hon. Wanda. He is a tax expert from Klynveld Peat Marwick Goerdeler (KPMG).

MR OKUPA: Madam Chairperson, I am still submitting. These were the two options I was looking at, but I am persuaded with the option of denying the claim of input tax on the gifts. That way, it will be a win-win situation. We have handled it with Hon. Kateshumbwa before. He knows how we used to handle that so he can make submission to it. Thank you.

THE CHAIRPERSON: Hon. Kateshumbwa, what were you doing to this country? *(Laughter)*

MR KATESHUMBWA: Madam Chairperson, the option he is raising could be an alternative. The only challenge is that it complicates the VAT administration because you have to go into matters of apportionment and input that is due to this.

Remember, if someone, for example, gets 100 crates of soda or beer as a gift, he is not necessarily going to consume them himself. He might sell. When he goes into the market and sells them, he is going to compete with others who have paid taxes. *(Applause)* The fair way is to deal with it now, the way it is proposed-

THE CHAIRPERSON: When you talk about apportioning, tax is supposed to be definite. However, when you start apportioning, it brings in a problem.

MR KATESHUMBWA: It becomes very complicated. The easiest way to deal with it – *(Interruption)*

MR OKUPA: Madam Chairperson, we can talk about apportionment because it is provided for in the law. Do you mean to say that the Uganda Revenue Authority (URA) does not do apportionment?

THE CHAIRPERSON: Administration. Hon. Elijah, you invited him so, sit.

MR KATESHUMBWA: Let me give you some information. One of the issues that we should be looking at when you are levying taxes is the cost of collection of the money; administration worldwide should not exceed 3 per cent.

While apportionment is legal, the process could actually drive the cost of administering that tax higher. Therefore, that proposal could be studied for the future, but for now, this is the best way to treat this matter.

MR KANKUNDA: Thank you, Madam Chairperson. Hon. Elijah Okupa has mentioned something that I would like to clarify. For example, when you give discounts that would be something we should consider. The law says that when you benefit from a discount, you are already at an advantage. In actual sense, URA always adds the discount for tax purposes and that is what we should bear in mind.

MR OKUPA: That is for income tax, but not for purposes of VAT.

MR NANDALA-MAFABI: Madam Chairperson, again, I am getting worried about some of these tax experts. Donations are very clear. If you are going to give it, it is in the law whether it is exempt or taxable. That is why they are bringing in employees to be part of the people to be exempted when they donate items to them. However, an employee has terms whereby he gets a salary.

The moment you give your employee goods, under the law, they must be cost and treated as a benefit, which should be subjected to Pay-As-You-Earn (PAYE). In this case, the employer is entitled to do it and it will be treated as PAYE.

In this state, as it is - this is VAT, an indirect tax. The moment there is input tax on a good and you are donating it, there are two ways. You must remove it if you want, but in this case, you are not going to remove it. It means that the person getting it is free to go to URA to claim it, "They gave me goods VAT inclusive, but I was not exempted," as the embassies do.

One of the things I would like to clarify here from my sister, Hon. Aisha Kabanda; she was talking about a donation as the human resource. This is employer versus employee.

Secondly, if you are going to donate to your staff, then instead of giving them, sell, collect the money and donate to them cash. Do not give them goods because the implication you are going to have is very complicated.

THE CHAIRPERSON: Thank you, Hon. Nathan Nandala.

MR NANDALA-MAFABI: Madam Chairperson, I am a tax expert recognised in the whole world.

THE CHAIRPERSON: The best tax expert. I put the question that clause 5 stands part of the Bill.

(Question put and agreed to.)

Clause 6, agreed to.

Clause 7

MR KANKUNDA: Madam Chairperson, clause 7 is about insertion of 66A in the Principal Act. The committee proposes that this clause be deleted. The justification is that not all tax agents are withholding agents under section 5 of the Act and this makes the ground not levelled.

In addition, all VAT-registered taxpayers are required to issue EFRIS receipts or invoices. This gives the Uganda Revenue Authority visibility of transactions by such taxpayers and yet both URA and the taxpayers incur administrative costs to implement the VAT withholding regime. So, we propose that the clause be deleted, thank you.

MR SSEMUJJU: On this, we had agreed even with the minister, that we do away with it.

THE CHAIRPERSON: Minister -

MR MUSASIZI: Madam Chairperson, I agree with the committee's position.

THE CHAIRPERSON: Attorney-General? - I put the question at clause 7 be deleted as proposed.

(Question put and agreed to.)

Clause 7, deleted.

Clause 8, agreed to.

Clause 9

MR NANDALA-MAFABI: Madam Chairperson, we agreed with the minister, in clause 9 to delete (b) (x), that is 32 "hoes"; SH – "the supply of pesticides"; and SI – "the supply of fertilisers, seeds and seedlings." The justification was made the other day and the minister concurred.

THE CHAIRPERSON: So, are you in agreement even with the committee?

MR NANDALA-MAFABI: The committee has not deleted it. This was the minority report, which the committee also considered.

MR KANKUNDA: Madam Chairperson, we agreed in the last sitting on Friday and I concur with the minority report –

THE CHAIRPERSON: That we delete?

MR KANKUNDA: Yes.

THE CHAIRPERSON: So can you reframe it - move that clause 9 be deleted.

MR KANKUNDA: I move that clause – *(Interjections)*

THE CHAIRPERSON: Yes, let him move the part, which is supposed to be deleted.

MR KANKUNDA: Madam Chairperson, I concur with the minority report that hoes, supply of pesticides and supply of fertilizers, seeds and seedlings be deleted and removed from the proposal we had made earlier.

THE CHAIRPERSON: Is that okay? I put the question that the proposed amendment by the chair of the committee be approved by this House. I put the question that clause 9 as amended stands part of the Bill.

(Question put and agreed to.)

Clause 9, as amended, agreed to.

Clause 10

MR NANDALA-MAFABI: Madam Chairperson, since we are done with that, it means the repeal under the third Schedule, which was being done is not necessary. Clause 10 should be deleted.

THE CHAIRPERSON: It is a consequential amendment.

MR KANKUNDA: Madam Chairperson, I agree that clause 10 is a consequential amendment; I agree to the deletion.

THE CHAIRPERSON: Honourable minister -

MR MUSASIZI: I agree.

THE CHAIRPERSON: Thank you. I put the question that clause -

MR SSENYONYI: Madam Chairperson, obviously, our thoughts have been captured regarding the legalese and so on, but I just want to inquire whether there should not - maybe the Government can tell us.

Madam Chairperson, the traders have been up in arms; they met us, raised concerns and they said they would like to see the threshold come down from 18 to 16 per cent. Also, that the threshold from Shs 150 million to Shs 1 billion –*(Interjections)* Listen to this so that you can respond as Government. Was it necessary -

THE CHAIRPERSON: There is a procedural matter.

MS ABER: Madam Chairperson, the matter that the Leader of the Opposition is raising might be very pertinent. However, is it procedurally right for him to bring it at this point? It is not in reference to any of the clauses that we are discussing.

MR SSENYONYI: Madam Chairperson, may I finish the issue I was raising?

THE CHAIRPERSON: Honourable members, can we finish this, then we erase that so as not to spoil the *Hansard*. Let us move.

I put the question that clause 10 be deleted as proposed by the chairperson of the committee.

(Question put and agreed to.)

Clause 10, deleted.

Title, agreed to.

THE CHAIRPERSON: Tax experts, advise the young boy. *(Hon. Karim Masaba rose_)* First sit. I will give you time.

MOTION FOR THE HOUSE TO RESUME

THE CHAIRPERSON: Honourable minister -

12.02

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) – (Mr Henry Musasizi): Madam Chairperson, I beg to move a motion that the House do resume and the Committee of the whole House reports thereto to.

(Question put and agreed to.)

(The House resumed, the Speaker presiding_)

REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

THE SPEAKER: Honourable minister -

12.02

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (MR Henry Musasizi): Madam Speaker, I beg to report that the Committee of the whole House has considered the Bill entitled "The Value Added Tax (Amendment) Bill, 2024" and passed it with amendments.

MOTION FOR ADOPTION OF THE REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

THE SPEAKER: Honourable minister –

12.02

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move a motion that the report from the Committee of the whole House be adopted.

(Question put and agreed to.)

Report adopted.

BILLS
THIRD READING

THE VALUE ADDED TAX (AMENDMENT) BILL, 2024

THE SPEAKER: Honourable minister –

12.03

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move that the Bill entitled "The Value Added Tax (Amendment) Bill, 2024" be read for the third time and do pass.

(Question put and agreed to.)

A BILL FOR AN ACT ENTITLED "THE VALUE ADDED TAX (AMENDMENT) ACT, 2024"

THE SPEAKER: Title settled and Bill passed. Congratulations. *(Applause)* The Leader of the Opposition had something to say.

MR NANDALA-MAFABI: Madam Speaker, my young consultant had a point.

THE SPEAKER: But you did not -

MR NANDALA-MAFABI: No, it is just redundant.

THE SPEAKER: It is okay.

MR NANDALA-MAFABI: If you read clause 9(h) (ca), Hon. Masaba is saying "pesticides" means - what I was trying to explain is that it is redundant. If we had left the "pesticides", then the definition would be good to be here. Since it is not there, it is now redundant.

Therefore, for those who are going to do the drafting, it does not have it. That is what I was explaining. He was just saying that we have a redundant document in our law.

THE SPEAKER: It is a redundant clause. Chairperson of Bugisu Cooperative Union, it is not a redundant document; it is a redundant clause.

MR MASABA: Madam Chairperson, thank you. The issue I was trying to raise – unfortunately, you did not permit me - is that when you look at the Bill specifically clauses 9 and 10, we have decided to delete the entire clause 10, which has the issue to do with pesticides. Now, it is an item, which is both in the second schedule and third schedule of the tax reform.

Madam Speaker, we are actually supposed to remove it such that it does not appear in both schedules.

THE SPEAKER: We will handle it in the drafting. The LOP had an issue.

MR SEMUJJU: Madam Speaker, Article 80 of the Constitution of the Republic of Uganda sets qualifications for one to be a Member of Parliament. I did hear you say there was a young boy who had sneaked in. The Constitution does not allow young boys and girls to come to Parliament. It provides for a registered voter of 18 years and above.

Madam Speaker, you may have to clarify that there was no young boy who sneaked into Parliament and does not qualify under Article 80 of the Constitution.

THE SPEAKER: Honourable members, Hon. Masaba is one of my youngest sons here; one of the favourite young sons here. My son, you are a Member of Parliament and you are young.

MR NANDALA-MAFABI: Madam Speaker, I also want to add that he is a very young man and very bright. So, Bagisus have -

THE SPEAKER: Brilliant. Leave alone being young, but brilliant as well.

MR SSEMUJJU: Madam Speaker, we can understand that you may have sons here, but the qualifications are set by the Constitution. I thought you would clarify that you did not actually refer to a young boy because that young boy is not provided for under Article 80.

THE SPEAKER: By the way, as old as you are, when you go to your parents, your father will call you "my son", even when -*(Laughter)*

Honourable member, if calling you a young son has hurt you, I am sorry, but you are one brilliant young man that Mbale should be proud of. The Honourable LOP had a pertinent issue – Hon. Muzaale, please, sit down.

12.09

THE LEADER OF THE OPPOSITION (Mr Joel Ssenyonyi): Thank you, Madam Speaker, for protecting my fellow *Musoga*. Anyhow, we are Ugandans and we belong everywhere.

Very importantly, Madam Speaker, when the traders reached out to us, as Parliament and as leaders, we understand there were meetings scheduled with the Executive - they did reach out to you, Madam Speaker, they reached out to us as well, and they had critical concerns.

The assumption they have is that this Bill is one of the remedies to their concerns. They are now wondering exactly what remedies are coming through because they had certain proposals. They wanted the Value-Added Tax lessened to 16 per cent, threshold from Shs 150 million to Shs 1 billion, and several other issues, whether Members here agree with them or not, but they did have these concerns. They still have these concerns, Madam Speaker.

To-date though, Government has not given us an update. Not long ago, they told us there was going to happen a meeting to harmonise and so on, but this House has not been kept in the loop on what exactly is happening. Therefore, the traders are going to assume that we have now responded to their concerns through this Bill, which is not the truth.

Maybe Government at this point needs to update us on what exactly is happening. Did we just push the matters of the traders under the rug and we have moved on swiftly? The traders have not moved on and they said if these concerns are not addressed, they will protest again. I do not know whether we want to keep having a back and forth because when they put down their tools and close their shops, the economy is affected. Can we get a proper remedy - because this Bill is not a remedy?

THE SPEAKER: Thank you. Honourable members, what we are doing is legislation. The matters that are being raised are policy matters. Can we have a response from the minister on policy issues as we do legislation?

MR MUSASIZI: Thank you, Madam Speaker. It is true there are a number of concerns raised on tax administration by the traders, specifically on the use of the Electronic Fiscal Receipting and Invoicing System (EFRIS).

We have had a number of engagements at various stages and tomorrow at 11.00 a.m., we will be at Kololo, engaging with the traders. The President is going to respond to all the issues raised by the traders.

BILLS
SECOND READING

THE TAX PROCEDURES CODE
(AMENDMENT) BILL, 2024

12.12
THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move a motion that the Tax Procedures Code (Amendment) Bill, 2024 be read for the second time.

THE SPEAKER: Is it seconded? *(Members rose_)* It is seconded by Hon. Amero, Hon. Connie, Hon. Ocan, Hon. Emmanuel, Hon. Acuti, Hon. Nancy, Hon. Sauda, the whole of the right-hand side, including the Government Chief Whip. There is Hon. Ojara, Hon. Muwuma, Hon. Rose, Hon. Patience, Hon. Ababiku, Member of Parliament for Busia, Member of Parliament from Mitooma, the Chairperson of the Committee on Agriculture, Animal Industry and Fisheries and the Elders' representative. Now you know I can mention all your names. No, the Chairperson of the Committee on Agriculture, Animal Industry and Fisheries is - you know, I cannot mention her name because she is my aunt, Hon. Okori-Moe.

Can you speak to your motion?

MR MUSASIZI: Madam Speaker, the Tax Procedures Code (Amendment) Bill, 2024 is intended to require a taxpayer who intends to claim a deduction of or credit for the goods destroyed to inform the Commissioner-General before the destruction of the goods and other related matters. As simple as this.

THE SPEAKER: Thank you. Chairperson of the committee? Do you have a minority report?

12.14
THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Amos Kankunda): Madam Speaker, there is a minority report on this Bill, the Tax Procedures Code (Amendment) Bill, 2024. Allow me to first present the report of the committee and I will go straight to the real issues.

Clause 2

The proposed amendment seeks to compel the taxpayer to inform the Commissioner-General before destroying damaged stock, expired stock, damage of manufactured stock, expired manufactured stock or obsolete stock.

The committee observed that this measure will enable the Commissioner-General to validate the deduction being claimed by a taxpayer before allowing it. Therefore, Madam Speaker, the committee recommends that the proposed amendment be adopted.

There was also an addition of a request to extend a period of section 40D, which allows a waiver of interest and penalty and allowing of payment of principal. That was the position of the committee and allow me to report, Madam Speaker.

THE SPEAKER: Thank you, committee chairperson. Do you have two minority reports? I like - *(Laughter)* - There is no Najjanankumbi or Katonga here. We have Members of Parliament. We have minority reports, not from any side, but they are all from Parliament.

12.16

MR IBRAHIM SSEMUJJU (FDC, Kira Municipality, Wakiso): I think what many MPs have not engaged themselves with is that the rules allow minority reports; they can actually be five. There was a case here when we had about four.

Madam Speaker, this particular Bill, as the main report has said, is not as complicated. In fact, my understanding is that URA is only asking for presence when goods are being destroyed. Let me read the parts that are important because this is a short report.

Madam Speaker, I will start with the non-compliance with the law.

The Certificate of Financial Implication the Minister of Finance, Planning and Economic Development, Hon. Matia Kasaija, issued for this Bill does not meet the requirements of section 76 of the Public Finance Management Act. The certificate the minister issued reads, "Revenue is expected from improved compliance, but cannot be quantified at the present."

(Interjections)- Clarification when a report is being read. No, those are issues you can raise after. *(Laughter)*

The certificate the minister issued reads; "Revenue is expected from improved compliance -

THE SPEAKER: The shadow cabinet is doing a good job. Let me first tell you, the shadow cabinet, when I was the Vice Chairperson of the Committee on Commissions, Statutory Authorities, and State Enterprises (COSASE), he met me and fired me in a corridor and said "From today, you are not the Vice Chairperson of COCASE. Yes -

MR SSEMUJJU: Madam Speaker, you have forgotten I wrote to the Speaker of Parliament removing you; it was not in the corridor. *(Laughter)*

THE SPEAKER: Now, you go ahead.

MR SSEMUJJU: Madam Speaker, the certificate issued by the minister does not meet the requirements of section 76 of the Public Finance Management Act. The certificate he issued reads "Revenue is expected from improved compliance, but cannot be quantified at the present". This statement by the Minister of Finance, Planning and Economic Development offends the section above, which requires him to indicate the estimates of revenue and expenditure over a period of not less than two years after the coming into effect of the Bill.

The certificate must also indicate the impact of the Bill on the economy. The law did not envisage a lazy minister who would present a Bill to Parliament with no comprehensive study. Every legislation brought here seeks to cure a mischief.

What mischief is the minister seeking to cure with no quantifiable benefit? Yet the same minister in his letter introducing the Domestic Revenue Mobilization Strategy for Uganda Financial Years 2019/2020, 2023/2024 committed to end arbitrariness. The minister said, in order to achieve our revenue potential, we will move away from ad hoc annual tax policy changes. These piecemeal adjustments with little alignments to an overreaching strategy have created a high degree of unpredictability and uncertainty in our tax policy direction.

The domestic revenue mobilisation strategy will address this as well as ensure that our future tax policy embodies the principles of simplicity, fairness, citizen welfare and sustainability. This is the commitment the minister made to the country in writing. This Parliament must hold him to his commitment.

Maybe he is carrying out a study and he wants to use Parliament as a respondent. This would be very unfortunate if that is his intention. Parliament should, therefore, not allow this Minister to use it for this purpose.

Madam Speaker, that is the minority on this Tax Procedure Code (Amendment) Bill, 2024. Thank you very much.

THE SPEAKER: Thank you.

12.23

MR NATHAN NANDALA-MAFABI (FDC, Budadiri County West, Sironko): Madam Chairperson, thank you very much. Minority reports are raised under Rule 205 of the Rules of Procedure. It can be a Member or Members. Members, I want to tell you that the rules also allow you to raise as many minority reports, but as you are many, if you become more than the many reports, then you become the majority report.

The other one becomes the minority report, even if it has a chairperson as the one leading it. Madam Chairperson, in this House, we have ever had a chairperson and his vice writing a minority report during the time of Hon. Stephen Tashobya on the Temangalo case. Madam Speaker, the one-

THE SPEAKER: But we had a minority report of Hon. Oguzu Lee.

MR NANDALA-MAFABI: As a chairperson.

THE SPEAKER: Which took the day.

MR NANDALA-MAFABI: Madam Chairperson, the one I am raising is on section 40D, which the Chairman has talked about, waiver of interest on payment of principal tax. We note that there are very many challenges with the implementation of Schedule 40(d) of the principal Act, which provides for waiver of interest and a penalty.

In practice, the URA's e-system currently applies section 40(d) together with section 38, which essentially compounds the outstanding principle as inclusive of any interest under the penalty of outstanding. We, therefore, note that the proposed amendments should be introduced alone to clear practical implementation guidelines, indicating that the payment should be applied first to the principal tax until it is exhausted.

Then the balance can be applied to interest and a penalty to be applied to interest concurrently with the principal. This always penalises compliant taxpayers at the time of waiving interest and penalties.

Madam Speaker, we recommend that section 42 of the Act is amended with a clear provision that, for the avoidance of any doubt, underpayment tax should be applied to the assigning principal first until it is exhausted before interest is paid or waived.

Madam Speaker, this is a simple demonstration; there are two taxpayers –

THE SPEAKER: Honourable members, there is a new clause that the committee is introducing, that is under 40(d) and it is saying that the waiver of interest and penalty is on payment of the principal tax. Under the principal Act, it says, "Any interest and penalty outstanding as of 30 June 2023 shall be waived where the taxpayer pays the principal tax by 31 December 2023."

That is what is in the principal Act. However, the committee is bringing an amendment, and it is saying they want to amend section 40(d) of the Principal Act. In subsection (1) by substituting the word "30 June 2023" with "31 December," meaning you have two financial years. You are moving away from the financial year of June to the calendar year of December. That is what Hon. Nandala- if I have understood you well.

MR NANDALA-MAFABI: Madam Speaker, the committee is saying, first of all, there are major issues with URA, which are not even in the law. What I want to put across, for example, you are two taxpayers. Each of you has a principal tax of Shs 100,000 with an interest of 50 percent.

When you go and pay your money, what URA does, it will apportion the money against the principal and then some to the interest. I want to give two scenarios. I, Nandala, am a good taxpayer. Hon. Amos, our chairperson, is a bad taxpayer. *(Laughter)* Okay. No, I have never. Madam Chair –*(Interjections)*– okay, Amos, I have withdrawn. *(Laughter)*

There are two taxpayers, A and B. One is a good taxpayer. He tries to pay his taxes. As he is paying his tax, one part is used against the principal and partly against the interest. Now, I want to give a scenario: assuming it is Shs 100,000 and interest of Shs 50,000 on the penalty. The bad one waits knowing that the Parliament will one day give a waiver. When it is waived, for him, they will waive the whole interest and the principal he will be allowed to pay will be Shs 100,000. While the other one who did some part payments, he paid Shs 65,000 – *(Interjections)* – just one minute. You are just an LDU, listen. *(Interjections)* [Hon. Enos Asiimwe: "Order, order!"] I have refused your order. I do not get orders from LDUs. The Speaker has refused.

Madam Speaker, is somebody allowed to get a microphone before you tell him?

MR ASIIMWE: Order, Madam Speaker.

THE SPEAKER: Honourable members, decorum is very important. What was your issue?

MR NANDALA-MAFABI: Madam Speaker, he got up and got the microphone.

THE SPEAKER: What is the amendment you are bringing?

MR NANDALA-MAFABI: Madam Speaker, the amendment is simply that when a taxpayer pays money, it must first be applied towards the principal before applying it to interest and penalty.

THE SPEAKER: I thought that would be handled administratively. Must it be in the –

MR MUSASIZI: Thank you very much Hon. Nandala-Mafabi for accepting my clarification. The issue we are dealing with, which the committee has proposed, is that we have taxpayers who are experiencing difficulties in meeting their tax obligations. As a result of that, they have not only incurred their tax due, but they have also added penalty and interest.

Now, we want to make things easier for them by giving them a specific period whereby if they are able to pay the principal, then the penalty and the interest are waived. Are we together? Now, the question should be, how do we achieve this? Section 40(d), which we are referring to, expired. It expired as at 31 December 2023. Meaning that we cannot amend it. We have to now bring a new insertion. Are we together? Can we start from there? Now, bring your argument from there.

MR NANDALA-MAFABI: Madam Speaker, the argument I am bringing is for the benefit of –*(Interruption)*

PROF. MUSHEMEZA: Madam Speaker, I am rising on the point of procedure. A few minutes ago, as you consulted your staff, Hon. Nandala-Mafabi referred to an honourable member as an LDU. Remember, a few minutes ago, we had to correct the record when a comment was made -*(Interjection)*- He was on record. The microphone was on. Are we proceeding well when Hon. Nandala-Mafabi referred to an honourable member as an LDU?

THE SPEAKER: Honourable members, was that mentioned today?

HONOURABLE MEMBERS: Yes.

THE SPEAKER: Where?

