

## PARLIAMENT OF UGANDA

### REPORT OF COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE INCOME TAX (AMENDMENT) BILL, 2017

OFFICE OF THE CLERK TO PARLIAMENT

April 2017

*Handwritten signatures and initials:*

- Atukuta*
- SPK*
- Burungi*
- Phumpraphan*
- AngRith*
- 1*
- David*
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# **REPORT OF COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE INCOME TAX (AMENDMENT) BILL, 2017**

## **1.0 Introduction**

The Income Tax (Amendment) Bill, 2017 was read for the first time on 9<sup>th</sup> February, 2017 and referred to the Committee on Finance, Planning and Economic Development in accordance with Rule 118 of the Rules of Procedure of Parliament.

## **2.0 Object of the Bill**

The object of the bill is to amend Section 89GA of the Income Tax Act Cap. 340 relating to limitations on deductions on petroleum operations to bring it in conformity with the production sharing agreements and to make consequential amendments by introducing a definition of “cost oil” and amending the definition of “contract area” and “petroleum development expenditure”

## **3.0 Methodology**

The Committee held meetings and received memoranda from the following:

- (i) Minister of Finance, Planning and Economic Development
- (ii) Uganda Revenue Authority

## **4.0 Observations by members**

The members observed that:

- (i) According to the existing Production Sharing Agreements (PSA), it is clear that the understanding of both Government and the existing licensees has been that there is a cap on allowable deductions for income tax purposes. The cap is set at the cost recovery limits which have been specified in the respective PSA. This is evidenced in the economic

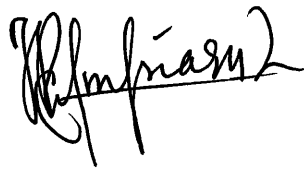
The bottom of the page contains several handwritten signatures and initials in black ink. From left to right, there is a signature that appears to be 'Zakaria', followed by 'SPK', 'David', and several other less legible signatures and initials, including one that looks like 'DD'.

modeling of the existing petroleum projects by the licensees in their various Field Development Plans that have been submitted to Government for approval. As such, restricting the cap on allowable deductions will be a change in this position which has always been understood and accepted by the Government and the licensees.

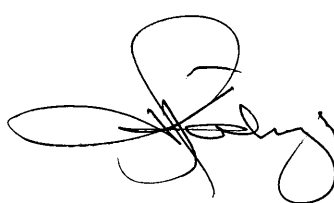
- (ii) The effect of removing the cap is that Government will lose tax revenue, especially during the initial years of petroleum production. This is because the implication of removing the cap is that the licensees would first recover all their costs before paying Corporate Income tax.
- (iii) The allowable deductions by a contractor in relation to petroleum operations are against the cost oil derived by the contractor from operations in the contract area. This will effectively revert to the agreed position in the PSAs as was provided for in the Income Tax (Amendment) Act, 2010 which was repealed by the Income Tax (Amendment) Act, 2015.

## 5.0 Recommendation


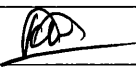


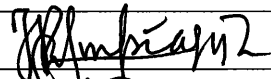

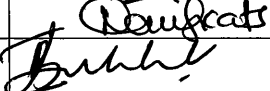
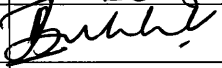
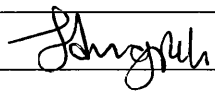
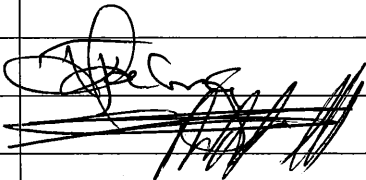

The Committee recommends that the Income Tax (Amendment) Bill, 2017 be passed into law

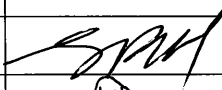


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**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC  
DEVELOPMENT ON THE INCOME TAX (AMENDMENT) BILL, 2017**

<b>No</b>	<b>NAME</b>	<b>CONSTITUENCY</b>	<b>SIGNATURE</b>
1	Hon. Musasizi Henry, CP	Rubanda East	
2	Hon. Katali Loy, V/CP	DWR Jinja	
3	Hon. Acidri James	Maracha East	
4	Hon. Lugoloobi Amos	Ntenjeru North	
5	Hon. Asiku Elly Elias	Koboko North	
6	Hon. Bategeka Lawrence N	Hoima Municipality	
7	Hon. Kalule Sengo Emmanuel	Gomba East	
8	Hon. Kamateeka Jovah	DWR Mitooma	
9	Hon. Katoto Hatwib	Katerera County	
10	Hon. Lokii John Baptist	Matheniko County	
11	Hon. Nagwomu Moses Musamba	Bunyole East	
12	Hon. Niringiyimana James .K.	Kinkizi West	
13	Hon. Opolot Isiagi Patrick	Kachumbala County	
14	Hon. Tumuramye Genensio	Kashongi County	
15	Hon. Naigaga Mariam	DWR Namutumba	
16	Hon. Ilukor Charles	Kumi county	
17	Hon. Okello Anthony	Kioga County	
18	Hon. Ayepa Michael	Labwor County	
19	Hon. Mulindwa Isaac Ssozi	Lugazi Municipality	
20	Hon. Kutesa Pecos (Maj,Gen)	UPDF	
21	Hon. Adong Lilly	Nwoya District	
22	Hon. Anita Among	Bukedea District	
23	Hon. Mukula Francis	Agule Pallisa	
24	Hon. Kakooza James	Kabula County	
25	Hon. Bagoole John Ngobi	Luuka County	
26	Hon. Nathan Nandala-Mafabi	Budadiri West	

27	Hon. Akol Anthony	Kilak North	
28	Hon. Odonga Otto	Aruu County	
29	Hon. Luttamaguzi Semakula	Nakaseke South	
30	Hon. Akello Judith Franca	Agago District	