



PARLIAMENT OF UGANDA

REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND
ECONOMIC DEVELOPMENT ON THE TAX PROCEDURES CODE
(AMENDMENT) BILL, 2020

OFFICE OF THE CLERK TO PARLIAMENT
August 2020

REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE TAX PROCEDURES CODE (AMENDMENT) BILL, 2020

1.0 Introduction

The Tax Procedures Code (Amendment) Bill, 2020 was read for the first time on the 17th June, 2020 and referred to the Committee on Finance, Planning and Economic Development in accordance with Rule 128 of the Rules of Procedure of Parliament.

2.0 Object of the Bill

The object of the bill is to amend the Tax Procedures Code, 2014 Act 14 of 2014 to defer payment of income tax for companies and other persons involved in the business of manufacturing, tourism and floricultural sectors, whose turnover is less than five hundred million shillings; to differ payment of tax on employment income and to waive interest on tax arrears.

3.0 Methodology

The Committee received submissions from the following:

1. The Minister of Finance, Planning and Economic Development;
2. The Uganda Revenue Authority;
3. Uganda Law Society
4. Institute of Certified Public Accountants of Uganda
5. Uganda Manufacturers Association
6. Nile Breweries Limited
7. Center for Budget and Tax Advocacy
8. Tax Justice Alliance Uganda
9. Dr. Otete Albert
10. Mr. Peter Mpaka

4.0 Observations by the Committee

The Committee observed that:

- (i) The Bill seeks to differ taxes for persons carrying on the business of tourism, manufacturing, horticulture or floriculture for a specified period of time. These are stated as the sectors which were most hit by the COVID-19 pandemic and this incentive will ease their cash flow during this period so that they can remain afloat. This will not only provide the much needed relief to individual tax payers, but will also offset the financial loss suffered and compensate for the earnings lost during the lockdown. However, the proposed provision doesn't include the education sector which is still closed due to the pandemic. This sector should be added among the most hit.
- (ii) The bill proposes to waive interest on tax arrears that are unpaid by 30th June, 2020 by a taxpayer who voluntarily complies with their tax obligations. However, the proposal only covers taxpayers who "voluntarily comply" leaving out those who don't file their returns voluntarily. It also doesn't cover the penalties which is a big burden on taxpayers. The provision should cover arrears of all taxpayers as well as penalties. This will provide a stimulus to tax payers and the economy as a result of the COVID-19 pandemic outcomes and also clean up the URA books because they have a lot of arrears which they are finding difficult to collect because the penalties and interest in most cases is much higher than the principal amount.

5.0 Recommendation

The Committee recommends that:

- (i) The education sector be included among those worst hit by COVID-19;
- (ii) Penalties be waived along with arrears;
- (iii) All taxpayers be considered for the waiver on penalties and arrears;

(iv) The Tax Procedures Code (Amendment) Bill, 2020 be passed into law subject to the proposed amendments.

PROPOSED AMENDMENTS to TPC 2020

CLAUSE 1. COMMENCEMENT

Substitute for "1st July 2020" a new date as follows;

"1st April 2020"

Justification

The proposals were intended to come into effect from the lockdown after Cabinet approved the measures.

CLAUSE 2. AMENDMENT OF THE TAX PROCEDURES CODE ACT,2014

Redraft clause 2 as follows;

"The Tax Procedures Code Act, 2014 is amended by inserting immediately after section 40A the following new sections-

40B. Deferment of payment of tax until 30th September 2020

(1) A person registered as a tax payer under section 4(1) of the Act and who was liable to pay tax on or after 1st April, 2020 and before 30th June, 2020 shall have his or her liability to pay the tax deferred until 30th September, 2020.

(2) The deferral referred to under subsection (1) shall apply only to a person who is a registered taxpayer involved in the business of education, tourism, manufacturing, horticulture or floriculture.

(3) A person registered as a taxpayer under section 4(1) of the Act and who was liable to withhold tax under Section 116 of the Income Tax Act Cap 340 on or after 1st April 2020 and before 30th June 2020 shall have his or her liability to pay the tax withheld deferred until 30th September 2020.

(4) No interest or penalty shall accumulate on the outstanding amount of tax during the period referred to in subsections (1) and (3).

Justification

The proposal is to allow persons carrying on the business of education as well as to defer tax for the specified period.

40C. Waiver of interest and penalty on unpaid principal tax

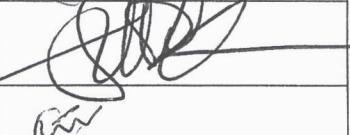
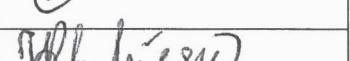
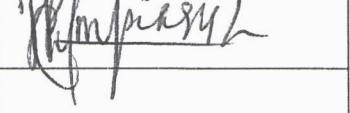
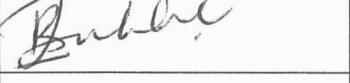
Any interest and penalty outstanding as at 30th June 2020, is waived.

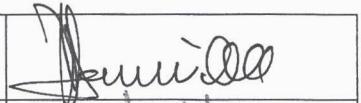
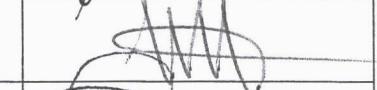
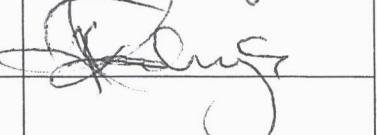
Justification:

This is to provide a stimulus and relief to taxpayers and the economy as a result of the COVID-19 pandemic outcomes and also clean up the URA books because they have a lot of arrears which they are finding difficult to collect because the penalties and interest in most cases is much higher than the principal amount.



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DEVELOPMENT ON THE TAX PROCEDURES CODE (AMENDMENT) BILL,
2020**

NO	NAME	CONSTITUENCY	SIGNATURE
1	Hon. Musasizi Henry, CP	Rubanda East	
2	Hon. Avur Jane Pacuto	DWR Pakwach	
3	Hon. Lugoloobi Amos	Ntenjeru North	
4	Hon. Asiku Elly Elias	Koboko North	
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7	Hon. Katoto Hatwib	Katerera County	
8	Hon. Opolot Isiagi Patrick	Kachumbala County	
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10	Hon. Stella Kiiza	Kyegegwa District	
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12	Hon. Lokii John Baptist	Matheniko County	
13	Hon. Walyomu Muwanika Moses	Kagoma County	
14	Hon. Mulindwa Isaac Ssozi	Lugazi Municipality	
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17	Hon. Bbumba Syda Namirembe	Nakaseke North	

18	Hon. Migadde Robert Ndugwa	Buvuma Islands	
19	Hon. Mukula Francis	Agule Pallisa	
20	Hon. Kakooza James	Kabula County	
21	Hon. Nathan Nandala-Mafabi	Budadiri West	
22	Hon. Akol Anthony	Kilak North	
23	Hon. Mukoda Julie Zabwe	DWR Mayuge	
24	Hon. Luttamaguzi Semakula	Nakaseke South	
25	Hon. Akello Judith Franca	Agago District	
26	Hon. Ochan Patrick	Apac Municipality	