PROF. MUSHEMEZA: Madam Speaker, you were consulting your staff and he was on the record.

THE SPEAKER: That means I did not hear.

PROF. MUSHEMEZA: But it is on record.

THE SPEAKER: I am saying I did not hear.

PROF. MUSHEMEZA: That is why I have raised it as a point of procedure.

THE SPEAKER: Honourable members, we are handling a very serious issue. Can we first sort out that issue?

MR NANDALA-MAFABI: Madam Speaker, you have ruled very well. Sometimes, when you sleep in the House, it is very dangerous.

THE SPEAKER: Professor has not slept.

MR NANDALA-MAFABI: Okay. I have withdrawn. *(Laughter)* I agree with the entire committee and the minister on what they are saying, but the issue is coming like this. Let me give figures.

THE SPEAKER: Okay, what amendment do you want?

MR NANDALA-MAFABI: The amendment I am saying, Madam Speaker –

THE SPEAKER: Give us the amendment.

MR NANDALA-MAFABI: It is that everybody –*(Members rose_)*

THE SPEAKER: Please, first wait and hear from him.

MR NANDALA-MAFABI: That anybody who has paid the tax, that tax should be applied to the principal so that you can now know how much interest is waived. This is because in most cases, what URA does, if you pay Shs 100,000, I am giving an example, they will apportion it between the principal and the interest.

What will be happening now? Let me give scenarios. I have paid Shs 100,000, they have applied Shs 70,000 towards the principal, and Shs 30,000 towards the interest. It means the balance –

MR ODUR: Madam Speaker, we are now –

THE SPEAKER: Honourable members, Hon. Nandala is bringing an import into a clause. Can you now bring that up when we are at the Committee Stage?

MR NANDALA-MAFABI: Madam Speaker, I agree with you. I will bring it.

However, when you raise that as a minority, I must make colleagues buy in so that by the time we reach there, they have understood. The issue is, if – I was using Amos as an example and then we withdrew it and went to A and B – each of us has a debt with URA of a principal of Shs 100,000 and interest, say, of Shs 50,000. Assuming A paid Shs 100,000 at one time; they apportioned it, say, Shs 70,000 for principal and Shs 30,000 for interest - He will then have a difference of Shs 20,000 interest and Shs 30,000 principal.

Now, there is that one who never paid. If you, therefore, waive interest for everybody, you will waive Shs 20,000 for this one, and demand that they pay Shs 30,000. In short, it will be Shs 130,000. He has paid Shs 100,000 plus Shs 30,000. While the one who never paid and waited for Parliament to come and waive will pay only Shs 100,000.

Therefore, they are penalising those who are good taxpayers and leaving the bad ones. The reason I am raising this is that we must make a law so that URA applies whatever is paid first to the principal then the balance can be applied to the interest.

THE SPEAKER: They have issues to be responded to by the minister. There was an issue that was raised by Hon. Ssemujju on the certificate.

MR SSENYONYI: Madam Speaker, again I want to draw our attention to another legal challenge. The addendum that was tabled was to the Certificate of Financial Implications for the Value Added Tax (Amendment) Bill, 2024, which we have issues with.

I wanted to inquire so that we get a good understanding. Both reports, the committee report and the minority report are to the effect that the Certificate of Financial Implications for this Tax Procedures Code (Amendment) Bill, is defective. How do we remedy it? The remedy they provided was for the earlier one; the Value Added Tax (Amendment) Bill, 2024. We still have a challenge here because both reports are raising this challenge. We need to deal with it.

MR MUSASIZI: Madam Speaker, I wish to lay on the Table the additional information on the Certificate of Financial Implications for the Tax Procedures Code (Amendment) Bill, 2024.

I beg to lay.

THE SPEAKER: Can you read the whole additional information?

MR MUSASIZI: Madam Speaker, the information we provide here is that the Bill is expected to achieve the following;

i. To improve compliance and ease tax administration, raise revenue and attract investment.
ii. Since this is an amendment to the existing tax provision, there is no expenditure plan, specifically different from the overall allocation of the Uganda Revenue Authority (URA) budget for this financial year and next financial year.

On the funding and budgetary implications, the costs of implementation will be fully accommodated within the medium-term expenditure framework and ceilings of URA.

We also state the economic impact of the Bill to the economy. We also state that we cannot now quantify the revenue estimates at present because we do not know how much property will catch fire in this financial year.

THE SPEAKER: Thank you. There is a point of procedure.

MR OSHABE NSAMBA: Thank you, Madam Speaker. On Friday, we left for the same reasons. Going forward, wouldn't we proceed well if the minister begins by laying that information for every Bill that we are going to handle? It looks like he must be reminded that we left because of this reason, and it has to be the Leader of the Opposition to come back and say, "hey, we meant business over this." Can we have the minister begin by laying additional information for every Bill? Thank you.

THE SPEAKER: True. I had actually told the minister that, but maybe he has not had breakfast. Motion.

12.41

MR ISAAC OTIMGIW (NRM, Padyere County, Nebbi): Thank you, Madam Speaker –*(Interjections)* - I am on the Floor. Thank you. They have not given it.

Madam Speaker, we have discussed this matter and some of these arguments can be amended during the Committee Stage as you have clearly guided.

I would like to propose that we move to the Committee Stage so that we can process this Bill. Thank you.

THE SPEAKER: Honourable members, when a motion comes up, it takes precedence, not so? Hon. Aogon, not so? Is that seconded? *(Members rose_)* It is seconded by Prof. Mushemeza, Hon. Aogon, Hon. Martin. When you stand up, I think – by the entire NRM side.

I put the question for the motion for us to go to the Committee Stage.

(Question put and agreed to.)

THE SPEAKER: I put the question that the Tax Procedures Code (Amendment) Bill, 2024 be read for the second time.

(Question put and agreed to.)

BILLS
COMMITTEE STAGE

THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2024

Clause 1

THE CHAIRPERSON: I put the question that clause 1 stands part of the Bill.

(Question put and agreed to.)

Clause 1, agreed to.

Clause 2, agreed to.

THE CHAIRPERSON: New clause.

MR KANKUNDA: Madam Chairperson, the committee proposes that an amendment be made by inserting immediately after clause 2 the following –

"Amendment of Section 40D of the principal Act
Section 40 of the Principal Act is amended –

(a) in subsection (1), by substituting the words 'at 30th June 2024' with '31st December 2024'."

The justification is to increase the period within which the Commissioner may waive the payment of interest and penalty where a taxpayer voluntarily pays the principal. I beg to submit.

MR MUSASIZI: Thank you, Madam Chairperson. I beg to improve the committee chairperson's proposal as follows;

First, as I said earlier, section 40D expired and therefore, we cannot amend an expired section of the law. In this regard, I would like to propose an insertion of a new clause to read as follows;

"Section 40E(a) - any interest and penalty outstanding as at 30 June 2023 shall be waived, where the taxpayer pays the principal tax by 31 December 2024."

Section 40E(b) to take care of Hon. Nandala-Mafabi's concern, where the taxpayer pays part of the principal tax, outstanding as at 30th June 2023, by 31 December 2024, the payment of interest and penalty shall be waived on a pro-rata basis. I beg to submit.

THE CHAIRPERSON: Hon. Nathan Nandala-Mafabi –

MR NANDALA-MAFABI: I thank the minister for the improvement. That is a good one, but any taxpayer who pays any money - it should be applied first, towards the principal. The outstanding is the one – because we want to avoid apportionment. I would like the minister to agree with me that any taxpayer who makes any payment shall be applied first towards the principal tax.

MR MASABA: Thank you, Madam Speaker. The Tax Procedures Code Act Section 38 states the order of payments where a taxpayer is liable to a tax and interest. They have set the order through which URA should be following and the first item is that the payment should go to the principal tax and then (b), it should go the penal tax; then, the remaining is applied against the interest. It is about implementation, URA is probably doing it wrongly. They are not following the law. It should be administrative.

THE CHAIRPERSON: Are we okay with the amendment of the minister?

MR KATESHUMBWA: Madam Chairperson, I want to thank my colleague for clarifying because the law regarding the prioritisation of the taxes paid is there. We should support the minister's proposal because the problem here is about ledger reconciliation to establish taxes due.

With the proposed amendment by the minister, we should be able to at least see proper application and following the law, the taxpayer should not have a problem. If you pay in full, you have a full waiver of interest and penalty. If you have a part, then it is dealt with on a pro-rata, but dealing with the principal first.

MR NANDALA-MAFABI: Hon. Kateshumbwa, Hon. Karim is saying that under the law, you should first apply any tax paid on the principal, but these guys in the back bench, whenever you pay, they apportion a portion on principal and partly to the interest, which is wrong.

And now since they have heard - where you have made an error, it is a high time you corrected with your ledger. I thank you. *(Applause)*

THE CHAIRPERSON: Honourable members, I put the question -*(Member rose_)* - we are not deleting. Honourable members, I put the question that the insertion as proposed by the honourable minister, Hon. Musasizi, stands as part of the Bill.

(Question put and agreed to.)

New clause, agreed to.

The Title, agreed to.

MOTION FOR RESUMPTION OF THE HOUSE.

12.50

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Chairperson, I beg to move that the House do resume and the Committee of the Whole House reports thereto.

THE CHAIRPERSON: I put the question that the House resumes and the committee of the whole House reports thereto.

(Question put and agreed to.)

(The House resumed, the Speaker presiding_)

REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

12.51

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Thank you, Madam Speaker. I beg to report that the committee of the whole House has considered the Bill entitled, “Tax Procedures Code (Amendment) Bill, 2024” and passed it with amendments.

MOTION FOR ADOPTION OF THE REPORT OF THE COMMITTEE OF THE WHOLE HOUSE

12.52

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move a motion that the report from the committee of the whole House be adopted.

THE SPEAKER: I put the question that the report of the committee of the whole House be adopted.

(Question put and agreed to.)

Report adopted.

BILLS
THIRD READING

THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2024

12.53

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move that the Bill entitled, “The Tax Procedures Code (Amendment) Bill, 2024”, be read for the third time and do pass.

THE SPEAKER: I put the question that The Tax Procedures Code (Amendment) Bill, 2024, be read for the third time and do pass.

(Question put and agreed to.)

A BILL FOR AN ACT ENTITLED,
"THE TAX PROCEDURES CODE
(AMENDMENT) ACT, 2024"

THE SPEAKER: Title settled and the Bill passed.

BILLS
SECOND READING

THE STAMP DUTY (AMENDMENT) BILL, 2024

12.53

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move a motion that the Stamp Duty (Amendment) Bill, 2024 be read for the second time.

THE SPEAKER: Okay, it is seconded by Hon. Taaka, Hon. Muwuma, Hon. Silas, Hon. Koluo, Hon. Onen. Father, you are most welcome - *(Laughter*) by the whole NRM side, with Hon. Emmanuel, with Hon. Noah. Please, speak to it.

MR MUSASIZI: Madam Speaker, The Stamp Duty (Amendment) Bill, 2024, seeks to amend the Stamp Duty Act of 2014 to prescribe the stamp duty rate for the nominal share capital or any increase of share acquired by an investor in a private equity or venture capital fund, for the transfer of shares or other securities to; or by an investor in a private equity or venture capital fund for an instrument executed by or on behalf of the company or Government in respect of a manufacturer of electric vehicles or electric charging equipment and for other related matters.

THE SPEAKER: The certificate was laid and then the additional information – we sympathise with the – *(Hon. Namugga rose_)*- Hon. Namugga is a very good friend to Hon. Musasizi - for some time.

MR MUSASIZI: Madam Speaker, we accompany the Bill with the Certificate of Financial Implications. I now would also wish to provide additional information to the Bill for use by this House. I thank you.

THE SPEAKER: Thank you. Why don't you read your additional information? Hon. Mohammad, congratulations upon getting a baby girl. *(Applause)* Please, read the -

MR MUSASIZI: Madam Chairperson -

THE SPEAKER: Let him read.

MR MUSASIZI: Madam Speaker, the additional information provided is in respect of the key outputs, which are going to be achieved as a result of the implementation of this Bill. I would like to present them as follows:

One, it will encourage businesses to invest in new projects, expansions and innovations which lead to increased productivity, job creation and economic growth.

Two, it will enhance Uganda's competitiveness by enabling businesses to access affordable capital.

Three, it will encourage entrepreneurship by making it easier for businesses to access funding hence innovation, competition and diversification within Uganda's economy.

In terms of expected expenditure, we intend to implement this Bill using the existing resources already provided for under the URA Budget for the Financial Year 2024/2025.

We have provided the cost for the Financial Year 2025/2025. We have also provided the impact of the Bill on the economy.

Madam Chairperson, for emphasis, we state that the revenues generated from this Bill will depend on how much capital we attract from venture capital and private equity. Therefore, at this time, it is very difficult to reliably state how much revenue this Bill will generate.

THE SPEAKER: Some clauses will be rejected.

MR SSENYONYI: Madam Chairperson, what I have here, similar to what the minister has read, is the addendum for the Tax Procedures Code. Let me read this verbatim.

"*Estimates of revenue. Revenue is expected from improved compliance, but cannot be quantified at present"*. In that very one he has read, he is also saying it cannot be quantified at present.

Madam Chairperson, the law; Section 76 of the PFMA and rule 118(2) are clear. The law says the certificate "shall", not "may", have estimates of revenue and the expenditure. When you say, we cannot estimate at the moment - You see, it is not saying give us the exactness. It is saying, "shall contain an estimate". Even in your correction - we told you to go and do corrections, but the corrections you have done need corrections. *(Laughter)*

Here, you are also saying the revenue expected cannot be quantified at present. That is what was in the earlier certificate which was considered defective. In this very one, you are also saying it cannot be quantified. Deal with what the law is saying, honourable minister.

THE SPEAKER: First answer that.

MR MUSASIZI: Madam Chairperson, the LOP referred to the Tax Procedures Code and the substance of the Bill was clause 2 which deals with destruction of goods.

What we are telling you is that at this stage, it is very difficult to measure the extent of damage of trading stock. It is also very difficult to measure how much stock will expire in the period. It is very difficult to measure the extent to which stock will be obsolete. As a result of that, we are saying - *(Hon. Aogon rose_)*

THE SPEAKER: There is a point of order from -

MS NAMUGGA: Madam Chairperson, my colleague, Hon. Musasizi knows that I was the former shadow Minister of Science, Innovation and Communications Technology. I respect the finance minister, but with due respect, Hon. Musasizi, you are taking this House for granted. We are talking about a Certificate of Financial Implication. Leave aside the one on the Tax Procedures Code, but come to the Stamp Duty and the other one you first submitted on Friday. There is nothing like financials. You are speaking a lot of history. You are doing a lot of wording without anything like computation.

Madam Chairperson, with your indulgence, can the Minister of Finance, Planning and Economic Development be given time to get back to his office and use his technical team to bring the Certificate of Financial Implication?

Madam Chairperson, this 11th Parliament cannot be taken for granted. The point of order I am raising is, are you in order to mislead the House by reading history instead of bringing figures on this Floor?

MR MUSASIZI: My friend, Hon. Namugga, do not worry. Madam Chairperson, I wish to inform Hon. Namugga and the House that in respect - [Mr Aogon: *"Procedure"*]

Are we here for procedure or substance? In respect of Income Tax, we give estimates of revenue. In respect of the Excise Duty, we give estimates of revenue. In respect of Value Added Tax, I also provided information on revenue.

THE SPEAKER: Honourable members, we need to understand the taxes we are dealing with. When somebody says you may not be able to anticipate what kind of goods will be destroyed at what particular time - Can we have the tax expert?

MR NANDALA-MAFABI: Madam Chairperson, these tax laws we make sometimes help the administration of URA to do tax collection. The minister is right to say as you improve the systems, you may reduce the cost of collecting those taxes, but you may not come up to quantify what is happening. For example, right now, URA has a stock of how much money they are demanding from taxpayers which includes both principal and interest, already taken care of in the last law. They are saying now – It is already in our books as debtors.

When you improve, you will reduce on debtors paying so that you have cash flow. Madam Chairperson, I do not want us to -

THE SPEAKER: Honourable members, I know each of us has a speciality. When you get information from somebody who has - Let us learn from each other. We are not saying we know everything. Let us learn from each other and say, okay, if I do not know anything about Stamp Duty or VAT, let me understand it from a person who has knowledge on it.

I have not picked anyone. Honourable members, listen to me. I first picked a Member from the NRM. I have also picked a Member from the Opposition, who I know worked in URA under that section for over 20 years.

Let me hear from Hon. Kateshumbwa and by the way, he was a commissioner.

MR KATESHUMBWA: Madam Chairperson, there are things we should analyse practically. We may have accused the minister of not being adequate on others, but let us look at this particular clause. It is more futuristic and it is saying, at the time the taxpayer is going to report the destroyed goods. At this point, how do you expect the minister to know how many taxpayers will apply to have goods destroyed in the future?

Two, even on the cost involved for that particular one –*(Interruption)* Hold on. The minister has indicated that the costs involved will be taken care of through the normal operations of the existing Uganda Revenue Authority budget. So, for this particular clause, I do not think we should be arguing about the figures because it is more futuristic.

MR SSEMUJJU: Madam Speaker, we need to understand why the law was made the way it was. The fact that the minister wants the law changed, the lawyers say there must be a mischief that you are seeking to cure.

Even if you did not do Economics, you will come here and tell Parliament - In the law that is being referred to here that we have just changed; the Tax Procedures Code, you want to be present when goods are being destroyed, which is innocent. All you need to do is to look at the history; how many of such incidents happened last financial year? Then you will know they were worth this much.

You cannot come here and claim, with your Economics, that you cannot quantify. Let us not hide. Where you have made a mistake, agree and then say sorry and we move on. But you cannot come here and say it is difficult to quantify because these goods have been destroyed before and you know how valuable they were.

That is the figure you bring here and say, because of this, we have lost so much income because you are not present and we cannot be sure –

THE SPEAKER: Honourable members, we will not debate in anticipation. Maybe, let us first hear both reports to educate us on what it is.

MR NANDALA-MAFABI: Madam Speaker, you are right. Let us hear the reports. I want to state that if there are people who are good at dancing, I am not good at it, but when I am coming to speak, I want us to have real respect for each other –*(Interruption)* Do not worry, we shall deal with it. You see, they have also talked about me, but I know that if somebody is talking about you when it does not matter, you do not need to worry.

Madam Speaker, what we are raising is that where we know an issue has a point, we will always raise it. If they are going to destroy goods, for example, what is the problem? The URA staff - that is in the past. When they are talking of something which is going to streamline operations, it is just improving operations. The man will continue being paid the same salary while doing the work in a better format. I want to state that we know all of you have a lot of knowledge, but where you have limited knowledge, please –*(Interruption)*

THE SPEAKER: Honourable members - Yes, Hon. Muhammad Nsereko.

MR MUHAMMAD NSEREKO: I know it was just humor from Hon. Nandala-Mafabi. My colleague and comrade, Hon. Isaac -

THE SPEAKER: That was a slip of the tongue. I will ask you to say sorry for making noise –

MR MUHAMMAD NSEREKO: Madam Speaker, I think we should put more emphasis and focus on the Stamp Duty (Amendment) Act, and that is where we are going. The other one is more futuristic, definitely. Coming up with an estimate is therefore to give people proof of what they intend to achieve, so that we can explain.

I was waiting for the minister, mainly on the Stamp Duty one. I know it is promotion in the form of businesses; trying to protect businesses through Non-Governmental Organisations investors, and venture capitalists etcetera. Now, tell us what you are trying to cure here. What will we gain in the future?

Most of what you are proposing in the Stamp Duty are like exemptions. Are you trying to promote a clean environment? Are we bound by something? Try to tell us that by the exemptions you are proposing, Honourable Minister of Finance, Planning and Economic Development, this is what we exactly achieve. Try to quantify it and say that the estimate of what we intend to achieve –

THE SPEAKER: Not all achievements can be quantified.

MR MUHAMMAD NSEREKO: Absolutely, but the value can be given. Definitely not everything can be quantified, but let us see what we intend to achieve. What is the mischief you are trying to cure here? By saying, probably, we frustrated company X, Y and Z that intended to invest in Uganda, but as a result of our policy of taxing the manufacture of tools that are used in manufacturing electric vehicles, it diverted and went to this country, what are you trying to cure?

THE SPEAKER: Thank you. *Hajjat*?

MS AISHA KABANDA: Thank you so much, Madam Speaker. All the reports, including this one, are talking about the inadequacy of the certificate. When the certificate is presented to us here, who is analysing it to see whether it is now adequate? There is no analysis of the certificate. We are just tabling it as a formality and setting it aside. The procedural issue I am raising is, do we actually have anyone that is analysing the certificate, which has been deemed to be inadequate?

Secondly, a minister that is privileged to have economists that can project for years, even 10 years - He even has the National Resistance Movement (NRM) "Vision 2040". How can such a minister come to the Floor of Parliament and tell us that he cannot project revenue that will be earned in a year? *(Applause)* That is an insult to this Parliament.

Madam Speaker, we are in a budgeting process and this budget is being informed by projections. We are projecting revenue from each source where we are likely to get money. How could the minister come and stand before the Floor and say he cannot project while actually he is budgeting? Is the minister informing us now that he has no budget to tell us because the whole budget is full of estimates and that one of the estimates in the budget is actually money from this Stamp Duty Code?

I agree with the colleague that the minister is taking us for granted. He has just refused to give us information yet he has it with him. He must inform us how much money he projects will come from this Stamp Duty.

As we move forward, we need to know who is analysing these certificates so that we know whether they are adequate or inadequate. This is because, in the two reports, all the reports have condemned his certificate for having been inadequate. *(Interruption)* My colleague is giving me information and I am willing to take it.

MS NALUYIMA: Additional information from us the mathematicians –

THE SPEAKER: Hon. Naluyima, you do not just take the microphone. Can I hear from Hon. Wanda?

MR WANDA: Thank you so much, Madam Speaker. Honourable colleagues –

THE SPEAKER: I see how you people are putting too much emotion in this. You need to relax and calm down. Do not put too much emotion into it. I do not have an ambulance here. There are things that we have to go and discuss, especially on the issues of land, fuel and others. There are issues we are supposed to discuss.

MR WANDA: Madam Speaker, thank you so much. I want to draw the attention of the House to the nature of the law we are looking at. This is not a revenue generation or generating law, but rather a preventive law.

For a preventive law, you cannot in any way assume that you can project revenue that will come from it. The law is stating that if you are to destroy stock then you must report to URA. So, how do you expect the minister to put a figure to such a law? If you want him to use past information, it will not work that way because this is a preventive law and it is going to seize –

THE SPEAKER: Hon. Wanda, we are on Stamp Duty, not procedure, which is encouraging –*(Laughter)*

MR MUHAMMAD NSEREKO: Madam Speaker –

MR MASABA: Thank you very much, Madam Speaker. When you look at the Stamp Duty amendments they are bringing, they may not generate revenue for us directly as a country because they are exemptions. The minister should have justified to us the benefit we will get from electric vehicles – a cost-benefit analysis. We may forego a tax because we are exempting from promoting manufacturing and all that. So, that is the justification that the minister should give us and the chairperson proceeds with the report.

THE SPEAKER: Chairperson, give us the report. Let us first listen to the report; maybe what we are going to benefit is in the report.

1.17

THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Amos Kankunda): Thank you, Madam Speaker and colleagues. Allow me, therefore, to go straight to the gist of the matter in the report.

4.2 Clause 2; Amendment of the Stamp Duty Act, 2014

Madam Speaker, clause 2 proposes to amend Schedule 2 of the Act which provides for stamp duty for different instruments chargeable with duty as follows:

a) To exclude shares acquired by investors in a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap 84;

b) To provide a nil tax on nominal share capital or any increase of share acquired by an investor in a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap 84;

c) To require that a strategic investment project ensures that at least 70 per cent of its employees are citizens, earning an aggregate wage of at least 70 per cent of the total wage bill;

d) To require that the strategic investment project utilises at least 70 per cent of the locally produced raw materials, subject to availability;

e) To expand the provision of specialised medical facilities to any qualifying health facility without them being at the level of a national referral hospital;

f) To provide a nil tax to a manufacturer of an electric vehicle, electric battery or electric vehicle charging equipment or fabricator of the frame and body of an electric vehicle who meets the following requirements:

i) A minimum investment capital of \$10 million in the case of a foreigner or \$300,000 in the case of a citizen, or \$150,000 in the case of a citizen who invests upcountry;
ii) Capacity to use at least 70 per cent of the locally produced raw materials, subject to availability; and
iii) Employs at least 70 per cent of its employees being citizens, earning an aggregate wage of at least 70 per cent of the total wage bill; and
iv) Provides for substitution of 30 per cent of the value of imported products such as:

a. Debentures; whether a mortgage debenture or not, being of marketable security of the total value;
b. Further charge; any instrument imposing a further charge on a mortgage property of the total value;
c. Lease of land of the total value;
d. Increase of share capital; and
e. Transfer of land.

g) To provide a nil tax on shares or other securities to or by an investor in a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap 84.

The committee observed that the objective of this proposal is to promote investment by private equity and venture capital investors, which are regulated by the Capital Markets Authority, into early-stage and high-risk enterprises, with the potential for growth in Uganda.

The committee further observed that the objective of the proposal is to align the qualifying criteria for strategic investment incentives under the Stamp Duty Act with that in other Acts, including the Value Added Tax Act and the Income Tax Act.

Further, the committee observed that the proposed exemption of specialised hospitals is for a period of 10 years. This is in line with other exemptions that have been given for other facilities.

Madam Speaker, additionally, the committee noted that the Bill expands the scope of manufacturers who qualify for nil stamp duty and includes manufacturers of electric vehicles, electric batteries or electric vehicle charging equipment or fabricators of the frame and body of electric vehicles. This is intended, therefore, to promote investment in an environment-friendly transport system in Uganda.

Therefore, the committee recommends that the Bill be passed, subject to the proposed amendments. I hereby submit. *(Applause)*

THE SPEAKER: Thank you. Minority report?

1.23

MR IBRAHIM SSEMUJJU (FDC, Kira Municipality, Wakiso): Madam Speaker, the minority report has three areas of dissent, but maybe to make it very clear from the beginning, let me begin with the introduction.

The Stamp Duty (Amendment) Bill, 2024 was read for the first time on March 28th and referred to the committee. The main issue in this Bill - and that is why I wanted to start with the introduction - is tax exemption. The beneficiaries of this exemption include a manufacturer of an electric vehicle, electric vehicle battery, electric vehicle charging equipment or a fabricator of the frame and body of an electric vehicle.

National referral hospitals have been benefiting, but this Bill is now saying, “You delete”. Once that has been dealt with, mainly exemptions, the first area of dissent is non-compliance with the law.

The Public Finance Management Act - let me read it very quickly - makes it a requirement that every Bill presented to Parliament shall be accompanied by a Certificate of Financial Implication. This certificate, under Section 76 of the Act, states: *"The certificate shall indicate the estimates of revenue and expenditure over a period of not less than two years and after the coming into effect of the Bill when passed."*

The certificate shall indicate the impact of the Bill on the economy. This, in simple terms, means the total amount to be spent on the implementation of the law and expected revenue. In this case, the amount foregone when we exempt and intended benefits.

The Certificate of Financial Implication that Hon. Matia Kasaija issued on March 27th before the Bill was presented - one day - does not meet this requirement. It reads: "Since this is an amendment to existing tax provisions, there is no expenditure plan specifically different from the overall allocation of Shs 619.9 billion and Shs 534 billion for Uganda Revenue Authority for these years".

As I noted earlier, all five Certificates of Financial Implications for the Bills bear the same statement. When it came to the amendment, Hon. Matia Kasaija stated, "Revenue is expected from improved compliance, but cannot be quantified". We are dealing with this one now.

We thank the minister for being honest and kindly advise him to withdraw this particular Bill. Minister, please quantify the benefits as ordered by the law and return to Parliament when you are ready.

The Domestic Revenue Mobilisation Strategy Annual Monitoring Plan for the Financial Year 2022/2023 observed that the majority of the tax law amendments are not informed by tax-related analytical briefs. This is what this certificate confirms, yet the same minister, in his letter introducing the Domestic Revenue Mobilization Strategy for Uganda 2019/20 to 2023/24, committed to end arbitrariness. He said thus, "In order to achieve our revenue potential, we will move away from ad-hoc annual tax policy changes.

These piecemeal adjustments with little alignmentto an overarching strategy, have created a high degree of unpredictability and uncertainty in our tax policy direction.

The Domestic Revenue Mobilization Strategy (DRMS) will address this, as well as ensure that our future tax policy embodies the principles of simplicity, fairness, citizen welfare and sustainability; this is the commitment the minister made to the country in writing. This Parliament must hold him to his commitment.

The certificate does not show the overall impact of the new tax proposals on the economy. Moreover, Parliament recommended that in addition, every Bill should be accompanied by a stand-alone evaluation or regulatory impact assessment.

4. There is no comprehensive taxation policy in Uganda

On 5 May 2022, these concerns were raised - I do not have to go through this again - by two Members of Parliament who presented a motion: Hon. Gyaviira Ssemwanga, Member of Parliament from Buyamba, and Hon. Dicksons Kateshumbwa, a former Commissioner of Customs.

Let me go to where I quote Hon. Kateshumbwa. During the debate, Hon. Dickson Kateshumbwa, former commissioner, said, "We need to base our tax decisions on a structured policy rather than relying on ad-hoc negotiations. This approach will enable us to uphold the principles we aim for and foster investment within our country." That is what this tax expert warned this Parliament.

I do not have to repeat what Hon. Asuman Basalirwa said. In the absence of such a comprehensive taxation policy, the hands of this Parliament are tied. The solution is to ask the Government to withdraw the Bills and return when they are ready. I do not know how long you will want to babysit Hon. Musasizi and Hon. Matia Kasaija; two adults who are not following the law.

5. Tax exemption.

I want to invite Parliament to be very careful. The only study this Parliament can rely on to exempt taxes again is the report of the Auditor-General for the Financial Year closing June 2023.

The Auditor-General reports on page 178 of his report as follows: "Although the tax incentives and exemptions are expected to free up the capital to enable those companies to employ more staff, a total of 22 companies out of 36 that obtained the incentives were performing below the 50 per cent threshold and thus had not fully achieved the desired employment levels; 22 out of 36."

I noted that over the period under review, taxes waived by the Government amounted to Shs 1.417 trillion. These comprise Shs 1.293 trillion waived under the Gazette by Parliament, direct waivers by the minister of Shs 118.5 billion as well as tax exemptions as per the Income Tax Act under section 21 granted by the Commissioner-General of Shs 5.576 billion.

The Auditor-General is advising Parliament to stop tax exemptions because they are not serving the purpose. *(Applause)* You may not listen to the Opposition, but at least listen to the Auditor-General.

Since this whole proposal is about tax exemptions and a list of beneficiaries, the Auditor-General said we forego Shs 1.417 trillion in tax exemptions. At the beginning of this whole exercise, if you allow me now to speak for one minute as the shadow minister, we are being stampeded.

You are undermining the budget because this is where money is going to be raised. These whole taxes that we are processing combined are going to raise an additional Shs 300 billion, but you are exempting to the tune of Shs 1.4 trillion. *(Applause)* And then you come here and Parliament is wasting its time to look for Shs 300 billion yet you are exempting Shs 1.4 trillion.

I, therefore, invite the Parliament for this particular one, to reject all of it, if not for the problem of the Certificate of Financial Implication - You may not listen to us, but at least listen to the Auditor-General. He is warning you that the people you are exempting from taxes are not giving you benefits and then the Government comes here trafficking another law to say that we now exempt more. Thank you, Madam Speaker and honourable members.

THE SPEAKER: Thank you. Hon. Silas -

1.32

MR SILAS AOGON (Independent, Kumi Municipality, Kumi): Madam Speaker, I applaud the minister for the proposals and the committee for the report.

Number one, for you as a serious expert on figures, to parade a proposal without a plan is like having somebody building a house without a house plan. It becomes difficult at the end because that house can easily collapse.

I saw it in the 10th Parliament when we were debating the issue of the Over-The-Top (OTT) tax; we told the Government that this could not succeed. Some people paraded their ideas, insisted and said we shall succeed. Where did it reach? It collapsed before it even reached Jinja.

Today, we are talking about a very serious matter. I am not opposed to all the proposals because some of them are beautiful. For instance, if you are talking about exempting taxes on the transfer of shares, that is a beautiful one. So, not everything should be dumped, but I think the minister should be given time to go back, revise, and come back so that we pass what is proper. That is my opinion.

Number two, like the minority -

THE SPEAKER: You have been away and I welcome you back from Serbia. Hon. Rose Obigah -

1.34

MS ROSE OBIGAH (NRM, Woman Representative, Terego): Thank you, Madam Speaker. In the same way, I thank the minister, but would like to flow in the same water with the minority report.

We have challenges with taxes in this country. I remember many people were shot dead in West Nile as we were trying to get taxes from them. Now we are here trying to work in blindness; we do not even want to give figures. The minister who has all the machinery to support him to get the figures is trying to say we can do it without the figures.

This is not fair enough to this august House. I beg that the minister goes back and comes here when he is prepared and ready to give us facts other than gambling. We are not here to continue with this kind of thing. Thank you.

THE SPEAKER: Actually, what you are discussing are the matters of tax administration. This is a law that we are passing and the other one is tax administration.

MR KANKUNDA: Madam Speaker, I heard the concerns of colleagues especially when you said that we have had challenges of incentives being given and they are not followed up to get the benefits. True, this is a concern we should put to the administrators of the tax.

What we are proposing here is to create an environment that will enable investment and these are good proposals. The concern of following up to make sure the benefits are realised is another administrative thing.

THE SPEAKER: Another Arm of the Government. Let me first start with Hon. Ekanya and then I come to you.

MR EKANYA: Madam Speaker, whereas I agree with the concern the Members have raised, we are in a very competitive East African region.

I happen to represent an organisation in this region and as we speak, Kenya has banned the import of all billets. What is the purpose? One, is to create jobs. I heard Hon. Amos Kankunda say, "import of all billets for all steel manufacturers in Kenya, you must get billets locally". What did H.E. Ruto do for that purpose? So that it creates jobs for the young people.

I have heard Hon. Amos proposing that 70 per cent must be citizens. Honourable minister, with all the due respect, we have foreigners who come here. Our girls are very beautiful and these foreigners marry our girls and become citizens. Can we improve that section? This is very serious. We have people who come here under our law –

THE SPEAKER: Do you mean a stamp on the marriage certificate?

MR EKANYA: What I am trying to say is that the committee proposal is very good. It will help our young people to create jobs because it says that 70 per cent must be Ugandan citizens. If you have a company called Anita Among Foundation and you have been exempted, you must employ 70 per cent of Ugandans.

However, my concern is –

THE SPEAKER: I am not a foreign investor; I am a local one. (*Laughter*)

MR EKANYA: Madam Speaker, I am giving an example. My proposal and improvement that I require from the committee chairperson is that you can be a Sudanese or Somali, you come here and because Ugandan girls are very beautiful, you marry her, and the next day you become a citizen. So, you will qualify to become an employee, part of that 70 per cent. What some countries do is that you must be an indigenous citizen. Your father should have lived there for 20 years. Do you get me? Let us make that provision.

Thirdly, Tanzania has passed another law over the exemption we are talking about here with the same provision; jobs to Tanzanians and they put a provision that you are only allowed to have a foreigner to become a corporation secretary, managing director or accountants. All the jobs downwards must be occupied by a Tanzanian. So, colleagues, any provision that creates jobs for Ugandans is good, but anything that does not create jobs, I am against it.

THE SPEAKER: Honourable members, I want us to differentiate between the enactment of the laws and tax administration. As much as we enact the laws here, we are not going to turn ourselves to be the implementers of collecting taxes. Hon. Ethel –

1.39

MS BETTY NALUYIMA (NUP, Woman Representative, Wakiso): Thank you, Madam Speaker. Before I get to the matter, a point of privilege. Can we have the additional information uploaded onto the system? You have made us IT compliant. We cannot all come to your desk and look at the minister since we have additional information. I will not differ at any one time with the minority report. Thank you.

THE SPEAKER: Honourable members, in the public gallery this afternoon, we have pupils from Lotte Junior School located in Busiro East County. They are represented by Hon. Medard Lubega- Sseggona and Hon. Betty Naluyima. Where are you? Please stand up and we see you. You see how they look very smart. Those are your Members of Parliament and they are very good. Tell daddy and mummy to vote them back. Please have a seat. You are welcome.

1.41

MR MUHAMMAD NSEREKO (Independent, Kampala Central Division, Kampala City): Thank you, Madam Speaker. I have heard the presentations from both reports. The gist of the matter here is the amount of pressure mounted on this House to help the Government raise revenue. Of course, this is one of the things the honourable minister has been telling us; that there is a shortfall and we need money to fund your priorities.

This is the question that has been posed logically by Hon. Ssemujju; that through exemptions, you have Shs 1.4 trillion - some exemptions where this Parliament has participated and others on the volition of the minister. This means certain expenditure priorities are not met as a result of our making. The minister is here to tell us that one, I do not have money; I need to raise Shs 400 billion, but the only way I want to raise it is partly by making these exemptions here.

In short, if you are drawing a table, it shows he has a deficit somewhere, but for him to raise money is to do away with this tax. We are saying, tell us how much you have been collecting before we can give you a clearance to do away with this. That is the cost analysis that we want to see. This is what I have been collecting because the law has been there.

The amount of taxes I have been collecting through Stamp Duty Tax from the transfer of shares, and importation of A, B, C, D and E has been this, and it is negligible. As Members of Parliament, you can join me in doing away with this tax because the benefit is X, Y, and Z. For example, he can say, that maybe Vauxhall or Company X has proposed to come to Uganda and assemble electric vehicles and it will provide 300 jobs.

This will be the benefit so that we legislate from a point of knowledge and you do not mislead us to legislate in anticipation. *(Interruption)* I will take your information.

MR ACHIA: Thank you, Hon. Nsereko, for giving me the chance to give you information. I was the Chairperson of the Committee on Science and Technology. We had an opportunity to visit a factory in Ntinda, of young Ugandans making lithium batteries in this country. They were complaining and wrote a petition to the minister, Dr Musenero, why in the last tax Bills, we did not give an exemption on the lithium batteries and charging points that they are doing in Uganda.

There is also International University of East Africa doing the same. So, there are young innovators in this country and this is very good. I am surprised that my colleagues from the other side are asking for more taxes, especially when it is the first time and they are going to have 70 per cent. This is information you should know or what it means in terms of numbers.

MR MUHAMMAD NSEREKO: Thank you for the information. Since you are a member of the committee, I am not saying that it is not great information. It is amazing, but since you have that information, that is the exact information we want from him. That Company X manufactures this number of lithium batteries that can be used in electric vehicles and we have been collecting, let us say, Shs 500 million from them.

Therefore, by exempting them from this Shs 500 million, we shall attract capital investment of let us say US$ 10 billion. Who will say no? The argument on the slate will be so clear that from the balance of probability, what you expect to forego is much less than what you expect to earn and we will legislate from an informed point of view.

The shortage that we are having is that it does not come out of the report or from the minister's submission and it is not reflected in the Certificate of Financial Implications. What would be the basis of the honourable members of this House to say that we shall forego this stamp duty?

THE SPEAKER: Let me hear from Hon. Karim.

1.46

MR KARIM MASABA (Independent, Industrial Division, Mbale City): Thank you, Madam Speaker. What I need us to understand is that not all that is proposed in this law is new or they are new exemptions. For example, when you look at section D, we agreed to disagree with my colleague, the shadow minister, because some of the items help our people, and some of these exemptions will come down to our people.

For example, when you look at section D, it states: "Hospital facility developers whose investment capital is at least US$ 5 million and who develops a hospital at a level of a national referral hospital with the capacity to provide..." What the law is doing is removing the part of "a national referral hospital." The exemption is there to encourage whoever has $5 million to come and invest in our health sector.

Therefore, there are sections that are good. I propose that we continue and look at them, one by one because there are those that I do not agree with.

THE SPEAKER: Go ahead.

MR MASABA: There are amendments that we do not agree with and there are those that are coming in to help protect our people. Another exemption of the manufacturers is talking about employing at least 70 per cent. This exemption has been there, but they are now trying to protect our people from just 100 employees. Currently, you will find that there is a factory which is probably employing 1,000 people, but the law requires having 100 people. So, the 900 can be foreigners. So, the amendment in that section requires 70 per cent and 70 per cent of the 1,000 will be 100 people who have to be local Ugandans. Therefore, I think we need to move forward and go one by one.

MR MUHAMMAD NSEREKO: Madam Speaker, the question that our colleagues fail to understand is not the spirit. We are not challenging the spirit because that belongs with the legislators here. The issue is the quantification. We would be talking about even $1 million or $2 million.

The power to accredit a hospital to be a referral or not belongs to the Ministry of Health. Of course, we want to encourage investment in health and education. We can even talk about education, agriculture or do it cross-cutting and say that any person who makes an investment that is more than $5 million pro-rata shall be exempt of stamp duty. Do you understand what I am saying?

Present what we are foregoing so that we look at it, weigh in and say, definitely this is an amazing proposal and you deserve our support. We shall reflect it in another tax proposal. We are not saying that manufacturing of electric vehicles is bad. It is amazing. Assembling of laptops is amazing. Assembling of televisions is amazing. However, we are saying that if we are making the proposal, can we make it, but if you want to state that it is $5 million and it is about employment, then we go pro-rata. Any person above the investment capital of $3 or $2 million has some duty of X.

THE SPEAKER: Honourable members, like Hon. Karim said, can we pick item by item? When we reach the Committee Stage, we will say, we are not in agreement with this item because it does not help our people.

1.50

MR NATHAN NANDALA-MAFABI (FDC, Budadiri County West, Sironko): Madam Speaker, stamp duty is a stamp on value. Let me give an example which is simpler. If you buy land of Shs 100 million, there is a stamp duty of maybe 1.5 per cent. It is one of the easiest ways to collect money from values.

Sometimes, stamp duty can increase costs. For example, if I have invested Shs 1 billion and you are going to collect 2 per cent from me for registering my company with shares, which you can allow to invest and produce – One, they have even put here, "employ people."

The moment it employs at least 70 per cent and earns at least 70 per cent of the total wage Bill, you do not have to have 70 per cent. If it is 75 per cent of 10, it will be 7.5. Even if you have five, 75 per cent would be four people.

Stamp duty is one of the easiest ways to put people in the tax bracket. However, the moment they are registered, as they are saying, and you allow people to bring in money, even those local ones, instead of undervaluing their shares, will come to the market and put them on the shares. Many people here buy land of Shs 100 million, negotiate and get an agreement of Shs 5 million and nobody has the capacity to change it.

However, if you make the rate low or put nil, the man will declare the whole Shs 100 million. You will know that he has invested Shs 100 million and it will earn income for this country.

Therefore, I want to make a proposal that in this Bill, there are those which are good to look at. We have shares, debentures, mortgage and securities. We could go one by one because even securities are very important.

THE SPEAKER: Move a motion.

MR NANDALA-MAFABI: Madam Speaker, I would like to move a motion that we go to the Committee Stage to handle clause by clause and section by section to determine what we can allow and what we should not.

(Question put and agreed to.)

THE SPEAKER: I put the question that the Stamp Duty (Amendment) Bill, 2024 be read a second time.

(Question put and agreed to.)

BILLS
COMMITTEE STAGE

THE STAMP DUTY (AMENDMENT) BILL, 2024

1.52

Clause 1

THE CHAIRPERSON: I put the question that clause 1 stands as part of the Bill.

(Question put and agreed to.)

Clause 1, agreed to.

Clause 2

THE CHAIRPERSON: Committee chairperson, are you on clause 2?

MR SSEMUJJU: Madam Chairperson – *(Interjections)*- that order is not in the rules so it is not proclaimed. I am answering those who are making noise.

I am proposing that the whole of clause 2 be deleted. We can revisit it when a study has been done to quantify the benefit vis-à-vis the exemptions that we have already made as mentioned.

We exempted to the tune of Shs 1.4 trillion yet we are looking for the money to finance the budget. Every day you are being reminded of money to finance the budget. Now, you are taking away from the cash envelope.

MR KANKUNDA: Madam Chairperson, on clause 2, the committee proposes an amendment of the Stamp Duty (Amendment) Bill, 2024 as follows –

THE CHAIRPERSON: There is a proposal to delete everything in clause 2 –

MR SSEMUJJU: Madam Chairperson, when you say "everything," you are biasing the vote.

THE CHAIRPERSON: Delete clause 2.

MS NAKUT: Madam Chairperson, deleting clause 2 means deleting the entire Bill because that is the only clause we have. And that is their plan. We cannot delete everything – *(Interjections)*

THE CHAIRPERSON: Why are you people making noise? Is it seconded? Dr Acuti, are you seconding deleting clause 2?

DR OPIO: No, I had an issue to raise on that deletion.

THE CHAIRPERSON: No, I am on secondment. Five have seconded. Those who have not seconded it - Honourable members, those in favour of deleting - I am putting the question.

MR MUWANGA KIVUMBI: Madam Chairperson, before you put the question, I think this House needs to know that this clause does not affect the revenue side. Actually, it saves generation of revenue.

Secondly, it is not an issue that can be stampeded in one session. Where we need to do a careful study on the implications of these things, this House should give itself an opportunity to study these things.

The fine implication of it, honourable colleagues, is that we have exempted ourselves to the extent that we are paying a lot of debt. We can no longer balance our budget; we do not have revenue, yet we are exempting -*(Applause)* - without specific studies to inform our exemption. The moment someone does not raise to this occasion and say enough is enough - we can exempt, but let us be very elaborate with the studies and the implications.

When you look at our debt size, the money we are trying to raise and the exemptions we are creating every day, we look like we are neither here nor there.

This is a critical matter so we need a study to inform what we are exempting. Sometimes the minister knows because some of these exemptions are lobbied positions by agencies to dodge paying taxes.

THE CHAIRPERSON: Honourable members, when I look at (d), "Hospital facilities development whose investment capital is at least $5 million. Honourable members, let us not make things difficult. Let us look at the issues one by one. Hon. Faith - let us debate these things.

MS NAKUT: Madam Chairperson, I agree with you that we should handle these matters case by case, for instance, the issue of debt highlighted by Hon. Muwanga Kivumbi. This amendment on (c) opens a window for venture capital to be raised in Uganda so we can have our own money and reduce the borrowing.

If you really want to throw away even a good thing like this one that is not fair. You do not care for the country. So let us to handle it case by case.

THE CHAIRPERSON: Hon. Karim

MR MASABA: Thank you, Madam Chairperson. Why I had proposed for us to go to Committee Stage because when you look at it - we can probably agree to leave items (a) and (b), but not delete them. When you look at section (c), which is 60(a), I think we can go with it.

My proposal is that in clause 2, we delete subsections (a), (b), and (d), which concern the investors, but leave (c), which I believe is quite crucial and necessary for us to help promote because it is the one which covers the likes of hospitals.

THE CHAIRPERSON: Members, first wait for me to conceptualise.

MR KATESHUMBWA: Madam Chairperson, I think Members - I have been given a space.

THE CHAIRPERSON: Yes, Hon. Kateshumbwa -

MR SSEMUJJU: The point of order I am raising is that this Parliament was advised by an experienced former commissioner not to arbitrarily impose taxes without studies.
Is he in order now to turn against his advice and say just proceed regardless?

THE CHAIRPERSON: Let us hear from the minister or Hon. Kateshumbwa.

MR KATESHUMBWA: Madam Chairperson, I think when we are debating, we need to understand the intention of some of these proposals so that we make informed decisions.

One of the problems we have in this country is high cost of capital. We have companies that borrow at very high rates. Many countries have incentivised private equity and capital ventures to come in and bring in cheap capital for people. This proposal is actually intended to support private equity especially into high-risk enterprises.

I do not think that as a House, we should be throwing this kind of proposal because we are trying to help our business; we are trying to help our economy by attracting in cheap capital. This is a value proposition. You are not exempting someone who is existing instead you are putting a value proposition attracting capital in this country. We are not talking about exempting someone who is already here.

Madam Chairperson, why would we throw out such a proposal, knowing that it has very big benefits for the economy? Let us not mix things. I agree on the issue of exemptions. We need to deal with, them, but let us look at the existing exemptions not something that is intended to actually promote economic growth in this country and just throw it out of the surface because we have a problem with exemptions.

Madam Chairperson, this is futuristic. It is a value proposition, it will drive in capital and equity and people will invest in our businesses. Then we can collect more tax when the businesses have grown.

THE CHAIRPERSON: Hon. Ibrahim, where is your study so that we can compare?

MR SSEMUJJU: Madam Speaker, my study is the report of the Auditor-General, who is an officer of Parliament, who has advised that out of 36 companies that benefited from tax exemptions, 22 of them were still performing below the threshold upon which they were exempted and the country lost in these exemptions Shs 1.4 trillion.

Madam Chairperson, each MP has a copy of this study or can access a copy. We have only asked the Government if they have another study upon which we can base to make a decision. However, they have said they have no study; they are just speculating that emotionally, we approve. That is all.

THE CHAIRPERSON: Thank you.

MR MUSASIZI: Thank you, Madam Chairperson. Let me begin with the Auditor-General's report, to which Hon. Ssemujju is referring. It is true that some of the exemptions we have provided before have not yielded economic benefits. Those are the exemptions to which the Auditor-General is referring.

For today's debate, we are looking at aspects, if supported, can stimulate this economy. Number one is venture capital fund and private equity. This is a new area. We need to attract patient capital. It has been a challenge in our economy. We need to attract investment and as a result, all those companies because of favourable regimes elsewhere in the region, Kenya and the others have seen much private equity and venture capital going to these markets and leaving ours. Therefore, we are saying that in order to allow us to attract capital in these areas, can we - clarification?

MR SSEMUJJU: I would like to thank Hon. Musasizi for giving way. I think the line he is taking is a narrow one. You are a country where foreign companies are calling and going away because of a lack of aggregate demand. If the message those companies that are closing and going away are carrying with them to their respective areas because of the problems within your economy - Is the question now to exempt taxes, will that bring them back? If they have left here, they set up supermarkets, people are not buying. *(Hon. Muzaale rose_)*

MR NANDALA-MAFABI: Honourable minister, I think the problem is - do you have this volume with you? If you had this volume with you, it would explain better.

Madam Chairperson, venture capital is money, which comes in different forms. Even forming a company is more or less a venture, but you are capitalising your company.

Under paragraph 18, honourable minister, of schedule 2 of the Stamp Duty Act –

THE CHAIRPERSON: Principal Act.

MR NANDALA-MAFABI: I wish you had worked - even if they gave it to you, you may not read it. *(Laughter)* He has confirmed he cannot read. When he says "order", he has confirmed he cannot read.

Madam Chairperson –

THE CHAIRPERSON: Do you have this book?

MR NANDALA-MAFABI: So, Madam Chairperson –

THE CHAIRPERSON: Now, if you have it, go to paragraph 18, under schedule 18.

MR NANDALA-MAFABI: Paragraph 18, under schedule 18**.**

THE CHAIRPERSON: Page 617.

MR NANDALA-MAFABI: Madam Chairperson, under that, it says capital duty. If you register the company, the nominal value will be charged 0.5 per cent, but when you increase it, the fund and disbursement, will be nil.

When you go to the public through the operation of the stock exchange with the capital market - Are you getting it? - Yes, I am just coming - through a public operation will be nil. Now what they are trying to do is to capture the private as well. That is number one.

Number two; they want to make sure that when you bring the money in, in the form of a company - a private company is not on the stock exchange, it is not listed. Very simple. It is not in the public domain and even if you are producing its accounts, they are not supposed to be public accounts.

Madam Chairperson, what happens is when you put money on the capital, what most people do is start bringing in the money in the form of loans. Now when I bring a loan, you will pay me interest. If you are aware, under Section 25 we are trying to limit that. Under Section 90 of the Income Tax, we are trying to limit it to avoid related party actions. When he brings another capital money as a loan, he will earn interest and when he earns interest, he externalises it and again brings it back as interest. Therefore, it will be a continuous flow because he is trying to dodge payment of Stamp Duty.

In most cases, when you have registered a company, it will only get money if it is under liquidation. At the end, when you have paid everybody an –

THE CHAIRPERSON: Hon. Nathan, you would have first clarified Hon. Esenu's concern that he takes it out as profit and brings it back as capital.

MR NANDALA-MAFABI: That is true he takes it as profit and brings it back, but what we are trying to say is if you attract this money, the only money you get will be what we call dividends. The dividends are after declaring all the profits. Mark you, interest is an allowable business expense, but dividends are not an allowable business expense. After making a corporation profit, subject it to Corporation Tax, then what you get will be subjected to Withholding Tax in the form of dividends.

In most cases, companies tend to fear taking our money in the form of dividends because of the tax. In short, the money will remain in the company and instead of borrowing more, they will use the internally generated funds. So the advantage of this - minister, you needed this book, you would have said you are attracting people to bring in money in the form of shares, share capital, instead of bringing in money in the form of loans, which will be an allowable business expense. That is number one.

THE CHAIRPERSON: But he talked about venture capital.

MR NANDALA-MAFABI: Venture capital is the same.

THE CHAIRPERSON: Yes, it is the same. That is what I am saying.

MR NANDALA-MAFABI: When I bring in my venture capital and register it with the Uganda Registration Services Bureau (URSB), you will not - because of money, Madam Chairperson, if you are aware, a mortgage, a debenture, or in whatever form you bring it, because I bring in my money as a mortgage, as a debenture, as a mortgage, when I am registering it, I must pay Stamp Duty, and for a mortgage, it is 1 per cent. Which makes it very complicated. Some people tend to fear bringing in money. They look for countries where there are no charges on Stamp Duty.

It is not good to tax capital at the beginning. You leave it to generate and then you tax it. That is what I wanted to put across.

THE CHAIRPERSON: Thank you. Let him ask Hon. Nathan.

MR MUWANGA KIVUMBI: I would like to ask you. If somebody like Amarog, because I know why they are moving these things. The one that wanted to lend money to Uganda, from Nairobi, Amarog Capital Limited, the moneylenders. Some of these exemptions may end up benefiting moneylenders. I would like to ask what will happen to a money lender that wants to bring in money for purposes of lending to Uganda.

MR NANDALA-MAFABI: Madam Chairperson, he has answered. When you lend money, you earn interest.

THE CHAIRPERSON: Interest on the principal.

MR NANDALA-MAFABI: The moment you earn interest, you will be subjected to withholding tax, is it at 10 per cent when you are taking the interest? Whether you have paid it out or not under the law, the moment you make a provision, you are deducted 15 per cent. So if the money lender, Amarog came, he will pay 15 per cent? You can pay.

MR KATESHUMBWA: More information. My colleague, you know, the principle here that Hon. Nandala is raising is that, as a country, we should reduce our appetite for targeting and taxing capital. Because capital is the seed that we are investing in the economy. When the companies get that money and they grow and they make profits, then you can target them.

Therefore, the issue of interest is dealt with in another Bill, but even that one is at the point when you have earned. When someone is coming in where we have a problem of having patient capital in this country, we should reduce our appetite to try and tax where we have not invested.

MR NANDALA-MAFABI: Madam Chairperson, Stamp Duty, in short, in most cases, is either nil or 0.00 per cent. Why? It is just purpose and by the way, most countries refund your money after some time. However, here we take it as revenue and we never refund it. You are taxing capital, which has not yet generated profit. Allow people to bring money, it generates and makes a profit, and then tax the profit.

THE CHAIRPERSON: Honourable members, we still have a pending motion, which Hon. Ssemujju Ibrahim brought. I am going to put the question. The question I am putting is that those who are in favour of deletion of clause 2 if you are not in agreement of deletion, say NO. However, if you agree, have you understood?

HON. MEMBERS: Yes

THE CHAIRPERSON: I put the question, those in the favour - Hon. Medi –

Honourable members, I am saying if you are in support that we delete - we do not want the venture capital or anything, you say - if you are in support of the motion of Hon. Ssemujju that we delete, we do not exempt and we do not get venture capital, you say "AYE". Then, if you are saying that we need this clause like what Hon. Nandala has explained, you say "Nay".

Honourable members, I put the question that clause 2 be deleted.

(Question put and negative.)

THE CHAIRPERSON: I put the question that "The Stamp Duty (Amendment) Bill, 2024" be read for the second time -

MR NANDALA-MAFABI: Madam Chairperson, we have agreed that we are going to deal with it. We have some paragraphs, which we want to handle one by one. We want the committee first; maybe we also bring ours.

MR KANKUNDA: Thank you, Madam Chairperson. I would like to read the amendments in clause 2 that the committee proposed. The committee proposes that clause 2 be amended as follows:

(a) In paragraph (a), by inserting the word, "Or shares acquired by a private equity or venture capital fund regulated under Capital Markets Authority Act, CAP 84," immediately after the words "CAP 84." That is (a).
(b) In paragraph (b), by inserting the words, "Or by a private equity or venture capital fund regulated under Capital Markets Authority Act, CAP 84," immediately after the words "CAP 84" in the proposed item (e).
(c) In paragraph (C) (4), in the proposed paragraph (g)(4), by inserting the words "At least" immediately after the words "substitution of" and
(d) In paragraph (d) insert the words "Or to or by private equity or venture capital fund regulated under Capital Markets Authority Act CAP 84," immediately after the words "CAP 84" in the proposed item (f).

Justification is to provide for private equity or venture capital as a source of long-term capital that can provide funding through debt or acquisition of shares in privately held businesses. I beg to submit.

THE CHAIRPERSON: Minister -

MR MUSASIZI: Madam Chairperson, I agree with the committee.

THE CHAIRPERSON: Hon. Mafabi -

MR NANDALA-MAFABI: Madam Chairperson, on that one I have no issue. However, since we are moving the entire amendment of clause 2, I want to make amendments. Maybe we deal with it because -

THE CHAIRPERSON: Let us first finish.

MR NANDALA-MAFABI: No, I am not amending the position of the committee. I am just only looking at an addition so that we deal with it at once.

THE CHAIRPERSON: On the same?

MR NANDALA-MAFABI: Under item (C), they are substituting for the word "Capacity to employ a minimum of 100 citizens," the words "Employing at least 70 per cent of the employees."

Madam Chairperson, this one here is becoming interesting. What they are doing, initially we are at 100. Now they want to move to 70 per cent. If you do this, there are chances of bringing in transfer pricing. What do I mean by transfer pricing? They will decide that those they are employing, the 30 per cent - they will make sure the payment is not done here.

It is done there, but they will transfer it depending on the cost of goods because these items are coming out like the raw materials. That is where I wanted us to tighten in that view.

Madam Chairperson, I want to move an amendment that instead of 70 per cent we make it 80 per cent and also the aggregate to be 80 per cent so that we will leave leverage of 20 per cent which can be easily - because look at the arm-length transactions. Thank you.

THE CHAIRPERSON: Chairperson -

MR KANKUNDA: Madam Chairperson I agree with the amendment.

THE CHAIRPERSON: Minister -

MR MUSASIZI: Madam Chairperson, a movement from 70 per cent to 80 per cent still keeps us in the confidence range. I therefore concede.

THE CHAIRPERSON: Thank you. I put the question that clause 2 be amended-

MR NANDALA-MAFABI: Madam Chairperson, just as a final one. Having agreed on that, this 80 per cent should run through even in the raw materials. What we are trying to say -

THE CHAIRPERSON: 70 per cent or 80 per cent?

MR NANDALA-MAFABI: 80 per cent. Even the raw materials, whereby unless they are not locally found, then you can decide to go. Like medicinal, most of the herbs are from our forests here. That is- we deal with that 80 per cent. Where there is 70 per cent we put 80 per cent. In 2, we put 70 per cent in (iii) and another 80 per cent in Romans -

THE CHAIRPERSON: Wherever the 70 per cent is, we insert 80 per cent.

MR NANDALA-MAFABI: Even the labour it is all there.

THE CHAIRPERSON: Yes Hon. Amos

MR NANDALA-MAFABI: Where there is 70 per cent we have put 80 per cent. Even the labour materials are mentioned because labour is material. I thank you, Madam.

THE CHAIRPERSON: Yes. Let us first hear from the Chairperson -

MR KANKUNDA: Madam Chairperson -

PROF. MUSHEMEZA: It is a clarification, which would help. You know, someone is insinuating, you see, when we say at least 80 per cent, I wanted to be clear, what would stop us even going to 95 per cent since we have used the concept "At least 80 per cent." What would stop us from going to 95 or 98 per cent?

MR KANKUNDA: The only difference that Hon. Nathan is proposing is that the minimum, in this case, should be 80 per cent. That is the only difference. Nothing stops us from going to 90 or 100 or so. I agree with the proposal that Hon. Nathan has given.

MR AOGON: The issue of labour: Madam Chairperson, I know that our foreigners sometimes are very sensitive. We do not want to be outcompeted by our neighbours. And we must be very careful about this. I would suggest that we stay at 70 per cent and not – I am talking about the labour because you must also be concerned about what the rest of the East African states are doing. Lest you chase away everybody, by the time you realise, you are alone in your house and nobody will help you. It is something that I need the senior Hon. Nandala-Mafabi to consider.

MR NANDALA-MAFABI: No. Madam Chairperson, before my younger brother comes to give me information, I think Hon. Silas – it is true he has just come back. In this country, you are trying to promote your own materials. You should encourage your materials to be used in everything you are making.

THE CHAIRPERSON: By the way, in East Africa there is free movement of labour and goods and everything, but you will find it is only Uganda which is quite flexible.

MR MASABA: Thank you very much for giving way. I just want to give Hon. Silas and Hon. Nandala information. Clause 60(a) concerns the labour force that is in industrial parks and free zones. We do not expect to have foreigners taking up a huge percentage. Most of the labour force here are locals. They are the casual labourers who are doing daily work; 80 per cent is quite okay.

THE SPEAKER: And he is from an industrial area.

MR NANDALA-MAFABI: Madam Chairperson, also what we are trying to safeguard, if you are not aware, maybe let me help Hon. Silas, is that the moment you put it at 80 per cent as the minimum and the cost is at 80 per cent, you are leaving leverage of 20 per cent. Should they go out to do more, you are even limiting the transfer price, but also should they go beyond, they will try to suppress their costs in one way or the other. And that means they will help this country instead of externalising all the money they make here. This one should be moved. Honourable minister, you are here to move it. And now, so it goes to (4), substituting for 20 per cent.

THE CHAIRPERSON: For 70 per cent?

MR NANDALA-MAFABI: No, (4) instead of this – because it was subtracting from the balance 30, so now, instead, here it will be 20 per cent. Instead of 30, it will be 20 per cent.

THE CHAIRPERSON: I put the question that clause – yes?

MS AISHA KABANDA: Thank you, Madam Chairperson. On (g) (1) I would like to propose an amendment. (g) is about manufacturers of electric vehicles, electric batteries, or electric vehicle charging equipment, or fabricator of frame and body of an electric vehicle who meet the following requirements.

My issue is about the requirements. A minimum investment capital of $10 million in the case of a foreign investor, or $300,000 in the case of a citizen. Madam Speaker, $300,000 in the case of a citizen is a bar too high. This is –

THE CHAIRPERSON: Check in the Investment Code Act. That is provided for in the Investment Code Act.

MS AISHA KABANDA: But the argument here has been to promote investment and raise up –

THE CHAIRPERSON: That is what they are saying. You need to amend the Investment Code Act for you to have this. Yes?

MR MASABA: Just to give you information, I think this has been a standard in most of our tax laws. It is actually even lower for those who are investing up country up to around $150,000. I think it is okay.

THE CHAIRPERSON: I put the question that clause 2 be amended as proposed by Hon. Nathan Nandala-Mafabi and the chairperson of the committee;

(Question put and agreed to.)

Clause 2, as amended, agreed to.

Title, agreed to.

MOTION FOR THE HOUSE TO RESUME

2.31

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Chairperson, I beg to move a motion that the House do resume and the Committee of the whole House reports thereto.

THE CHAIRPERSON: I put the question that the House resumes and the Committee of the whole House reports thereto.

(Question put and agreed to.)

REPORT OF THE COMMITTEE OF THE WHOLE HOUSE

2.31

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): I beg to report that the Committee of the whole House has considered the Bill entitled, "The Stamp Duty (Amendment) Bill, 2024" and passed it with amendments.

MOTION FOR ADOPTION OF THE REPORT OF THE COMMITTEE OF THE WHOLE HOUSE

2.32

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move that the report from the Committee of the whole House be adopted.

THE SPEAKER: I put the question that the report of the Committee of the whole House be adopted by this House.

(Question put and agreed to.)

THE SPEAKER: I have never heard Aisha's voice that loud. I am happy I heard it today. Congratulations. *(Laughter)*

BILLS
THIRD READING

THE STAMP DUTY (AMENDMENT) BILL, 2024

2.32

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move a motion that "The Stamp Duty (Amendment) Bill, 2024" be read for the third time and do pass.

THE SPEAKER: I put the question that "The Stamp Duty (Amendment) Bill, 2024" be read the third time and do pass.

(Question put and agreed to.)

A BILL FOR AN ACT ENTITLED, "THE STAMP DUTY (AMENDMENT) ACT, 2024"

THE SPEAKER: Title settled and the Bill is passed. *(Applause)*

BILLS
SECOND READING

THE EXCISE DUTY (AMENDMENT) BILL, 2024

THE SPEAKER: Honourable members, we have two Bills left. You know your areas of departure. I think we need to just handle the areas of departure. Please read it and – he has not moved it. Hajati has a point of privilege.

MS AISHA KABANDA: Thank you very much, Madam Speaker. It is 14.34 hours. We are past 2.00 o'clock. For Muslims, we normally have *swalah* and lunch around that time. As a point of privilege, I pray that we break for a few minutes. Those of us who pray around this time can pray and go have lunch so that we do not get into problems.

THE SPEAKER: That is why I was saying that we just look at the areas of departure and we conclude. It will take us less than 10 minutes.

MS AISHA KABANDA: Madam Speaker, my *swalah* will have expired and I do not want to walk out.

THE SPEAKER: Please go. Honourable members, those who want to go for lunch – I am fasting and praying today. Those who want to go for lunch, go for lunch, and come back. Even Hon. Nathan is fasting. Hon. Ssemujju is not fasting but he is here. Afande Kavuma is also here. Please move the motion.

2.36

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move a motion that "The Excise Duty (Amendment) Bill, 2024" be read for the second time.

THE SPEAKER: Is it seconded? *(Members rose_)* It is seconded by Hon. Iddi Isabirye, Hon. Afidra, Hon. Edakasi, committee chairperson and deputy chairperson, Hon. Max, *Nnalongo*, Doctor, Hon. Mamawi, Hon. Goli, Hon. Solomon, the Minister of Education and Sports, Dr Ruyonga, the royal guard and everybody apart from a few –*(Laughter)*– Hon. Ocan, Obama, Hon. Margaret and Commissioner Esther Afoyochan. Yes.

MR MUSASIZI: Thank you, Madam Speaker. The Bill intends to amend the Excise Duty Act, 2014 to provide for the following;

i. The definition of fruit juice, un-denatured spirits, vegetable juice, and powder for reconstitution into beer.
ii. To amend the second schedule of the Act to revise the excise duty on certain excisable goods and services and for other related matters.

Madam Speaker, I submit.

THE SPEAKER: Thank you. Any additional information on the certificate?

MR MUSASIZI: Madam Speaker, the additional information on the certificate is hereby laid. I would like to quickly take the House through with your indulgence, on obvious points of concern by the Members.

First, is the impact on the economy, which we say that the Bill will facilitate economic growth, from 6 per cent to 6.5 per cent in the Financial Year 2024/2025, and 7 per cent in the medium-term.

Second, is on the expenditure. We are not going to change the structure. It will be implemented within the existing Uganda Revenue Authority (URA) structure, and the budget for URA this year, is provided. We also provide for the budget for the Financial Year 2025/2026. This figure is picked from the medium-term framework.

We also provide the expected revenue to the Government. The implementation of this Bill, if passed, will result in additional revenue in excess of Shs 200 billion. I submit, Madam Speaker.

THE SPEAKER: Thank you. Shadow Minister – it has no formula, so you can start.

2.40

THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Amos Kankunda): Madam Speaker, I did not receive any minority report on this, and I will go straight to the matters.

I will start with 4.2, clause 2, (Amendment) of Excise Duty, Act 2014. Clause 1 proposes to define "fruit juice" to mean unfermented liquid extracted from an edible part of a fresh fruit whether the extracted liquid is diluted or not;"

(b) "powder for reconstitution into beer" means a powder, crystal or any other dry substance which after being mixed with water or any other non-alcoholic beverage ferments to or otherwise becomes an alcoholic beverage;"

(c) “un-denatured spirits” means spirits that are not mixed with any substance to render the spirit unfit for human consumption or capable of being rendered unfit for human consumption and includes natural spirits or alcoholic beverages made from natural spirits that are fit for human consumption;”

“vegetable juice” means unfermented liquid extracted from an edible part of a vegetable whether the extracted liquid is diluted or not;”

The committee observed that the above mentioned items are not currently defined or taxed in the Act, and the provision is intended to clarify and remove any ambiguity regarding the definitions of fruit juice, powder for reconstitution into beer, un-denatured spirits and vegetable juice, for tax purposes.

The committee was cognizant of Section 10(2) of the Excise Duty Act, which provides that where Excise Duty has been paid are converted into excisable goods liable for excise duty, the converted excisable goods shall be liable only to the difference between the excise duty on the converted goods, and the excise duty originally paid before the conversion. As such, the committee found no merit in excluding pulp and puree for industrial use, from the definition of fruit juice.

Recommendation

The committee recommends the definition of fruit juice, powder for reconstitution into beer, un-denatured spirits and vegetable juice, be adopted as part of the Bill.

Clause 3

Amendment of the second schedule of the Act

Clause 3 of the Bill seeks to amend the second schedule of the Act, which provides for excise duty in respect of excisable goods and services, as follows.

a. To lower the excise duty imposed on opaque beer from 20 per cent or Shs 230 per litre, whichever is higher, to 10 per cent or Shs 150 per litre, whichever is higher.

The committee observed that the proposed amendment seeks to lower the excise duty on opaque beer, and since opaque beer is made primarily from locally sourced raw materials, the amendment will promote the utilisation of the locally sourced raw materials and cause a reduction of the excise duty levied on the other alcoholic beverages – *kombuchas* – will provide an incentive to produce and sell products competitively. We, therefore, as a committee, recommend that the proposal be passed as part of the Bill.

b. To lower the excise duty imposed on any other alcoholic beverage locally produced from 20 per cent or Shs 230 per litre, whichever is higher, to 10 per cent or Shs 150 per litre, whichever is higher.

The committee observed that the proposed amendment seeks to lower the tax rate on any other alcoholic beverage locally produced. This amendment will promote the utilisation of locally sourced raw materials and increase tax compliance. The committee further observed that during the debate on the report of the committee on “The Excise Duty (Amendment) Bill, 2023” the House recommended that the rate applicable to other alcoholic beverages – *kombuchas* – should be lowered to the same rate as opaque beer, which uses similar locally sourced raw materials.

Therefore, the committee recommends that the proposal is adopted subject to amendment on the duty rate from 12 to 10 per cent.

c. To introduce a new excisable good of powder for reconstitution into beer, at a fixed rate of Shs 2,500 per kilogramme.

The committee recommends that the clause be passed as part of the Bill.

d. To repeal the provision of the undenatured spirits made from locally produced raw materials used in the production of disinfectants and sanitisers for the prevention of the spread of COVID-19.

The committee recommends that the clause be passed as part of the Bill.

e) To introduce excise duty at a rate of 60 percent or Shs 5,000 per litre whichever is higher on the undenatured spirit of alcoholic strength by volume of 80 percent or more made from locally produced raw materials.

The committee observed that the proposal of excise duty of Uganda Shs 5,000 per litre is high compared to the rate of the final product of Uganda Shs 1,700 per litre.

The committee further observed that the rate hike from Uganda Shs 1,500 to Uganda Shs 5,000 per litre on raw materials whose final product is taxed at Uganda Shs 1,700 per litre is reasonably high.

Therefore, the Committee recommends an excise duty rate of 60 per cent or Shs 1,500 per litre be imposed on the undenatured spirit of alcohol strength by volume 80 per cent or more made from locally produced raw materials.

f) To introduce excise duty of 100 per cent or Shs 5,000 per litre, whichever is higher, on undenatured spirits of alcohol strengths by volume of 80 per cent or more from imported raw materials.

Madam Speaker, the committee observed that the proposal of excise duty of Uganda of Shs 5,000 per litre is too high compared to the rate of the final product, of Shs 1,700 per litre.

The committee proposes and recommends that an excise duty rate of 100 per cent or Shs 2,500 per litre be imposed on undenatured spirits of all core strengths by a volume of 80 per cent or more made from imported raw materials.

g) To introduce excise duty at a rate of 80 per cent or Shs 1,700 per litre, whichever is higher on any other undenatured spirits that are locally produced of an alcoholic strength by volume of less than 80 per cent or excise duty at a rate of 100 per cent or Shs 5,000 per litre, whichever is higher on any other undenatured spirits that are imported of alcohol strength by volume of less than 80 per cent.

The committee observed that the proposal of excise duty or Shs 5,000 per litre is too high compared to the rate of the final product of Shs 1,700 per litre.

Therefore, the committee recommends an excise duty rate of 80 per cent or Shs 1,500 per litre to be imposed on any other undenatured spirit of alcohol strength by volume of 80 per cent or more made from locally produced raw materials.

h) To increase excise duty on other wines from 80 per cent or Shs 8,000 per litre whichever is higher to 100 per cent or Shs 10,000 per litre whichever is higher.

i) Reducing the tax on fruit juice and vegetable juice except juice made from at least 30 per cent pulp or at least 30 per cent juice by weight or volume of the total composition of the drink from fruit and vegetable locally grown from 13 per cent or Shs 250, whichever is higher, to 12 per cent or Shs 250 per litre, whichever is higher.

The committee recommends that the proposal be adopted. To lower the excise duty or any other non-alcoholic beverage locally produced, other than the beverage made out of fermented sugary tea solution with a combination of yeast and bacteria from 12 per cent or Shs 250 per litre, whichever is higher, to 12 per cent or Shs 150 per litre, whichever is higher.

The committee recommends that the proposal is adopted subject to the amendment of the duty from 12 per cent to 10 per cent as stated above.

k) To introduce a fixed rate of Shs 75 per litre of mineral water, bottled water and other water purposely for drinking in addition to the ad valorem rate of 10 per cent.

The committee observed that the mineral water industry has grown and this proposal for a fixed rate is to level the ground between the compliant and non-compliant producers of mineral water by providing for both a fixed rate and an ad valorem rate.

The committee, however, noted that the proposed rate of Shs 75 per litre is too high and should be reduced to Shs 50 per litre to encourage more investment in the industry.

Recommendation

The committee recommends that the above-proposed amendment stands as part of the Bill.

Excise Duty on water be reduced from Uganda Shs 75 per litre to Uganda Shs 50 shillings.

l) To expand the categorisation of cement to include adhesive grout, white cement or lime and maintain the excise duty rate of cement at Shs 500 per 50-kilogram bag.

The committee observed that under the current law, cement does not cover other existing products on the market with cement in them, including adhesive, grout, white cement and lime.

The committee further observed that the proposed amendment seeks to give clarity on the cement excise duty category by taking into account the cementitious products including cement, adhesives, grout, white cement and lime. These goods are already provided for in the Act where they are described as cementitious products.

Through tax administration, it was established that there is need for specificity concerning cementitious products as defined within cement. There is no proposed new tax on cement.

Recommendation

The committee recommends that the proposed amendment be passed as part of the Bill for purposes of clarity.

m) To increase Excise Duty imposed on motor spirit, gasoline from Shs 1,450 per litre to 1,550 per litre. That describes an addition of Shs 100.

n) To increase excise duty imposed on gasoline, automotive lights, amber for light-speed engines, from Shs 1,130 per litre to Shs 1,230 per litre, equally an increase of Shs 100.

o) To increase excise duty on eliminating kerosene from Shs 200 per litre to Shs 500 per litre, which would mean an increase of Shs 300.

The committee observed that the amendment increases the Excise Duty on Petrol and Diesel by Uganda Shillings 100 each and Kerosene by Shs 300 per litre. This increase will affect the low-income earners. *(Applause)*

Therefore, the committee recommends as follows:

i) The clause imposing an additional excise duty of Shs 300 per litre on kerosene be deleted. *(Applause)*
ii) The proposal imposing an increase on excise duty of Shs 100 per litre on petrol and diesel stands part of the Bill.

(p) To remove excise duty imposed on incoming international call services of USD cents 0.09 per minute on calls originating from the United Republic of Tanzania and Burundi

The committee observed that whereas Uganda is already in the one area network in which international calls between Uganda, Rwanda and Kenya enjoy lower rates between each other, the proposed amendment intends to add the Republic of Tanzania and Burundi into the network within Uganda laws.

The effect of this amendment will be the affordability and ease of communication between the persons in Uganda and other member states in the East African Community as observed above.

Therefore, the committee recommends that the clause be passed as part of the Bill.

(q) To introduce a 0.5 per cent excise duty of the value of transaction on payment excise of withdrawal of cash provided through a payment system, but does include withdrawal services provided by financial institutions or microfinance deposit-taking institutions

The committee observed that the proposed amendment is intended to provide for equal tax treatment for both mobile money for payment services that offer similar services to mobile money. These payment services include Chipper Cash and Wave Transfer, among others. At present, the withdrawal of these services is not subject to the said excise duty as levied on the mobile money. This is because the current law levies the tax on telecommunication companies, which those being targeted are not.

The proposal seeks to remedy this unequal tax treatment by including those in the realm of taxation, enhancing equity and fairness by including all major electronic wallet platforms as a tax burden on Uganda's current tax burden would be distributed evenly, creating a level playing field and providing an expanded tax base resulting in increased Government revenue.

This ensures a same service, same rules approach and incentivises continued growth of digital financial services while still contributing to the overall tax effort. This approach promotes both financial inclusion and responsible tax collection for the benefit of all Ugandans.

The committee recommends that the proposed excise duty on payment systems be passed as part of the Bill.

(r) To drop the requirement of a host -

THE SPEAKER: Does this include agency banking?

MR KANKUNDA: Yes, that is what it means, Madam Speaker.

THE SPEAKER: It is not what it means. Agency banking is agency banking. It has a name. What is wrong with you including agency banking in the tax bracket?

MR KANKUNDA: Madam Speaker, it is included when we talk of financial institutions because those are tax agents of financial institutions.

THE SPEAKER: What you are proposing excludes financial institutions.

MR KANKUNDA: When I was reading, I emphasised myself. There was a clerical error in (q) and I will read it again. That is why I said I repeat it for emphasis. It says, "to introduce a 0.5 per cent excise duty of the value of transaction on payment services of withdrawal of cash provided through a payment system and does include withdrawal of services provided."

THE SPEAKER: Does? No, no, it does not. Okay, first complete reading the report.

(r) To drop the requirement of a hospital facility being at the level of a national referral hospital

The committee observed that there is a need to define a specialised hospital facility. The committee, therefore, proposes that a specialised hospital facility be defined under Section 2 of the Act.

The committee further observes that the proposal to exempt specialised hospital medical facilities shall increase revenue on medical tourism and investment inflows and reduce medical tourism outflow.

The committee further observes that currently, there are no privately owned specialised hospitals in Uganda. The purpose of this amendment is to attract private investment in this highly specialised and capital-intensive investment category for the benefit of the people of Uganda and the neighbouring countries.

Therefore, the committee recommends as follows:

i. A specialised hospital facility be defined to mean a hospital facility that is established to diagnose, treat, and manage complex medical conditions in a specific area of medicine; and

ii. That the proposed amendment stands part of the Bill subject to a proposed amendment.

(s) To correct a clerical error in the wording of other fermented beverages, including cider, perry, mead, spears, or near beer, produced from locally grown raw materials

The committee observes that there is no tax proposal in the proposed amendment. The proposed amendment is for purposes of a clerical error in the wording of "other fermented beverages including cider, perry, mead, spear, and near beer" produced from locally grown and produced raw materials. This removes ambiguity in the current law.

The committee recommends that the clause be amended by deleting the rate of 30 per cent or Shs 550 per litre, whichever is higher, from the Bill.

(t) To exempt strategic investors in the electric vehicle manufacturing sector from excise duty

The committee observes that the proposed amendment is for purposes of harmonisation of the Excise Duty (Amendment) Bill 2024, with the Income Tax (Amendment) Bill, 2024 and the Value Added Tax (Amendment) Bill, 2024.

The committee, therefore, recommends that the Excise Duty (Amendment) Bill be adopted subject to the proposed amendments. I beg to report.

THE SPEAKER: Thank you. We have a minority report. In the principle of fairness, if there is a minority report, let us have it presented.

3.08

MR IBRAHIM SSEMUJJU (FDC, Kira Municipality, Wakiso): Madam Speaker, first of all, all the minority reports we authored, were submitted to the committee chairman through the Committee Clerk, but we also submitted a copy to the Office of the Clerk to Parliament as well as the Office of the Speaker.

I do not know where the chairperson of the committee had gone, but you can go and ask his Clerk, the same way he received the other one is the same way he received this one.

THE SPEAKER: Read the minority report.

MR SSEMUJJU: I wanted it to be cleared because he thinks it has just germinated, it has not. Madam Speaker and honourable members, I invite Parliament to treat this as the most serious proposal. The earlier ones were exemptions, but this particular one is the one that imposes tax.

I will skip the introduction. I do not have to read point number two, which is on the non-compliance with the law, but I just want to restate that the Certificate of Financial Implications does not actually comply with the law. I do not have to read the narrative, but Hon. Musasizi is looking at me as if he wants to grab me. *(Laughter)*

Madam Speaker, on number three, I do not want to read the whole text on the lack of a comprehensive taxation policy, because I have read it in the earlier reports, but just to reassert that actually, even this particular proposal has come with no research. The only area that I want to emphasise, is point number four in this report, and I will read it, Madam Speaker, very quickly.

4. Timing of New Tax Proposals

Madam Speaker, there is already instability in the tax sector. Traders have just reopened their shops. There is a general feeling of over-taxation with very little to show for it in terms of social services.

Roads in Kampala Capital City and Kampala Metropolitan districts of Wakiso, Mukono, Mpigi and in other areas of the country have completely broken down. There is a general cry that leaders are swimming in luxury at the expense of taxpayers. This needs to be addressed before any new tax measure is proposed. We need to restore confidence. Stability, as I learnt from Hon. Kateshumbwa, is a key principle in taxation.

Taxes should be introduced at least every five years, not annually like it is with this Government. If the country is still crying with the implementation of existing taxes, is your answer to impose new ones? Why don't we first deal with leakage (corruption) and use the savings to finance the budget rather than thinking of new tax measures? *(Applause)* You, Parliament, are going to be blamed for new taxes as you are blamed for the old ones. For once you can say "no."

5. Tax on Fuel

The Bill proposes to increase the tax on petrol and diesel by Shs 100. The government is currently collecting – and please take note - Shs 1450 per litre of petrol, Shs 1130 per litre of diesel. Annually, the Government collects Shs 1.6 trillion on petrol, Shs 1.1 trillion on diesel and about Shs 3 billion on kerosene. Taxes on both petrol and diesel are a key driver of fuel pump prices. Uganda levies the highest tax on fuel in the region.

Tax per litre of petrol (gasoline) and tax per litre of diesel – I do not know if these can be displayed or Hon. Musasizi has connived with those who are displaying this information because I do not know how to read it. Anyhow, if it is not displayed, I guess all of you, colleagues, have this report; you can look at it by yourself, but the point is that we are levying the highest tax in the region. I have provided a table in the report.

Kenya, for example, is charging the equivalent of Shs 646 per litre. I have told you we are currently charging Shs 1450, then you can read the others because I want to - I thought the report is uploaded.

Madam Speaker and Members, when you take a comparative analysis of fuel taxes in East African countries, levied on petrol (gasoline) and diesel across four East African countries: Kenya, Rwanda, Tanzania, and Uganda, you note that Kenya imposes relatively lower taxes compared to its East African Community counterparts, especially on diesel. This may contribute to a more competitive fuel market and potentially lower consumer prices.

The implications of this increase in fuel prices have a multifaceted impact. Firstly, higher fuel taxes, as exemplified in Uganda, often burden consumers, particularly low-income households, by escalating the cost of living and transportation and making Ugandans poorer.

On the other hand, lower taxes, as observed in Kenya and Tanzania, foster a more competitive business landscape and reduce production costs, potentially enhancing economic competitiveness, something we would admire to have in this country.

It is important to note that while we appreciate the crucial role fuel taxes serve as a significant source of Government revenue, excessively high taxes stifle economic growth by suppressing consumption and investment, thus the reason we reject further Excise Duty Tax increases on fuel because we need to balance between revenue generation and fostering economic activity in this country.

Madam Speaker, businesses will be compelled to transfer these additional expenses to consumers, potentially resulting in widespread price hikes across various goods and services. This escalation in prices could lead to inflationary pressures and potentially restrain consumer spending.

Additionally, such price surges may justify opportunistic businesses to inflate their prices beyond what is warranted solely by the fuel tax increase. The rise in fuel prices inevitably escalates production costs, presenting challenges for manufacturers heavily reliant on diesel as an auxiliary power source.

The Government's taxation policies on fuel in Uganda reveal a glaring contradiction between its revenue-generation strategies and its responsibility towards citizens' well-being, as noted earlier in the finance ministry's letter.

Despite being fully aware of the adverse effects of escalating oil prices on both production costs and individuals' disposable income, this Government under President Museveni, continues to burden its citizens with exorbitant taxes on fuel.

Let me illustrate this point. To transport one bunch of matooke from Kyazanga – I have used Kyazanga because that is where I was born - costs Shs 3,000. The bunch is bought at Shs 13,000 and it costs Shs 100,000 to transport a cow from Mbarara and Shs 80,000 to transport a cow from Gomba or Ngoma. Please, know that the tax increase burden will be borne by the poor because the trader will factor in transport costs as he buys his motooke or cattle. The Government should not be greedy; you are already over-taxing fuel, so why do you turn it into a soft target for tax increments all the time? *(Applause)*

Parliament passed a law in November last year 2023, giving the Government exclusive rights to import and supply fuel and petroleum products. The Government promised that fuel prices would come down after the elimination of Kenyan middlemen. Kenya has now removed the roadblock for Uganda to import fuel. Let citizens first enjoy low prices resulting from the change of policy before you think of a tax on fuel. *(Applause)* Let the prices come down first before any new tax proposal.

We continue to warn this Government that the consequences are there. As fuel prices soar, production becomes costlier, hindering economic growth and potentially leading to job losses. Moreover, the average Ugandan faces a significant reduction in disposable income as higher fuel costs trickle down into increased prices for goods and services across the board.

This scenario not only jeopardises individual financial stability, but also undermines consumer confidence and investment, exacerbating economic instability, which is the reason why many businesses close every year.

Furthermore, the lack of consistency and transparency in fuel pricing within Uganda reflects a failure of regulatory oversight. Despite being the responsibility of the Ministry of Energy and Mineral Development, there is a noticeable absence of effective intervention to curb speculation and ensure fair pricing practices. The result is an environment where citizens are left vulnerable to the whims of market forces and profiteering by fuel dealers.

In light of these concerns, the Government's insistence on maintaining or increasing excise duty on fuel amounts to a blatant disregard for the welfare of citizens. Such policies prioritise short-term revenue gains over long-term economic stability and the well-being of the population. Therefore, we call upon all Members of Parliament to reject any further tax hikes on fuel. *(Applause)*

Tax on mobile money withdrawals

There is a 0.5 per cent tax on mobile money withdrawals already. The Government, through this Bill, is expanding the net to include other platforms such as Mcash, Micropay, Wave, etc. Before this expansion, the Government must present a study on how the introduction of a 0.5 per cent tax on mobile money withdrawal has affected the population especially the poor who receive money from their homes.

A 0.5 per cent tax on withdrawal means a Shs 50 per every 10,000 This is what it translates into. Taxes must be introduced after a thorough study of how they will affect the economy –

THE SPEAKER: The 0.5 per cent is on the transaction value.

MR SSEMUJJU: Yes, that is why it is a requirement under the Public Finance Management Act to present a Certificate of Financial Implications when introducing a Bill; do a study.

7.0 Tax on lime, adhesive and grout

We ask Parliament to reject the introduction of Shs 500 per 50 kilograms of lime, adhesive, and grout. While appearing before the committee, the Private Sector Foundation Uganda reminded Members of Parliament of a 2.5 million housing deficit in the country.

The policy of this Government is on decent and affordable housing. Obviously, when you increase taxes on building materials, you are increasing the cost of construction. That is why you need to bring studies here, not speculation. This may discourage investment in this sector or may make renting very expensive. Again, we plead with this Government not to look at one side of revenue enhancement, but also look at the plight of its citizens.

Tax on drinking water

This is a tricky one. The tax rate of 10 per cent already exists. What the Government –*(Interjection)*- you stop giving money to Magoola, if that is what you are asking - is doing is to charge it per litre. What this means is that for every litre of drinking water that you buy, you will be paying - if we take the Government proposal – Shs 75.

Those of you who buy drinking water in a 20-litre jerrycan will now pay more because they are going to charge you per litre. The Private Sector Foundation thinks - they appeared before the committee - that this will drive the price for a larger volume of water by about 95 per cent. Currently, the more or the higher volume you buy, the less the price you pay. With this new tax, prepare to boil your water because bigger jerrycans are going to be expensive. We ask Parliament to reject it. Do you want to charge for drinking water?

Finally, we advise the Government to relieve itself of the pressure of seeking to overtax citizens because it wants to raise more revenue by responsibly using what it is already collecting.

The Government should reduce the cost of public administration considerably. It is the reason we welcome the rationalisation of Government entities. However, as we were processing Bills to reduce entities and therefore, the money we spend on them, President Yoweri Museveni Tibuhaburwa was creating new staff structures of Assistant RDCs and appointing them, including fellows like this one who exhibited his “dirty bums”. *(Laughter)*

We must fight all forms of corruption, including wasting taxpayers’ money on useless ventures. In this regard, the President must act as an example. A minister whose fuel is bought by the taxpayer must not increase taxes on fuel unnecessarily. Maybe, we should stop fuelling all Government vehicles for the leaders to understand the pain that citizens go through to fuel their vehicles. *(Applause)*

Madam Speaker, that is the minority report and I can understand why the chairperson said he had seen the others, but did not see this one. *(Laughter)* I ask this Parliament to stand with the citizens. *(Applause)*

THE SPEAKER: Which chairperson?

MR SSEMUJJU: The chairperson of the committee, not the Chair -

THE SPEAKER: I had seen it; that is why I called you.

MR SSEMUJJU: Thank you very much, Madam Speaker.

THE SPEAKER: Thank you very much. Yes, Hon. Kateshumbwa, but first wait.

3.22

MR NATHAN NANDALA-MAFABI (FDC, Budadiri County West, Sironko): Madam Speaker, I would like to state the following. When they were increasing taxes on fuel, under paragraph (8) of Schedule 2, on pages 4, 5 and 6, there are A, B, C, D, E, F and G. They have only chosen to increase tax on three items. I would like to ask my brother, Hon. Musasizi, why not all? I will give an example.

Jet and aviation fuel remained at Shs 630. The reason you did not increase it is that if you did, flights will fly to Kigali Rwanda, or Kenya to fuel, then they will come back. They may not even land here. Now, you are going for soft points in life.

Madam Speaker, this is the reason I agree with Hon. Ssemujju on the minority report that it is dangerous to target ordinary citizens. The worst one is paraffin. It moved from Shs 200 to Shs 500. While others were increased by Shs 100, this one was increased by Shs 300.

THE SPEAKER: No, the Shs 300 has already been rejected.

MR NANDALA-MAFABI: No, it has not. The committee –

THE SPEAKER: No, we have rejected it; we cannot – the charge on Kerosene was rejected by the committee and even the other minority report, so kerosene is not anything up for discussion.

MR NANDALA-MAFABI: Madam Speaker, I would like to draw the attention of Members to the other one of financial services. They are saying 0.5 per cent of the value of the transaction.

Hon. Kateshumbwa goes to the Bank of Baroda, draws half a billion and they do not charge him. A villager goes to a mobile money agent in Sironko and withdraws Shs 1 million and they must charge 0.5 per cent of that Shs 1 million and that is capital money. If the tax was on the charge, having charged 0.5 per cent, there will also be a charge for the person who is transacting.

In short, that is double taxation, yet the Ministry of Finance, Planning and Economic Development has worked on the issue of bringing this country to a cashless economy. This means people should transact using mobile money and fuel cards. Even when you talk about other service providers, that means if I take my credit card to a pump to draw fuel of Shs 200,000, there will be a charge of 0.5 per cent yet I am already paying Shs 1,450 for every litre.

Parliament should review this and my proposal here would be -*(Applause)*- that the tax should be on the fees and not on the principal value. Otherwise, that makes other people better while disadvantaging others.

The last one I raise -

THE SPEAKER: Hon. Nathan, the current law we have is 15 per cent of the fees charged; it is on the fees and not the transaction.

MR NANDALA-MAFABI: Madam Speaker, this is the law. It says 0.5 per cent of the value of the transaction.

THE SPEAKER: That is the bill. I am talking about the principal Act.

MR NANDALA-MAFABI: Madam Speaker, what you are saying -

THE SPEAKER: We are saying that why should they change from what was there?

MR NANDALA-MAFABI: Exactly, that is what we are saying; you should not go for a value, you go for a charge. The reason I am saying this will increase the value of the poor person who is going to withdraw the money from mobile money or go and pay using a card among other methods - it is 0.5 per cent of the value of the transaction.

Madam Chairperson, let me conclude with the following -*(Interruption)*

MR MUSASIZI: Thank you, Madam Speaker. The principle behind this proposal is to equalise those who transact using mobile money and those who transact using other platforms specifically agency banking –*(Interjection)*- why don't you let me first -

THE SPEAKER: Let him first finish.

MR MUSASIZI: We want to improve the proposal, which the committee looked at as follows: "Payment services of cash withdrawals provided through a payment system and include all withdrawal services provided by a financial institution or a microfinance deposit-taking institution other than withdrawals at the counter inside a banking hall."

Madam Speaker, this means that if one uses your credit card to draw fuel, you have not withdrawn cash; that is outside this provision we are looking at. It is not cash, but only withdrawals of cash and if you look at that book, this is consistent with what we provided for under mobile money. Thank you.

MR NANDALA-MAFABI: Madam Speaker, I want to make it clear. I do not know if I am reading the wrong law. Here they say that the mobile money transaction of withdrawal of cash is of the value of 0.5 per cent of the transaction; that is 13(f).

Secondly, as we cross-check for that, agency banking is no different - let me give an example. An agent of Centenary Bank is more or less the counter of Centenary Bank, but he is in Sironko Town Council.

You cannot charge - because you are telling me that somebody should get on a motorcycle to go to Mbale Town to withdraw money. The agent is working on behalf of the bank. Therefore, there is no reason, honourable minister, to bring charges on agency banking into this bracket.

MR EKANYA: Madam Speaker, the principle under which the Government enacted the law to create agency banking was to widen financial inclusion –*(Interjection)*- I am giving Hon. Nathan Nandala information.

My dear brothers and sisters, agency banking has tried to create jobs for the youth, but the profit margin is very small. You need capital of Shs 50 million to get a smaller profit margin.

In fact, the Government needs to bring incentives to widen financial inclusion and have agency banking in more rural areas. More people are not in agency banking because the cost of transactions, equipment, facilities needed, and security require big capital – *(Interjection)*– no, for mobile money, you can transact anywhere on the phone, but for agency banking, you need a security requirement; I tried to open an agency banking branch for my community in the village. The banks require you to have a centre, a camera, and security to move money from the bank to those rural areas. You need to have guards and big capital.

If we really want to create jobs, support young people, and save them, there should be no tax on mobile money and agency banking. *(Applause)*. Hon. Nathan -

MR OSHABE : Thank you, Madam Speaker -

MR NANDALA-MAFABI: I am giving you space to talk.

MR OSHABE: Thank you, Hon. Nathan Nandala.

THE SPEAKER: Honourable members, I am not hearing you.

MR OSHABE: Thank you, Madam Speaker.

THE SPEAKER: Just hold on. Hon. Kibalya -

MR OSHABE: Madam Speaker, you had given me the opportunity.

3.33

MR HENRY MAURICE KIBALYA (NRM, Bugabula County South, Kamuli): Thank you, Madam Speaker. Those who have taken time to study agency banking will notice that those people make very little profit; the only money they make is when the volumes are high.

The role agency banking has played in this country has really helped those who could not queue in those long lines in the banks and secondly, it makes it convenient for you; instead of suffering long distances to carry money, you just move a few steps.

We are wondering why the Government is every time - last year you remember we suffered with the Government to fight the tax that it brought on agency banking. Why is the Government fighting to bring it back instead of promoting agency banking for people to open many outlets?

We, therefore, request the minister to withdraw the tax that he wishes to put on agency banking. *(Applause)*

THE SPEAKER: Thank you. Yes, Hon. Kateshumbwa.

MR KATESHUMBWA: Madam Speaker, I want to give information because I have carefully listened to Hon. Ssemujju who has invoked my statement.

The information I am giving so that people are not biased – *(Interjection)* - the information I am giving is because Hon. Ssemujju has given information about fuel –

THE SPEAKER: Honourable members have respect for each other. He is correcting figures.

MR KATESHUMBWA: Madam Speaker, I do not know if this is how we are going to proceed. Anyhow, the information I want to give is because my friend, Hon. Ssemujju, has given the wrong information, and I must correct it. I have information that for you to state that in Kenya, the taxes are much lower than ours – let me give you information.

In Kenya, they charge excise duty, petroleum development levy, petroleum regulatory levy, railway development levy, and adulteration levy. I want to give the total taxes charged that amount to about 2,155 per litre, not 600. You cannot come here and give wrong information and get away with it. *(Applause)* I can lay –

MR SSEMUJJU: Madam Speaker, the trouble is not listening. We are dealing with a specific law called Excise Duty –

THE SPEAKER: Where are you getting that information?

MR SSEMUJJU: This information I am giving is from the East African Community Tariff Regime as per 2023 on Excise Duty. *(Applause)* So, if you go into that, you will even now look at the cost of transportation.

MR KATESHUMBWA: Madam Speaker, I have a press release from the Energy and Petroleum Regulatory Agency in Kenya and it has summarised the duties and the cost breakdown. For example, here we do not charge VAT on fuel and Kenya charges VAT. So, the information I am giving is that the total tax charged on a litre of –*(Interjections)* - let me give my information and then you give yours.

I am giving information about the total taxes charged on a litre of fuel compared to the taxes we charge on a litre of fuel here. Why don’t you listen, then you make your decision? I am just informing you. I have explained –

THE SPEAKER: Honourable members, the information Hon. Kateshumbwa is giving is not for you to base on to make your decision; it is information and it is prudent enough that you lend him your ears, even if your ears are blocked, but lend him.

MR KATESHUMBWA: Kenya levies about nine taxes on fuel and I have explained that when you add them, the equivalent of Uganda shillings for petroleum, it comes to Shs 2,155. The reason I am giving this information is that Hon. Ssemujju mentioned that the taxes in Kenya average at Shs 600.

THE SPEAKER: Can I have Hon. Tonny?

MR NANDALA-MAFABI: Madam Speaker, let us make the record clear. The reason we came up with that figure, is because there was already VAT, but if you take simple numbers - if a litre of fuel is Shs 4,000, VAT on it is at 18 per cent, it will be at Shs 720. So, when you add on, they say that we should always just put a value as per litre and that is how it came up.

Why we are talking about Kenya and where you have to be careful, my brother, Hon.

Kateshumbwa, is that Kenya has very interesting taxes. There are those they are taxing to pay for the pipeline. For us, when we are buying our fuel, we already pay for the pipeline in the cost of the fuel, because for them, they have to put petroleum levy for purposes of the pipeline.

When we go and buy in Uganda, we buy it at a cost, but that cost includes the tax for the pipeline. What I want us to be careful about is that you may not see some of the tax being brought here in clear terms, but it has already been paid for as a cost when we are buying the fuel at the border. My question is that sometimes when we do research, we would be happy to know the source of that information from my brother, Hon. Kateshumbwa. He is talking of a press release *–(Interjections)–* no, I am giving information because I know the sector so well and what I give you I know because I pay it.

3.40

MR TONNY AYOO (NRM, Kwania County, Kwania): Thank you, Madam Speaker. In the Committee of ICT and National Guidance, we had the opportunity to interact with MTN –

THE SPEAKER: Honourable members, listen to ICT.

MR TONNY AYOO: We had the opportunity to interact with MTN and Airtel, and look at the charges on mobile money and other online transaction companies that have come up here - MoPesa, among others.

When we were discussing with them, they explained that their business had gone down. They said that so many young people are getting out of business and the number of transactions have gone down as compared to before when the tax was moved from 2 to 5 per cent.

When we asked them, what we should do about charging the agency banking and all these other online transactions, they welcomed that, but only said that if the tax by the Government would only come down from 0.5 to 0.3 per cent. According to them, the Government would have widened the number of people paying tax. Many people would find it easier to transact on mobile money and all those other online transactions, and the Government would get more taxes.

Otherwise, currently, we have reduced mobile money and all these other ones to petty transactions; Shs 100,000, Shs 200,000 and Shs 300,000 because transacting with Shs 1 million, Shs 3 million, Shs 4 million or Shs 5 million, the charge is so high and people that do it painfully.

I would think that if the ministry had done a baseline survey, they would have captured how many companies are coming on board right now to do online transactions. Then they would reduce the tax from 0.5 per cent to 0.3 per cent to get more people transacting online, which would create opportunities.

As Parliament, we are doing this on behalf of the people. We are not the only people paying for this, but there are people outside there who are suffering. I think Parliament should ask the minister to review this and not increase any tax on that, but to instead look for a way of reducing, but widening. *(Applause)*

Regarding fuel, we are talking about increasing additional tax on fuel, but who are the people going to pay for this? It is not the people in Kampala, but everybody, whether motorcycle or generator, but at the same time, the cost of fuel is already high and people are already complaining and this law we are passing is for the people of Uganda.

The question is, are we listening to them or ourselves? Honourable minister, let us not over-squeeze it even when somebody says, "You are pressing my neck" then you say, "No, that is not enough" and you squeeze him more. My prayer is that Parliament and Government should sit and weigh the situation and take action. Thank you. *(Applause)*

MR KANKUNDA: Madam Speaker, the honourable colleague has made valid points and I hope I got him very well. Anyway, the issue is that many of our youth who operate mobile money stalls equally do agency banking transactions; the majority of them. So, there is an element of lack of an equaliser.

What I heard from him is that rather than propose a 0.5 per cent, the telecoms proposed that we equalise for agency banking since they do the same thing, and reduce to 0.3 per cent – *(Interjections)* - let me finish.

The proposal here, and indeed when we interacted with the telecommunication companies and banks, is that there is a tilt skewed to one side, disadvantaging telecoms where you get money through mobile money and put it into the bank, the bank is not charged and when this one is.
Therefore, the purpose of this proposal is to cause a level ground as earlier said.

3.46
MR JOHN TEIRA (NRM, Bugabula County North, Kamuli): Thank you, Madam Speaker. We should look at the list of the taxes we are talking about. For someone earning, say, Shs 1 million per month, the total number of taxes he is going to pay at the end of the day is a very long list.

The money we are talking about has already been taxed from the onset, starting from Pay-As-You-Earn (PAYE) to fuel and everything that we are talking about.

In this state of the economy, nobody should be talking about an increment of fuel tax because we are affecting every single transaction that takes place in this country and this is why we are being unfair. We are talking about people who have already been burdened from the onset.

At this point, I think it would be courteous to this country that we do not even make it be heard on this platform that we are increasing the tax on fuel. Let us, first of all, streamline the taxes that are in existence. If the chairperson of the committee could list all the taxes an individual is paying in this country, we would be ashamed.

MR FETA: Thank you, Madam Chairperson. I would like the committee chairperson to give me a difference between a teller in a banking hall and an agent banker somewhere in the village who has taken services closer to the people.

MR MUSASIZI: I would like to respond as follows -

THE SPEAKER: Honourable minister, is an agent banker part of the commercial bank or microfinance bank?

MR MUSASIZI: Madam Chairperson, an agent banker can be me who is facilitating this business in the village. In other words, there is a difference between an agent banker and the bank.

THE SPEAKER: Honourable minister, agent banking is simply third-party banking. This is where our customers can carry out bank transactions at any of the contracted Cente agents. They are selected and appraised by a bank and approved by the Bank of Uganda.

MR MUSASIZI: What issue are we dealing with here? I come from Hamurwa. There is a trading centre there. And there is a bank agent in this trading centre *–(Interjections)*- I think here we respect each other.

Madam Chairperson, for me to walk to an agent banker in my trading centre, I do not have to incur transport costs. However, if I am to go to Centenary Bank in Kabale, I have to board a taxi, put in time and spend a day going to look for money in the bank. Agency banking has brought services nearer to the people.

As a result of this, people have benefited. So, when you derive a benefit, give us some small portion as tax *–(Interjections)*- yes.

THE SPEAKER: Honourable members, we have one more Bill left. We can stand over this and go to the next.

MR NSEREKO: Madam Chairperson, he wants to push it to the night.

THE SPEAKER: No, let us stand over this Bill, we are still discussing the report. We are not going to the Committee Stage; we have stood over this Bill.

BILLS
SECOND READING

THE INCOME TAX (AMENDMENT) BILL, 2024

THE SPEAKER: Honourable minister -

3.55

THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move a motion that, "The Income Tax (Amendment) Bill, 2024" be read for the second time.

THE SPEAKER: Is it seconded? It is seconded by Hon. Avur, Hon. Iddi, Hon. Faith, Hon. Ojok, Hon. Katuntu, Hon. Mariam, Hon. Ocan, Hon. Emmanuel, Hon. John, Member from West Nile, Hon. Silas, Hon. Obigah Rose, Hon. Taaka, Hon. Wanda – it is supported by the majority,

MR MUSASIZI: Madam Speaker, the Income Tax Bill, 2024 seeks to amend Income Tax Act, Cap. 340 to expand the definition of the retirement fund, to impose the tax on disposal of non-business assets, to exempt income derived from or by private equity or venture capital fund, the manufacture of electric vehicles and electric vehicle charging equipment, operation of a specialised hospital facility, to replace reference to a branch with permanent establishment for purposes of international taxation, to provide for withholding tax on commission paid to an agent service provider, to provide for an extension of the tax exemption on the income of Bujagali Hydropower Project up to 30 June 2025 and to amend the First Schedule to provide for African Reinsurance Corporation, International Regulatory Board of the East African Power Pool, and Islamic Cooperation for the development of the private sector as listed institutions and provide for other related matters. I beg to submit.

THE SPEAKER: Thank you.

MR EKANYA: Madam Speaker, this Income Tax Bill we are going to discuss and pass has wider ramifications. The Minister of State for Finance, Planning and Economic Development (General Duties) is here alone. Other ministers are part of the team to help Government implement the tax Bills we are passing. Are we proceeding well with only one minister?

THE SPEAKER: They are in Cabinet.

MR EKANYA: We are aware, Madam Speaker, that we have over 120 ministers.

THE SPEAKER: I know Hon. Ekanya is about to commit suicide. He is very good at suicide. Honourable members, I received a letter addressed to me. Let me read it.

"The Rt Hon. Speaker
Parliament of the Republic of Uganda
KAMPALA

Proposal to insert an amendment to clause 4 of the Income Tax (Amendment) Bill, 2024 to extend Bujagali Hydro Power Project's income tax exemption by one year.

We refer to the ongoing tax amendment process and a letter dated 20 March 2024 from Bujagali Hydropower on the above subject (copy attached).

Rt Hon. Speaker, I am seeking your indulgence to insert Clause 4 of the Income Tax (Amendment) Bill, 2024, a proposed amendment to Section 21 of the Income Tax Act as follows:

1. *By inserting immediately after clause 4(a) of the Bill the following - "4(b) Income of Bujagali Hydro Power Project up to 30th June 2025.*
2. *By renaming clause 4(b) of the Bill as clause 4(c).*

The rationale for this proposal is to avoid escalation of the end-user tariff. Since tax is part of the formula for computing the end-user tariff, as we wait for the audit being conducted by the Auditor-General.

Signed by:
Kasaija Matia (MP)
The Minister of Finance, Planning and Economic Development, (MP)
cc The Clerk to Parliament - "

Honourable members, I am not reading my own words. *(Member rose_)* What are we discussing? Let us receive the report.

MR SSEMUJJU: Madam Speaker, it is not provided anywhere that the presiding officer can propose an amendment. You have read a letter from the minister. So, in the processes that you are handling, where does that fall?

THE SPEAKER: The letter does not say I am the one proposing the amendment. The letter is only written to me that the minister intends to make an amendment in the Bill. It is simple.

Maybe I translate it to Ateso. Can we have a report, then you will either accept the proposal or not?

MR SSEMUJJU: That is all I wanted from you and that is why I asked, where do we factor it in the processes going on?

THE SPEAKER: The minister will know where to factor it in. I am only giving you information. Can I have the report?

4.02

THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Amos Kankunda): Madam Speaker, allow me to go to the real issues of the clauses being proposed for amendment. I start with -

Clause 2: Amendment of section 2 of the Act.

The proposed amendment seeks to amend section 2(iii) which provides for the definition of "retirement fund" to mean a pension or a provident fund established as a permanent fund and maintained solely for either the provision of benefits for the members of the fund in the event of retirement, or the provision for benefits of dependents of members in the event of the death of the member.

Section 1 of the Uganda Retirement Benefits Regulatory Authority Act defines the "retirement benefits scheme" to mean a legally binding agreement or arrangement other than a contract for life assurance, whether established by written law or by any other instrument, under which members are entitled to benefit in the form of annuity or a lump sum payable upon retirement or upon death, or termination of service, or upon occurrence of an event specified in a written law, agreement, or arrangement.

The committee observed that this amendment is intended to align the definition of a retirement fund in the Income Tax Act with that in the Uganda Retirement Benefits Regulatory Authority Act to include assessing benefits by members upon the termination of employment with their respective employers. Under the current definition of the retirement fund in the Income Tax Act, a pension or provident fund is only intended for the provision of benefits upon the member's retirement or death.

Recommendation

The committee recommends that clause 2 of the Bill be adopted.

4.3 Clause 3; Insertion of Section 5A to the Act

The provision seeks to introduce a tax on the disposal of non-business assets at a rate of 5 per cent on the gain upon disposal. Non-business assets for purposes of this section are limited to the disposal of shares in a private company, land in the cities or municipalities other than the principal place of residence and rental property that is subject to rental tax under section 5, but does not include an inventory disposal of a non-business asset through auction, court order, mortgage, divorce settlement, or spousal separation agreement, the transmission of non-business assets of the deceased to a trustee or beneficiary, or arising from disposal of investment interests of a registered venture, capital fund, or private equity.

In addition, the Bill proposes additional obligations on the taxpayer to pay the tax within 15 days after the disposal or transfer of the non-business asset and also requires the taxpayer to notify the Commissioner-General in writing within 15 days from the date of disposal.

The committee noted that the honourable minister responsible for finance withdrew the proposal providing for the disposal of shares of a private company from constituting non-business assets and the inventory disposal of non-business assets through auctions and mortgages.

The committee further noted that there are a number of arguments in support of comprehensive taxation of capital gains.

First, on equity grounds, the capital gains represent an increase in wealth to the same extent as income from all factors of production, that is, labour, property, or businesses. On grounds of horizontal equity, individuals in the same economic circumstances should bear the same tax burden irrespective of the form of the income or gains derived. Therefore, taxpayers should bear similar tax burdens irrespective of whether their income is received in the form of wage, interest, income, or capital gains.

In this context, partial taxation or the exclusion of capital gains from the income tax base fundamentally undermines the horizontal equity of the tax system, particularly as high-wealth individuals are more likely to derive capital gains. For example, a high-wealth individual can structure their affairs to primarily derive capital gains on which no tax is payable. An individual deriving similar amounts as income is fully taxed on the income.

On grounds of vertical equity, taxpayers with high incomes should bear a greater tax burden. International experience also indicates that the biggest share of capital gains tax revenue can be attributed to the wealthiest individuals. Hence, taxing capital gains contributes to the progressivity of the income tax system.

Therefore, the absence of a comprehensive Capital Gains Tax encourages tax planning through the structuring of transactions to derive tax-free capital gains rather than income.

The scope for this Capital Gains Tax

The proposal intends to expand the Capital Gains Tax to cover sales of the following:

(a) Shares of the private company;
(b) Land in cities and municipalities; and
(c) Rental property.

The second aspect of this reform is to impose a due date for payment of the Capital Gains Tax; 15 days after the disposal of non-business assets, in order to ease the compliance and administration.

The third aspect of this reform is to oblige the buyer of the liable asset to notify the Commission-General immediately after the transaction has taken place or else they are liable to pay both the tax liability and the penalty.

The committee observed that the accession of capital gains is already catered for under Section 21 of the Income Tax Act.

In addition, the committee observed that the proposal for the expansion of the scope of Capital Gains Tax to include land in cities and municipalities does not fall within the principles of vertical and horizontal equity in taxation and as such, should not stand part of the Bill.

The committee further observed that the difference between the cost of administration of the tax and expected revenue was not so significant to warrant the proposal in their current reform.

The committee therefore recommends that clause 3 of the Bill should be rejected.

4.4 Clauses 4 and 5: Amendment of Section 21 of the Act

Section 21 of the Act provides for the categories of exempt income. The proposal seeks to include the following new exemptions under Section 21 of the Act:

(a) Income derived from or by private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap. 84;
(b) Disposal of Government securities;
(c) Manufacturers of electric vehicles, electronic battery or electronic vehicle charging equipment, or fabricates the frame and body of electronic vehicles; and
(d) Specialised hospital facilities.

The committee observed that the proposed amendment is intended to attract investment in the provision of specialised medical services. This is expected to support potential investment in specialised hospital facilities by reducing on the burden of borrowing and profitability. The proposal has the potential to promote the development of specialised services in Uganda, which will reduce medical tourism and support tourism in Uganda from patients coming from neighbouring countries.

Recommendation

The committee recommends that:
i) Clause 4 of the Bill be passed;
ii) Section 2 of the Act be amended to define a specialised hospital facility as *"a hospital facility established to diagnose, treat, and manage complex medical conditions in a specific area of medicine"*;
iii) Section 2 of the Act be amended to define *"complex medical conditions."*

1.5 Clauses 6, 7, 8 and 9: Insertion of sections 78A and 78B and amendment of sections 79 and 83 of the Act

Clauses 6 and 7 seek to introduce new provisions; sections 78A and 78B to provide for permanent establishment and calculation of the chargeable income of permanent establishment. The amendment further seeks to broaden the category of pension or annuity that constitutes income derived from sources in Uganda to include annuities paid by a permanent establishment.

The committee observed that the proposal seeks to align the definition of "branch" to the definition of a permanent establishment under the UN Model Double Taxation Agreement and Uganda's Double Taxation Agreements.

The concept of "permanent establishment" is used to determine the right of a state to tax the profits of an enterprise of the other state. Specifically, the profits of an enterprise of one state are taxable in the other state only if the enterprise maintains a permanent establishment in the latter state, and only to the extent that the profits are attributable to the permanent establishment.

The committee further observed that the proposal expands the tax base by imposing a tax at a rate of 15 per cent on every non-resident deriving an annuity from sources in Uganda. It is aligned with the proposed tax on annuity to be paid by permanent establishment under the proposed sections 78A and 78B, and therefore a consequential amendment.

The committee recommends that clauses 6, 7, 8 and 9 are passed as part of the Bill.

1.6 Clause 9; Amendment of section 83(5): Interest on debentures.

Section 83 provides for a tax on international payment and inter alia imposes a tax on every non-resident person who derives any dividend, interest, royalty, rent, natural resource payment, or management charge from sources in Uganda.

The proposed amendment in clause 9(a) aims at expanding the scope of taxation under Section 83(1) of the principal Act to include annuities derived by non-resident persons. This amendment is intended to update the international taxation rules in the Income Tax Act to align with international best practices.

It is, therefore, a consequential amendment arising from the amendment of Section 78 and the introduction of clause 78A and 78B in line with the Uganda Double Taxation Agreements Policy and the ESC Model Double Taxation Treaty Policy and specifically, Article 5 of the United Nations Model Tax Convention, Uganda's Model and ESC Model Tax Treaty.

Clause 9(b)

This clause seeks to amend Section 83 of the principal Act by providing that the interest paid by a resident person in respect of debentures is subjected to a tax rate at a rate prescribed in part IV of the Third Schedule where the following conditions are satisfied. The interest is paid to a resident person or to a financial institution. The financial institution referred to in (a) is unrelated and dealing wholly independently with the resident person, that is, the borrower.

The interest is not paid as part of the arrangement involving a back-to-back loan or other arrangements that are economically equivalent and intended to have a similar effect to a back-to-back loan. The objective of this amendment is to reduce the cost of Government borrowing.

According to the Third Schedule, the withholding rate for the interest payable by a resident person in respect of the debentures is two per cent of the interest paid. The provision, however, exempts interest paid by the Government to a non-resident person in respect to debentures.

The committee observed that the objective of this amendment is to mitigate revenue leakages arising from the taxation of the Uganda source interest income in the other jurisdiction where interest income is tax-exempt in Uganda. Under the United Nations Model Tax Convention, the Uganda Model, and the ESE Model Tax Treaty, the best practice is an exemption from Government borrowing.

Currently, an exemption from withholding tax results in loss of revenue in Uganda to the extent that the foreign lender pays tax on his income and in the country of a tax resident.

To prevent this transfer of revenue to other jurisdictions, Uganda would have to exercise its right to tax the interest income as a source of jurisdiction at the same rate as the foreign jurisdiction. Since it is difficult to determine the applicable tax treatment in the lender's country for the resident, the committee proposes to tax the interest income at a lower rate. The proposed rate at which all interest income would be taxed is prescribed in Part IV of the Third Schedule.

The committee was informed that non-resident financial institutions were taking advantage of Uganda's tax policy under section 83 of the Act.

Under the principle of worldwide taxation, whereas Uganda exempts the interest on borrowing, other countries still demand that tax which simply amounts to the transfer of revenue that is sourced in Uganda. The proposed amendment implies that the tax which was not being collected initially by the Ugandan Government shall now be collected. This proposal is in line with global taxation principles.

Recommendation:

The committee recommends that the proposed amendments and part of the Bill to facilitate compliance with best international practices, ease Government borrowing and facilitate revenue collection of gains made in Uganda.

4.7 clauses 10 and 11; Amendment of section 85 and Part IX of the Act.

Section 85 of the Act provides for tax on payments to non-resident contractors or professionals. The proposed amendment provides for an exemption to an amount attributable to the activities of a permanent establishment of a non-resident in Uganda.

The committee observed that the proposal aligns the provision relating to non-resident services contracts to a definition of a permanent establishment under section 78A.

The proposed amendment excludes an amount attributable to the activities of the permanent establishment of a non-resident in Uganda sourced in Uganda from being subject to gross taxation on the permanent establishment shall be treated and charged to tax in terms provided by section 17 of the Act. Section 17(2)(b) provides that the gross income of a non-resident person includes only income derived from sources in Uganda.

Clause 11 is the general consequential amendment replacing the words "branch with permanent establishment" throughout the Act.

Recommendation:

The committee recommends that clauses 10 and 11 stand part of the Bill.

4.8 Clause 12; Amendment of Section 90 of the Act

Section 90 of the Act provides for transactions between associates. The Act defines associates to mean any person not being an employee, acting by the directions, requests, suggestions, or wishes of other persons, whether or not they are in the business relationship, and whether those directions, requests, suggestions, or wishes are communicated to the first-mentioned person. Both persons are treated as associates of each other.

The committee observed that the amendment is intended to enhance tax administration under the category of business between associates. More especially, the proposed amendments will create a requirement for all persons who are part of the multinational enterprises to submit information on association dealings at the time of submitting their self-assessed returns. The reporting format will be prescribed by the commissioner and shall include information such as the nature of the transaction, the country of residence of the associates, the amount involved, and the transfer pricing method adopted, among others.

This amendment is also intended to enhance the tax compliance of multinational enterprises to whom Sections 90 and 89(1) of the Income Tax Act apply by requiring them to file their transfer pricing documents at the time of filing their returns to allow tax administrators to verify their transactions were at an arm's length, conducting quick risk profiling and in-time transfer pricing reviews.

The committee recommends that clause 12 stands part of the Bill.

4.9 Clause 13, insertion of Section 118(1) of the Act.

The proposed amendment introduces a new provision to provide for withholding tax paid to payment services providers.

The provision is to the effect that a person who pays a commission to a payment services provider shall withhold tax on a commission paid to a payment services provider at a rate prescribed in Part XVI of the Third Schedule. This section shall apply to commission paid to banking agents or any other agents offering financial services. The payment service agents will be expected to file tax returns annually with a credit allowed for 10 per cent advance tax withheld.

The committee observed that the purpose of this amendment is to bring payment service providers within the scope of withholding tax regulations. Currently, there is no withholding tax on commission paid to payment service providers. This amendment aims to broaden the tax base, and enhance tax compliance and revenue collection.

The committee further observed that the proposed amendment will be an unfair punishment on taxpayers who are forced to take on the role of tax administrators on behalf of the Uganda Revenue Authority.

The committee recommends that the clause stand part of the Bill.

Clause 14; Amendment of the First Schedule to the Act

The First Schedule of the Act provides for listed institutions. The proposed amendment seeks to add on the listed institutions exempted under section 21, which provides for exempt income and these are the following:

i) Africa Reinsurance Corporation (Africa Re)

ii) International Regulatory Board of East African Power Pool and
iii) Islamic Corporation for the Development of the Private Sector.

The committee observed that the proposed amendment exempts the income tax liability of the three institutions above under section 21 of the Act.

The purpose of the proposed amendment is:

a. Africa Reinsurance Corporation

To incentivise the development of insurance and the insurance industry in Africa, to promote the growth of national, sub-regional and regional underwriting and retention capacity and to support Africa's economic development with the ultimate objective of facilitating and enabling Africa's economic development agenda and social transformation.

b. International Regulatory Board of the East African Power Pool.

The Government has committed to promote investment in the power sector and facilitate smooth cross-border energy initiatives within the East African region.

c. Islamic cooperation for the development of the private sector

The Government has committed to supporting growth and investment within the private sector, fostering collaboration with international organisations in economic development initiatives, promotion of Islamic financing and encouraging increased funding towards projects and initiatives aimed at private sector development.

The committee recommends that clause 14 stands part of the Bill.

Clause 15; Amendment of the Third Schedule to the Act

The proposed amendment seeks to amend the Third Schedule to the Act, which provides for rates of tax applicable under the following categories of persons:

a) Under Part IV, which provides for income tax rates for non-resident persons by providing for withholding tax rate for interest payment by resident persons in respect of debentures under Section 83(5) at 2 per cent of the interest paid.

b) Under Section 8 which provides for withholding tax and commissions paid to the payment service provider at a rate of 10 per cent.

The committee recommends that clause 15 stands part of the Bill. I hereby submit.

THE SPEAKER: Thank you, honourable chairperson.

4.27

MR IBRAHIM SSEMUJJU (FDC, Kira Municipality, Wakiso): Madam Speaker, we have a minority report.

Because some of the issues are issues I had raised in the earlier reports, I will just draw the attention of Parliament, and your attention, Madam Speaker, to them without necessarily having to read each and every thing.

The first point is non-compliance with the law. That has been the case with all the earlier Bills. The issues and the subjects remain the same.

The second point, which is point number three, is that – and I am happy the chairperson of the committee has pointed it out; I am only emphasising. This Bill proposes the same tax as already provided. The chairperson made mention of that, especially issues of capital gains tax. This point simply illustrates how lazy the finance minister and his team are. Even though the tax is already provided in another law, they are bringing it here only to be told by the committee that what they are bringing is already provided for. That is why it is important to draw the attention of Parliament to this.

The third point, which is the area of dissent, is tax exemptions. We have already presented on tax exemptions. Just to mention, this manufacturer of electric vehicles, battery, charging battery, frame and body, as well as specialised hospitals - our fear is that these particular exemptions seem to be targeting some people. What they did not do is to write there their names.

The letter that has come in as we are processing this Bill about Bujagali actually confirms that in these particular proposals, what is missing are the names of the beneficiaries, but the one of Bujagali makes it very clear.

Madam Speaker, I am drawing your attention to this as you are being disturbed; that in the case of the electric vehicle and specialised hospital, the names of the beneficiaries are not specifically provided, like it is explicitly provided in that letter, that this one is to benefit Aga Khan of Bujagali.

I said I do not have to read each and everything, but just to remind Parliament that tax exemptions are costing us Shs 1.4 trillion.

Finally, the last paragraph on this point, as I said, is that these exemptions look like a Pinetti, Aga Khan and Kiira Motors tax exemption law. Only their names are missing. Moreover, all these three have benefited from free land and tax holidays, including free money. We have given them free land, tax holidays, and we keep budgeting to go to Kiira Motors, Lubowa and Aga Khan. You remember we used our Petroleum Fund before we started Bujagali.

Now, by law, we are saying, you take everything here. We do not mind. Can the Government table a list of who currently qualifies for this incentive before consideration of this Bill? Then we will know that it is not these individuals.

We have spoken about the timing of the new tax proposals and the instability. Those of you who follow social media may have seen all sorts of caricatures of Mr Tibuhaburwa milking a dead cow, that even when the cow is dead and it is complaining, he continues milking. I am just drawing your attention to those - *(Interjections)* - if you are dead? Death itself is a complaint if you did not know. That is why people die when they are crying. The timing of the new tax proposals, which is the last point, is very bad. I think the ministers need to be sensitive.

Finally, Madam Speaker, I want to invite colleagues to always look at the certificate of financial implications, especially these brief ones by the lazy ministers. In the earlier ones, they were putting one sentence, "budget neutral". In this one, they are saying, no, the money is already provided.

However, to draw your attention, what the Government intends to raise as a result of this proposal is Shs 40 billion. You are here the whole day struggling to raise Shs 40 billion and then later, when you are doing appropriation, they will bring a list saying, give so and so money. Let us deal with that. Stop giving away money and then you do not burden the taxpayers to be paying huge taxes.

Madam Speaker, as I said, most of the matters here are related, so we only invite Parliament to be cautious that you cannot have a Bill that seeks to raise Shs 40 billion, and in the same Bill, you are exempting more than what you are seeking to gain. You are giving 600 and only Shs 40 billion – So, you want to raise Shs 40 billion and give away what you do not have. It is the reason our debt – Next financial year debt servicing is Shs 25 trillion. You do not even have to be an economist. You bring a law to exempt people and then seek to punish the poor people. I beg to present.

THE SPEAKER: Thank you.

MR NANDALA-MAFABI: Madam Speaker, on a small point, on interest, we are creating a conflict in these laws. We have just passed a law saying a company debenture raising capital is exempt from stamp duty. Here, the committee says interest paid by a resident company, in respect of a debenture, under the current law, is exempt from tax. Now, you are turning around. In the other law you exempt, while here, you say it should be taxed.

I would like Parliament to understand that, that is clause 9. Under the stamp duty, you exempt the debentures, and whatever is raised by a resident company. When you come to income tax, you say that it should be taxed. You do not do things that way. The current law has exempted it. You should continue with the exemption so that you attract capital to this country. It says a non-resident bringing money in this country, lending a company in Uganda, is contradictory.

THE SPEAKER: It is true.

MR SSEMUJJU: From the explanation, shabby as they are, they said when you bring in, they will not tax. However, when you make a profit and you are going away, they can tax. Isn't that what they meant?

MR NANDALA-MAFABI: What we are saying here is that what should be taxed is already catered for. That is, dividends, loyalty, interest and whatever. This is where they are bringing 2 per cent, as a charge. Are you seeing it?

THE SPEAKER: It is here.

MR NANDALA-MAFABI: That is the schedule. It is number one.

Madam Speaker, for the rest, you have read a letter for us and we thank you for it. However, if the Auditor-General has no manpower, we should give him manpower to do the audit.

THE SPEAKER: Actually, the Auditor-General does not have vehicles and enough manpower. I am going to propose a budget in this House to support the Auditor-General because they are part of our staff.

MR NANDALA-MAFABI: That is okay. Madam Speaker, do you remember that topic on the Bujagali Power Plant? We discussed it then at length and it was a serious debate. The reason we gave them one year was because we discovered that Bujagali Power Plant was already making money.

To date, I have failed to understand that a company making profits, and you now say that if they decide not to allow them – you are already paying them capital investment, which they take out. All the money they bring in loans, they pick and take. It is exempt. They pick and take their capital. We are telling them that we exempt them again. I have failed to understand. That is why I am waiting for the Auditor-General's report. I am at pain –

THE SPEAKER: We really need that report for us to make a decision as a House.

MR NANDALA-MAFABI: Madam Speaker, the reason we are raising this is, we need to tell the President that they are cheating us. There are people who go to him and say, if you do it, power will go high. That is a lie. We want to demonstrate to him that if we do it, we shall make money from this. Power will not go up. These guys are just stealing from us.

That is why, if you remember, when they discovered that we were about to finish paying the loan, they went and renegotiated for us another loan. They added more costs so that it takes longer, and they stay around. Otherwise, by now, they should have handed over this plant to us. This is very dangerous for the country.

Madam Speaker, I plead with you, as much as you are thinking of this exemption –

THE SPEAKER: I am not thinking about it. It is a communication that I got, and it is also my responsibility to whip my staff. After this, I am going to whip the Auditor-General to ensure that we have a report to that effect.

MR NANDALA-MAFABI: In fact, you should whip Hon. Musasizi. Hon. Musasizi, we must whip you as a professional accountant. This is because you understand it very clearly. You must help this country. We put you in that office to help us. *(Hon. Pacuto rose_)* No, I do not want information from you. I am well informed. It is only Hon. Musasizi who can inform me.

MS PACUTO: I am actually supporting you. Please, it is a positive point.

Madam Speaker, I agree with Hon. Nandala-Mafabi that both the minister and the Office of the Auditor-General need to be whipped. We need to give them a time frame within which the Auditor-General should report back to this House.

The public is looking at us as if we are playing games. Every year we come up with an extension for one year and the excuse is that tariffs will go high, without any proof of how high tariffs will go. It is just subjective. They are not being objective. They are not even telling us from what rate to what rate. The way this is being introduced is not good for the country. I agree with Hon. Nandala-Mafabi that Hon. Musasizi needs to be seriously whipped so that next time, we do not see such an ugly thing on this Floor. I thank you.

THE SPEAKER: Hon. Musasizi and the Auditor-General, we are going to whip you. *(Laughter)*

MR NANDALA-MAFABI: Madam Speaker, that is why God made you to be in that office; to work for people –*(Interruption)*

MR MUWANGA KIVUMBI: Hon. Nandala-Mafabi, I have more information. Madam Speaker, I was the shadow minister a few months ago. The same reason I have seen in that letter is the very reason they gave last year. Last year, they came here with an extension of one year. The other year, we said, let us give them one year and conduct a parliamentary investigation –

THE SPEAKER: We actually carried out a parliamentary investigation.

MR MUWANGA KIVUMBI: Yes, Hon. Kateshumbwa, Hon. Nandala-Mafabi, Hon. Tayebwa, myself and others spent many months investigating Bujagali Power Station. We did not only establish that Bujagali could pay profit tax, but that they were making money out of it, and they ought to pay Uganda money.

You begged us to give them one year so that they would clear their house. They have come back to beg us for another year. Those will be three years now, and before we know it, they would have made the five years they wanted.

Right now enough is enough. Let tariffs go high. After all, we now have a lot of power on our grid. Let us now take leverage of the dams which we have built and refuse this extension of Bujagali. What is happening, Madam Speaker, is impunity. They take this Parliament for granted. They do not respect the processes. In the last minute, they sneak in a letter because after all, this Parliament will say, yes. Let us refuse and see what will happen to this country.

MR MUSASIZI: Madam Speaker, I would have been persuaded if the audit report was ready, and if the former shadow Minister of Finance, Planning and Economic Development, my friend, Hon. Kivumbi did not say that the power should go high. Madam –

THE SPEAKER: The mistake Hon. Kateshumbwa and group made was to recommend that the Auditor-General should do a forensic audit. You can answer from this side. Let the chairperson speak.

MR KATESHUMBWA: Madam Speaker, Hon. Ssemujju will be fine - (*Laughter*) - You have nowhere to speak from. I think that the Government is putting this House in a box and we have to be very careful when we get excited and make statements like, let the power tariff be high. It is something that may be against us.

I presented this report and it was adopted. The minister was given time. What we needed to hear from the ministry is how far they have gone with the audit because we are going to be pushed into a corner to say we reject and then the Government will turn around and say, your Parliament is the one that has led to the tariff rise.

We need a commitment from the Government; tell us how far you have gone with the audit so that it is not endless and then we move forward.

THE SPEAKER: Honourable, it is not the Government to do the audit, they do not audit themselves. The question is, how far has Parliament gone with the Auditor-General? Unfortunately, I do not even see one Commissioner here -

MR KATESHUMBWA: Madam Speaker, what I am saying is that before we get excited to make a decision that the -

MR SSEMUJJU: Madam Speaker, it is important that when you are dealing with a matter as complex as this one, you go back to where it started. The agreement we signed with Bujagali was that one, we were going to buy all the power generated whether we use it or not. Two, the total price of Bujagali was meant to have been half a million dollars, but it rose by more than 100 percent. That is why the electricity from that dam is between 12 and 13 cents compared to the 2 cents from other dams.

You cannot blackmail Parliament that if they do not extend the exemption, they will be the reason why the tariffs have gone up. You go back to those who committed the original sin of signing those agreements committing Uganda and the President was involved 100 percent in it.

THE SPEAKER: Honourable members, let me first hear from Hon. Kibalya.

4.47

MR HENRY KIBALYA (NRM, Bugabula County South, Kamuli): Thank you, Madam Speaker. We are debating this issue in the same way we debated last year. This House would wish to know why the audit report is not out by now. You were asking whether the commissioners could be around, but we have our Chief Whip here.

We request that you give him a minute to call one of the commissioners, so that as we continue with the debate, we are updated on why the audit report is not out.

THE SPEAKER: Can we first go to other clauses as we leave that one, so that we are able to finish. Let me give the Leader of the Opposition (LOP) a chance to speak.

4.48

THE LEADER OF THE OPPOSITION (Mr Joel Ssenyonyi): Madam Speaker, as colleagues are saying, it is important that we do not get blackmailed as Parliament. The tariffs are already high and people keep complaining.

When we say that if this is not passed, the tariffs are going to go higher, people are saying, wait a minute, the tariffs are already high. It is a problem. Before we give another green light, we need to insist and say, let that audit be done. If it is our fault that, that audit has not been done, let us check ourselves and fix that issue.

Otherwise, we might make two mistakes so that if we are giving it another green light, we know it makes sense because as of now, what are we giving a go-ahead to?

It is similar to when we were discussing the *Magoola* money - to say that we are extending money to them, but we have not done valuation, we do not know how much equity, how much stake we are going to have in this is as if we are moving blindly. I want to suggest that we do not move blindly.

The other issue is regarding these waivers. In this very House, we have tasked the Minister of Finance to table a list of all the beneficiaries of tax waivers, but that list has never come. I do not know why they keep holding onto that. So, as the minority report is asking specifically about those to benefit from this one -

THE SPEAKER: We do not have the current list of tax waivers. The ones that were there were presented to the committee and it seems that the committee is not comfortable - Committee, what happened to the tax waivers? Are you not satisfied with the explanations?

MR KANKUNDA: Madam Speaker, through the honourable Minister of Finance, we requested for more information from the Uganda Revenue Authority. This information was brought at the tail end when we were so engrossed in these tax Bills and the rationalisation Bills. We have the information, but we have not processed it yet.

THE SPEAKER: Okay, the list was brought.

MR SSENYONYI: Some Members on this end are saying that, that list was not provided. Maybe for us to safeguard the minister, it would be good that he tables it here so that tomorrow, no one says that it was not tabled and then it gets sent to the committee.

THE SPEAKER: Leader of the Opposition -

MR SSENYONYI: Yes, Madam Speaker.

THE SPEAKER: It was tabled here and I forwarded it to the Committee on Finance.

MR SSENYONYI: Madam Speaker, we have always wanted complete -

THE SPEAKER: Maybe you are not just sharing information with your shadow minister. He needs to get to know what is there.

MR SSENYONYI: Madam Speaker, the issue has always been the completeness of everybody that gets to be a beneficiary and that has been our concern *–(Interruption)-* Okay, let me take this information.

MR OSHABE: Madam Speaker, I want to give information to the Leader of the Opposition in this aspect. First, the report that we adopted in this House did not order the Auditor-General to do a forensic audit into Bujagali. It had two directives to the Auditor-General and the first one was to audit the Government shareholding because Government is a shareholder, but Bujagali-BEL has never treated the Government as one of its owners. It does not participate in meetings.

The second was about the US$ 15 million expenses to UETCL, but there were so many other recommendations that we made. For example, that URA recovers Corporation Tax of US$ 63 million, almost more than Shs 200 - it was a directive of this House that the Uganda Revenue Authority should go, audit and recover. That one does not need the Auditor-General to help URA.

We had also said that the government should go and negotiate the power purchase agreement to provide for a cap on the returns on investment. You remember the formulas were provided to us here.

Thirdly, we had also said that when the President first sought the exemption here in 2017 for five years, the minister was here. In the five years, we had thought that the power tariffs would reduce from, I think 11 cents, at that time, to 8 cents, but instead, it went to 13 cents.

Immediately we granted here, it went from 11 cents at that time to 13 cents in two months instead of coming back to 8 cents. Those were the issues that we had proposed. It is not true that the explanations we are giving here are irrelevant. The House took its decision. In fact, if we displayed the recommendation adopted by this House on one side and what we are discussing now, this House would appear to be the most unserious. You cannot turn against your own recommendation and then start meandering around. It is not possible.

MR SSENYONYI: He was giving me information. Let me end with a general statement, Madam Speaker. The reason we are insisting on this question of the exemptions, the waivers - the Auditor-General's report is a bit worrying because if we are exempting to the tune of Shs 1.417 trillion - Ideally the backing is - When you exempt, as long as it feeds into the economy, creation of jobs - that is normally the explanation given? However, these are people we are giving free land and all these other incentives, then there are waivers to the tune of Shs 1.417 trillion.

In the meantime, we are now going after the ordinary folks, increasing taxes on fuel and all these different things. There is a problem when we do not balance these things. That is why it would be good that ultimately, we get that processed report from the committee of those exempted and how they get to qualify. This House needs to get to know so that we are sure that these people do qualify because it is justifiable. Otherwise, at some point, we would hear there are companies whose proprietors are unwell; there are companies, which are heavily indebted yet, businesspeople downtown say that they are also heavily indebted. They get loans from banks and so on. If you are exempting these ones, how about the others? Madam Speaker, there has got to be a proper balancing act.

Let me take that information in 30 seconds, with your permission, Madam Speaker - *(Interruption)*

MR OSHABE: Thank you very much, LOP. The information I want to give you is that the tax exemptions for Bujagali started in 2012 and they were meant to last for only five years. They were supposed to end in 2017. The extensions have been going on since 2017. They added another five years up to 2022. When they came here last time, they said the exact information my honourable brother has provided that power tariffs are going to be reduced.

To our dismay, two months down the road, they instead increased. Madam Speaker, who is Bujagali? Why are they always on the list of exemptions even when it is against the taxpayers? LOP, that is the information I want to give you. Thank you.

MR SSENYONYI: Thank you. Finally, Madam Speaker, with certainty, we need to - many times, we resolve and give timelines to say this ought to happen, but this time, we want to be safe to say, if we are going to avail this money to give a green light, when does this audit get to come? I am happy to say that if an audit is available and it makes all the economic sense, we go ahead, but now we are operating in the dark.

Madam Speaker, we need to know how soon we can have an audit before we say, go ahead and receive this money. (*Hon. Okupa rose_)*

THE SPEAKER: Hon. Elijah, first sit.

MR MUSASIZI: Madam Speaker, I do appreciate the concerns that the House is raising. As most of you know, I have been at the centre of this Bujagali transaction since 2017 when it first came here. I was then the chairman of the finance committee.

Madam Chairperson, I want to propose a way forward. The issue is we must make a decision based on the audit, but the audit has been delayed.

THE SPEAKER: LOP is asking how much time.

MR MUSASIZI: I want to commit to pursuing this audit within six months from now.

THE SPEAKER: Honourable members, listen. He is saying six months.

MR MUSASIZI: Within six months from now, we shall have this audit in place.

THE SPEAKER: Honourable members -

MR SSENYONYI: Why I am pressing you hard for the timeline is because we resolve things here, but many times, they are not followed. The ad hoc report that we adopted here –

Madam Speaker, let me read the conclusion. It reads: Therefore, the committee strongly calls upon Parliament to compel the Government to renegotiate with Bujagali Energy Ltd the terms in the Power Purchase Agreement (PPA) before deciding to extend the tax waiver. This is in addition to recovery of all excess payments and application of proper figures in the calculation capacity payments going forward.

This you did not do, honourable minister yet you now want us to believe you that in six months, you are going to produce an audit. I want to be able to believe you, but you are not helping me to believe you.

THE SPEAKER: Leader of the Opposition, as we leave this House, I am going to write a letter to the Auditor-General that the resolution of the House is that we need an audit report on Bujagali.

On the issue of negotiation, did you go and negotiate?

MR SSENYONYI: Finally, Madam Speaker, this is something we passed. What is the timeline to this? This was February last year and we are now in May. Over a year has passed. That is the challenge. When we task you to do something and you do not do it, we struggle to believe you as Government.

MR MUSASIZI: Hon. Ssenyonyi -

THE SPEAKER: We will give you a copy of the letter.

MR MUSASIZI: I am sure, Hon. Ssenyonyi and I know that we still have the best years ahead of us. There are things I would not want to put on my profile by promising what we cannot deliver.

I want to beg you, Madam Speaker and honourable colleagues to let me go through this budget process - good enough next week, God willing, we may conclude the budget process and then I follow -*(Interjections)*- I will report back to you, honourable colleagues. *(Hon. Nsereko rose_)*

THE SPEAKER: Please sit.

MR MUSASIZI: I am undertaking -

THE SPEAKER: Please sit. He is undertaking.

MR MUSASIZI: I am undertaking what LOP has asked immediately after this budget process. I will do that and report back. *(Hon. Nsereko rose_)*

THE SPEAKER: Hon. Nsereko, you have just come back. We have been sitting here. I put the question that the Income Tax (Amendment) Bill, 2024 be read the second time.

(Question put and agreed to.)

BILLS
COMMITTEE STAGE

THE INCOME TAX (AMENDMENT) BILL, 2024

Clause 1

THE CHAIRPERSON: I put the question that clause 1 stands part of the Bill.

(Question put and agreed to.)

Clause 1, agreed to.

Clause 2, agreed to.

Clause 3

5.02
THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Amos Kankunda): Madam Chairperson clause 3: Insertion of Section 55A to the principal Act. We propose that this clause be deleted.

Justification

1. There is already a capital gains tax arising from the sale of shares in the private limited liability company provided under Section 21(k) of the Income Tax Act. Imposing a rate of 5 percent;
2. Land being a factor of production should not be subjected to a tax since it has the effect on the cost of doing business;
3. The proposal is discriminatory and not equitable since it proposes to levy tax on land in cities or municipalities.

The proposal imposes challenges on tax administration and causes challenges of under declaration. Capital gains is on capital assets used in businesses and as such, land is not a business asset. Rental property is subject to rental tax under Section 5 of the Act. The proposal to impose a five per cent tax upon disposal is unjustifiable and ambiguous. I beg to submit. *(Applause)*

THE CHAIRPERSON: Thank you. Honourable minister?

MR MUSASIZI: Madam Chairperson, I concede. *(Laughter)*

THE CHAIRPERSON: I put the question that clause 3 be deleted as proposed.

(Question put and agreed to.)

Clause 3, deleted.

Clause 4

MR MUSASIZI: Madam Chairperson, I propose to insert in clause 4 of "The Income Tax (Amendment) Bill, 2024" a proposed amendment to Section 21 of the Income Tax Act to read as follows;

1. By inserting immediately, after clause 4 (a) of the Bill, the following: "4(b), the income of Bujagali Hydro Power Project up to 30 June 2025"; and

2. By renaming clause 4(b) of the Bill to become "clause 4(c)". I submit, Madam Chairperson.

THE CHAIRPERSON: Thank you. Committee Chairperson?

MR KANKUNDA: Madam Chairperson, I heard the proposal saying "six months" and what the honourable minister has read, seems to say one year -

MR SSEMUJJU: Madam Chairperson, the chairperson speaks on behalf of the committee. The committee has not sat. You cannot come here and speak as the chairperson of the committee on this matter. If Hon. Musasizi wants to push it himself, please do not aid him. Which committee did you convene to deal with this matter?

MR KANKUNDA: Madam Chairperson, the proposal that was brought here and discussed proposes a one-year exemption and the exemption of Bujagali Dam. Therefore, I agree with what the minister has proposed. Madam Chairperson, the agreement I have is that these Bills are for one year. We cannot propose any less.

THE CHAIRPERSON: Honourable members, we need commitment from the Government. I need to hear from the Government.

MR OBUA: Madam Chairperson, in addition to what the Minister of Finance, Planning and Economic Development has stated, we all know that we amend tax-related laws every financial year. However, we wish to pray that within six months, the Ministry of Finance, Planning and Economic Development will update the House on what the House requires in terms of reports from the Office of the Auditor-General.

MR NANDALA-MAFABI: Madam Chairperson, you remember what Hon. Odur raised? Yes. The Leader of the Opposition in Parliament has mentioned-

THE CHAIRPERSON: There was another issue of negotiation.

MR NANDALA-MAFABI: Those were reports we remember here; the Attorney-General committed what he would do it, the Minister of Finance, Planning and Economic Development committed too. Now, the remaining part was for the Attorney-General to audit the tail end. What the minister should have come and said is, what you were told to do, how far have you gone? Do not go to the Attorney-General. The Attorney-General is an Office of Parliament.

Let us deal with you on the refund. Let us deal with you on the tax arrears. Let us deal with you in the negotiations. Those are your parts. The Attorney-General was saying, get us exactly how much they have stolen. That is what we are looking for, because here, the Committee of Parliament got $63 million, but could have stolen more than that. These are the things we are trying to look for.

THE CHAIRPERSON: Hon. Odur. *(Hon. Muhammad Nsereko rose_).*

MR ODUR: Madam Chairperson, I first want the House to address its mind on how Bills from the Government find themselves in this House. A Bill from the Government like this would have been discussed in Cabinet and a Cabinet White Paper presented. There is no way the Cabinet would miss that. The casual nature in which this proposal is coming is suspicious. In addition, I want to invite your attention to the casual nature in which this letter is coming in as an after-thought by some people who think that it is - I will accept the information.

THE CHAIRPERSON: Now, you people stop grabbing microphones. Let us stand over clause 4. Let us handle clause 5 first.

Clause 5

THE CHAIRPERSON: I put the question that clause 5 stands part of the Bill.

(Question put and agreed to.)

Clause 5, agreed to.

As you reconcile clause 4, we are moving on. Reconcile with the Hon. Odur and the Leader of Opposition in Parliament.

Clause 6

THE CHAIRPERSON: I put the question that clause 6 stands part of the Bill.

(Question put and agreed to.)

Clause 6, agreed to.

Clause 7, agreed to.

Clause 8, agreed to.

Clause 9

THE CHAIRPERSON: There is an amendment in clause 9.

MR KANKUNDA: Madam Chairperson, on clause 9, I just wanted to give a clarification because I heard colleagues saying that we are imposing another tax, yet we had exempted. No, the exemption here that we talked about earlier, is for money coming in. We are saying that when money has come in and they have made a profit, when it is going away, let the Government benefit from that, that you have made. That is all.

MR NANDALA-MAFABI: If that is the case, then its interest should be treated at the same rate because *–(Interjection)*- Yes! If the withholding tax on interest is 10 per cent, why should you make the other, two per cent?

Therefore, I would propose that if you have decided that interest should be reliable to tax, then it should be applicable everywhere. For example, I have gone to Kenya Commercial Bank, borrowed money and I am now paying back; I will be subjected to withholding tax of 15 per cent. You then go and negotiate with somebody in the bank for money; when he brings it here and calls it a debenture, you want him to pay two per cent. If we have all agreed that we should pay money which has made profit, the rate should be the same, so long as it is interest. *(Applause)* That is the withholding tax rate of 10 per cent.

Madam Chairperson, this is under schedule - No, no, no... If we have agreed, interest is under withholding tax. For example, in the Third Schedule, withholding tax on interest is 15 per cent. For purposes of uniformity, instead of two per cent, it should also be 15 per cent because:

1. We want to collect money,

2. There is no difference between this interest from a debenture and the interest from a bank. *(Applause)*

MR KATESHUMBWA: What my brother here is proposing is suicidal for this country. You know I raised a matter here that we should reduce our appetite to tax capital and production. The proposal you are raising will automatically lead to very high interest rates. So, how do you expect the economy to survive?

The moment you put interest –

THE CHAIRPERSON: I thought we were taxing interest.

MR KATESHUMBWA: Yes. You are trying to make Uganda a competitive destination for capital. If you now put high taxes on interest rates, money will go to other jurisdictions. So, we should not –*(Interjections)*- no, I am telling my brother, Hon. Nandala, that if we have to take the two per cent –

My chairperson here wants to give information. We cannot take the route of 15 per cent or 10 per cent; it is very suicidal. *(Interruption)*

MR KANKUNDA: Madam Chairperson and honourable colleagues, when we understand the genesis of the cheap money that we are trying to attract into the economy and the reason for which we have given an exemption for that money that is being brought here, then you will understand that the tax that is applied when they are taking out the interest has a direct bearing and effect on the money when they are bringing it, because they are privy to how much we are going to charge when they are taking out the interest.

Therefore, we bear in mind that whereas we are attracting him at an exemption of bringing the money, even then, the two per cent should be lower to enable him to pay something, but also bring in money at a cheaper rate.

THE CHAIRPERSON: Hon. Karim?

MR MASABA: What we need to agree is that this is a tax on their income. When you look at the Third Schedule, two per cent is quite abnormal if you look at all the rates that are here – check page 155 - you will see that even residents are charged 15 per cent. There are those for contractors who are non-residents and are also charged 15 per cent. Winning bets are 15 per cent; so we have 15 per cent everywhere.

So, you suggesting two per cent, chairperson, is quite low. It is quite abnormal because this is a percentage of the profit on their income, not on what they are bringing into the country. *(Hon. Musasizi rose_)*

THE CHAIRPERSON: First listen to Hon. Nsereko, and then you respond.

MR NSEREKO: Thank you, Madam Chairperson. I would like to refer to the submission of Hon. Kateshumbwa and the chairperson. When we were trying to resist the temptation for exemptions on stamp duty, they said, "Please, desist from overtaxing capital". The House was persuaded. They said, "Wait for that money to stream until those people make profit". We have reached the tail end, but the narrative now is "Do not even tax that because they will not come back; it will seem unattractive."

I can now tell you that your very statement is contradictory because if I make anything here as a resident lender or funder, I will pay that 15 per cent, and it is here. "The withholding tax rate for interest and dividend payments to a resident person under Section 117 and 118, excluding interest on Government securities, is 15 per cent".

Therefore, where is the fairness in this taxation and what do you want to encourage?

MR KATESHUMBWA: Let me clarify before information comes in. We are not saying that there be no taxation. We are asking you to avoid excessive taxation that will discourage someone from coming to this jurisdiction with cheap capital.

Therefore, regarding the two per cent that the chairperson has talked about, my argument was against the proposal, which Hon. Nandala raised out of desperation, to say that we put it at 10 per cent; this is not your money. If people find Uganda with a high tax regime, they will invest somewhere else. So, we can take two per cent and that is consistent with the statement I made from the beginning.

THE CHAIRPERSON: Hon. Kateshumbwa, when you look at (4) and (5) in the third schedule, it indicates income tax rates for non-resident persons and then withholding tax rates for interest and dividends for resident persons. It is at 15 per cent. Where did you get your two per cent? What was the basis because this is on interest rates? The other one was on capital; we left it out. We are asking why you are reducing and yet we are looking for money. *(Applause)*

MR MUSASIZI: Madam Chairperson, I beg the indulgence of colleagues that we - Thank you. The argument of Hon. Kateshumbwa was to create an environment of allowing capital to come in, which the House agreed with.

Madam Chairperson, I have consulted with my technical bench and we would like to drop this proposal. *(Applause)*

THE CHAIRPERSON: Therefore, clause 9 is not amended; it stands part of the Bill. Is it deleted? *[Honourable Members: "Yes."]*

MR NANDALA-MAFABI: Madam Chairperson, let us make a proposal. Sometimes, you need to study these laws and do research.

Madam Chairperson, I would like to move an amendment that clause 9 be deleted.

THE CHAIRPERSON: I put the question that clause 9 be deleted.

(Question put and agreed to.)

Clause 9, deleted.

Clause 10, agreed to.

Clause 11, agreed to.

Clause 12

MR NANDALA-MAFABI: Madam Chairperson, we are creating weaknesses. This is again going to bring laziness in URA. It says, "A person to whom this section applies shall, at the time of filing returns, submit transfer pricing information to the Commissioner, in the format prescribed by the Commissioner."

That is your job. My job is to file my returns, tell you how I did my business and it is up to you.

This is bringing real incompetence in the Uganda Revenue Authority (URA).

I move an amendment that clause 12 be deleted.

THE CHAIRPERSON: Yes?

MR ENOS ASIIMWE: Is it in order for a committee member to come, start arguing and bring amendments after failing to attend the committee meetings and yet- following the committee rules? Is it fair? Is Hon. Nandala in order?

THE CHAIRPERSON: Hon. Enos, we were in a Committee of the whole House.

MR ENOS ASIIMWE: It is the Committee of the whole House, but he is part of the report that we submitted. How can he argue against the report that we submitted?

THE CHAIRPERSON: Hon. Abdul Katuntu, I think you did not do a good job.

MR KATUNTU: Could that have been me? It is not possible.

THE CHAIRPERSON: That is the reason I am wondering. What happened? First, advise the Member.

MR KATUNTU: First of all, according to our rules, committee members are not supposed to debate their report in the general debate, but when it comes to the committee stage, they are free to contribute to the debate; we are now at the committee stage not the general debate of the report.

I made that at the beginning, but students are difficult to- *(Laughter)*

THE CHAIRPERSON: Honourable members, we told Hon. Katuntu to make amendments to the rules. Kindly if you have an amendment - I do not know if you are still open.

MR KATUNTU: Madam Chairperson, we are still open, but let me express my disappointment. I wrote twice to the Offices of the Leader of the Opposition, the Chief Whip and the Clerk's Office and received no responses, but we are proceeding.

I wrote to the Dean of Independents and all the party whips; there is nobody we have not written to twice, but none has responded.

THE CHAIRPERSON: I am going to ask the Deputy Clerk to take responsibility and coordinate all the offices and ensure that we get the amendments.

MR MUSASIZI: Madam Chairperson, clause 12 states that a person to whom this section applies shall at the time of filing returns submit transfer pricing information to the Commissioner in a format prescribed by the Commissioner.

We can achieve this without necessarily amending the law, I therefore concede. *(Applause)*

THE CHAIRPERSON: Please propose.

MR NANDALA-MAFABI: Madam Chairperson, that is the reason Hon. Musasizi went as our accountant. I move a proposal that clause 12 be deleted from the Bill.

THE CHAIRPERSON: I put the question that clause 12 be deleted as proposed by Hon. Nandala and Hon. Musasizi.

(Question put and agreed to.)

Clause 12, deleted.

Clause 13, agreed to.

Clause 14

MR MUSASIZI: Madam Chairperson, we propose to replace the word "international" with the word "independent" and the new reading to be as follows, "Independent Regulatory Board of the East African Power Pool". I submit.

THE CHAIRPERSON: I put the question that clause 14 be amended by the honourable minister as proposed.

(Question put and agreed to.)

Clause 14, as amended, agreed to.

Clause 15

MR MUHAMMAD NSEREKO: Madam Chairperson, Part IV, the proposal is 2 per cent on interest paid and our proposal is that it be streamlined to- the law states 15 per cent- *(Interjection)*- but if it collapses, then they walk away empty-handed. I can see Hon. Musasizi is very happy with the deletion- *(Interjection)*- We can recommit.

MR MASABA: Madam Chairperson, this is a consequential amendment. I propose that section 15 be amended by deleting part A which is consequential.

THE CHAIRPERSON: I put the question that clause 15 be amended as proposed by Hon. Karim Masaba.

(Question put and agreed to.)

Clause 15, as amended, agreed to.

Clause 4

MR MUSASIZI: Madam Chairperson, as I had proposed earlier, I propose again an insertion immediately after clause 4A of the Bill.

THE CHAIRPERSON: You finish that. All that the House wanted was your commitments.

MR MUSASIZI: Madam Chairperson, the commitments I made and I would like to repeat that there are two-fold. One, regarding the actions of the ministry; I am going to follow up and will provide a report by July.

Two, the one requiring the Auditor-General, we shall also follow up and within six months we will ensure that the Auditor-General has completed the audit. Thank you.

MR MUHAMMAD NSEREKO: Thank you, Madam Chairperson. This House has historical memory and the issue of Bujagali is known to all of us. Year after year, the same commitment has been given to Members; you can check on the *Hansard*.

Bujagali is very profitable and the threat they always issue in the presentation of this exemption is that the tariff will go high. The issue is the factorisation of the taxation into the cost of the end-user tariff for power.

We are talking about the income of Bujagali. It is a profitable company and you are looking for revenue. Where are your priorities? You told us not to tax capital, but exempt it. Now, we do not even tax the profit; we are exempting the income. What are the priorities of this nation towards growth?

Otherwise, day after day, we go in for borrowing, committing Ugandans to pay interest when we exempt those who are making and reporting profits in this very country. Therefore, what will we tell the posterity, Hon. Musasizi? What you have stated has always been promised on this Floor of Parliament and not by you alone.

Hon. Bahati was here previously and different finance ministers promising the same and the reality is that you cannot present any answer because the answer is known; that the company is highly profitable and it is exempted from paying income tax, whereas struggling Ugandan companies of small proprietors are being strangulated to pay every single tax and profitable multinationals are exempted from stamp duty and every form of taxes. What do we have now?

MR KATESHUMBWA: Madam Chairperson, the issue I would like to raise is that while we recommend the audit to be carried out, in our recommendation, we were very clear that one of the biggest drivers of the high tariffs is the high cost of borrowing. I have seen His Excellency the President talking about it, even in the previous statement he wrote.

So, we would like to encourage the Government, even as you negotiate this window, look at the possibility of borrowing money to pay off that loan so that we stop this high rate of return of 19 per cent. It would end the story once and for all, and that was one of the key recommendations we made.

THE CHAIRPERSON: So that Government owns it?

MR KATESHUMBWA: The Government would own it and that would automatically bring down the rates.

MR SSEMUJJU: Madam Chairperson, if you can allow me to give information. I think Hon. Musasizi should be kind to some of us. This letter has found us here. I would like to be helped such that I understand. When we exempt, how much exemption are we making? This would help us so that we make a decision knowing that we are exempting you and it can be Shs 10,000; why should I have a problem with exempting Shs 10,000? Tell us, how much will our decision mean?

As you explain that, the President had said that we are looking for money to buy Aga Khan and he said that many times. Can we also be updated on how far the President has gone in buying out Aga Khan? Most importantly, tell us, how much money shall we forego by this exemption?

MR OSHABE: The information I wanted to give you, honourable minister, is that the little knowledge I have about income tax is that it is charged after deducting all costs, including interests. Income tax is charged on profits; on the income you have earned and profits you have made. Why would anybody be interested in a country to lose money? If you do not earn a profit, they do not charge you income tax.

Madam Chairperson, it would be dishonest to this country to keep on losing money where we would have been earning money. That is the information I wanted to pass on to the honourable member. I do not know why Hon. Musasizi is in a rush. This is something that we can put on hold and deal with it when every information we need is here with us. Thank you very much.

THE CHAIRPERSON: Let us answer Hon. Ssemujju's question and then we go to Hon. Katuntu.

MR MUSASIZI: Madam Chairperson, the tax foregone as a result of extending this exemption will be Shs 74 billion in the Financial Year 2024/2025.

THE CHAIRPERSON: Hon. Katuntu –

MR KATUNTU: Thank you, Madam Chairperson. I sat patiently listening to the arguments being raised by honourable colleagues. Is it the case that we tax those we are not supposed to tax and then tax those that we are supposed to tax? Let us agree. If we commissioned the Auditor-General to do the audit, I have not had anybody explain whether that audit took off or it did not. If it did not, what were the reasons?

Talking generally, in economics, they say, you forego this. If we forego Shs 74 billion, I do not know if that is from the audited accounts or it is an assumption because that figure is also doubtful, Hon. Musasizi. We may pass this Bill without this particular request.

However, if you can come up with the proper figures – I will take the information.

MR SSEMUJJU: The information I would like to give to Hon. Abdu Katuntu, is that when you look at the Certificate of Financial Implications for the Value Added Tax, Government says that the whole of this Bill we have just processed will raise Shs 74 billion.

MR KATUNTU: And we still have another Shs 74 billion to forego. Really, we are talking about zero raising.

Madam Chairperson, my proposal is that – because we need to listen to them if they have a case, but they must present a good case. This is not the right time for them because I do not think that they have the facts.

Therefore, we cannot pass this Bill, come back with an amendment to that Bill, we subject it to scrutiny by the committee and they come up with a report and we discuss something in detail. Other than passing something, which we are not sure of.

Hon. Musasizi, we are not closing the door -*(Interjection)*- Hon. Muhammad Nsereko, I am on the Floor -

THE CHAIRPERSON: Hon. Katuntu, could you repeat what you were saying?

MR KATUNTU: I was saying that we want to listen to him and be open, but he does not have the facts. Since we first gave the waiver, we have foregone Shs 380 billion. We are now seeking to even forego more money.

However, Hon. Musasizi, we are not closing the door. Go and come back with detailed facts, let the request be subjected to the committee scrutiny and they come back with the report. If it is a case deserving, we shall give the exemption. As of now, nobody in this House has basis to grant that exemption from the facts we have. *(Applause)*

THE CHAIRPERSON: Honourable members, I think that we can accommodate an Income Tax (Amendment) Bill, 2024, Number 2. As of now, we first pass this. I put the question that clause 4 stands as part of the Bill.

(Question put and agreed to.)

THE CHAIRPERSON: If you do not understand what I am saying, do not dilute my legal language. *(Laughter)*

THE CHAIRPERSON: I put the question that the title stands part of the Bill.

(Question put and agreed to.)

The title, agreed to.

MOTION FOR THE HOUSE TO RESUME

5.45
THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Chairperson, I beg to move a motion that the House do resume and the Committee of the whole House reports thereto.

THE CHAIRPERSON: I put the question that the House resumes and the committee of the whole House reports thereto.

(Question put and agreed to.)

(The House resumed, the Speaker presiding.)

REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

5.46
THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to report that the committee of the whole House has considered the Income Tax (Amendment) Bill, 2024 and passed it with amendments.

MOTION FOR ADOPTION OF THE REPORT FROM THE COMMITTEE OF THE WHOLE HOUSE

5.46
THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move that the report from the committee from the whole House be adopted.

THE SPEAKER: I put the question that the Report from the committee of the whole House be adopted.

(Question put and agreed to.)

Report adopted.

BILLS
THIRD READING

THE INCOME TAX (AMENDMENT) BILL, 2024

5.46
THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (GENERAL DUTIES) (Mr Henry Musasizi): Madam Speaker, I beg to move that the Bill entitled, “The Income Tax (Amendment) Bill, 2024” be read for the third time and do pass.

THE SPEAKER: I put the question that the Income Tax (Amendment) Bill, 2024 be read the third time and do pass.

(Question put and agreed to.)

A BILL FOR AN ACT TITLED, “THE INCOME TAX (AMENDMENT) ACT, 2024”

THE SPEAKER: The Title settled and Bill passed. *(Applause)* Honourable members, remember that we have stood over one Bill and we will still expect the Income Tax (Amendment) Bill, Number 2, just in case. I am going to adjourn the House *sine die*.

(The House rose at 5.48 p.m. and adjourned sine die.)