Illuminating the path
Budget Insight 2013
Disclaimer
This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.
The East African Budgets – A comparison

Economic considerations
East African Nations have begun to understand and highlight similarities in their problems and goals. A number of these were plainly evident in the budget speeches delivered on 13 June 2013.

Kenya, Tanzania, and Uganda all pointed out the need to manage inflation, foreign exchange risk, and essentially improve and maintain economic growth in the coming year. As businesses continue and develop and populations continue to rise, the need to maintain stable and growing economies has become important. Following years of volatility on the part of both inflation and foreign exchange rates, the respective treasuries and authorities are to attempt best efforts in curbing the volatility of major economic definers. Being US Dollar focused exporting countries especially in regard to agriculture, the economies of the three nations are often driven by their ability to maintain a competitive international export price as well as manage this to ensure that necessary imports can be purchased at a reasonable price. Furthermore, high inflation and the volatility thereof has hindered growth and market efficiency as long term policy management and control becomes a challenge in line with increased despair on the part of the respective populations caused by high costs of normal goods and unmanageable costs of borrowing. Although difficult to manage extremely low interest and inflation rates, the likes of Uganda, Tanzania, and Kenya should focus on managing rising costs as well as unfavorable costs of borrowing for potential local investors and entrepreneurs.

The importance of improvement of revenue collection and control of public expenditure has never been given as much importance as now. The public as well as private sectors of both Kenya and Tanzania have highlighted the paramount need for improvement in the aforementioned focus areas. The increased budget deficits and discrepancies created thereafter further reaffirm the need to spend more time and appropriately manage public funds. More importantly the deficits create scrutiny in regard to how well the Government has historically managed its revenue collection. Inefficiencies on the part of revenue collection authorities have led to various over estimations and discrepancies in management of revenues and expenses. We believe that improvements in revenue collection will significantly improve fund management across the board of public funds, and furthermore instill better examples of professionalism and curbing room for corruption and arbitrage.

Although there are various similarities in all three budgets, the respective nations have outlined issues and challenges that are specific. Examples include Kenya’s goal to increase and catalyze devolution of its government responsibilities through appropriate fund management in line with its new Constitution and the country based national structure thereof.

Overall, it is clear that all three countries have noticed the main outstanding and uniform economic issues at hand and are attempting to tackle them accordingly. The only question thereafter remains, how well and how soon the respective leaders and Governments will be able to implement these changes, a challenge that previous East African Governments have never fully succeeded in tackling.
A deeper look at the details

Kenya, Tanzania, Uganda

<table>
<thead>
<tr>
<th>Program</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Rate Management</td>
<td>Inflation has been an economic inhibitor for East African nations especially in the recent past. As populations continue to rise and development surges, it is critical that governments manage inflation in order to maintain affordability for the public as well as to manage interest rates.</td>
</tr>
<tr>
<td>Exchange Rate Management (mitigation of external shocks)</td>
<td>Given the importance of agricultural exports for all three nations, there can be significant economic drawbacks from lack of exchange rate stability. Although difficult to control due to international economics and markets, attempts to manage stability can often lead to better current account balances and more income. On the other hand, governments must also maintain their rates at levels that allow them to compete globally in regard to their exports. As East Africa grows its trade platform, its respective central banks must consider the importance of foreign exchange reserves, subsequently allowing it to hedge itself against uncontrollable hard currency shocks.</td>
</tr>
<tr>
<td>Improve economic performance &amp; growth</td>
<td>Economic growth is a consistent priority for all nations. Despite expected growth in the future, the development and discovery of natural resources are likely to push some nations into double digit growth going forward. It is critical that all countries manage their growth and manage the requirements from all socio political aspects and address key public issues in order to manage expectations and promote growth in all sectors in line with economic development.</td>
</tr>
</tbody>
</table>
Kenya, Tanzania

<table>
<thead>
<tr>
<th>Program</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve Revenue Collection</td>
<td>Historically, all East African nations have had difficulty in regard to revenue collection. Inefficiencies on part of revenue collection authorities and departments have led to large loop holes in taxation collection as well as created room for arbitrage and corruption. The increased focus on improving collection should lead to more revenue as well as more legal compliance by businesses and the public alike.</td>
</tr>
<tr>
<td>Improving Public Expenditure</td>
<td>Management of public funds has been challenged and often placed under scrutiny across the region. This would ideally lead to less wastage as well as better and more appropriately allocated funds to each ministry and project, resulting in better saving and management of public funds.</td>
</tr>
<tr>
<td>Promote public private partnerships and programs in order to improve efficiencies and create opportunities.</td>
<td>With the example of the developed world, East African nations have begun to promote public private partnerships as they realize the benefits from joint project initiatives. The further promotion and implementation of the partnerships is likely to improve cost and production efficiencies, further assisting to catalyze development in all forms.</td>
</tr>
<tr>
<td>Program</td>
<td>Implications</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Support and promotion of SME’S, innovation and investment and growth</td>
<td>SME’S are often the foundation for future growth and business development. The focus on the area is likely to spur enterprise and new business activity, thereby setting a base for future business and competitive positive factors. Furthermore, increased support for innovation and investment by the public sector and the Government is likely to spur confidence in the economy both internally and externally.</td>
</tr>
<tr>
<td>Improvement of education, using ICT</td>
<td>Although the use of technology to develop education within the nation is a positive factor, the costs associated with ICT infrastructure and development have been scrutinized by Kenyans with the argument that there are more important matters at hand. That having been said, the early implementation of such systems is likely to auger well for future technological advancement and integration issues.</td>
</tr>
<tr>
<td>Investing in the Kenyan people through social security – Food/Security</td>
<td>As a developing country growing quickly, addressing this issue should be of paramount importance to the Government. Significant investment in security as well as long term food supplies suggests that the importance of self-sufficiency and security has come into the spotlight. This is seen as extremely positive and supplies an indicator that the Government is attempting to address important matters.</td>
</tr>
<tr>
<td>Supporting devolution</td>
<td>In line with the new Constitution, the Government is focusing on devolution through fund allocation to the respective counties. Devolution will improve accountability as well as provide for better fund management. Furthermore, the devolved system will allow counties to expand and focus funds on areas which are important specifically to themselves.</td>
</tr>
</tbody>
</table>
Tanzania

<table>
<thead>
<tr>
<th>Program</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue improving stability, security, tranquility and peace</td>
<td>One of the most important factors for a developing country is to consider the peace and stability of its people and nation. Tanzania has noticed and considered the mistakes of other African and developing nations and focused on providing funds to achieve and happy and peaceful country. A happier and more peaceful nation is more likely to develop productively and efficiently in aspects both economic and socio-political.</td>
</tr>
<tr>
<td>Improve accountability</td>
<td>Accountability is a key issue in developing governments. Blame and explanation for actions often goes misplaced and disregarded. Creating and implementing accountability will improve ethical and professional standard in Government as well as improve efficiencies in management of conflicts and challenges.</td>
</tr>
<tr>
<td>Principle focus on on Mkukuta II (National Strategy for growth &amp; poverty reduction)</td>
<td>Tanzania was the only country to mention particular focus on one of its medium-long term plans in regard to development. The Mkukuta II strategy is part of Tanzania Vision 2025 in line with increasing prosperity in the region as well as depleting poverty through investments in education, health care, and food security. Identification of specific goals rather than overall generalization on goals is a good way to present areas of focus on part of Governments in terms of importance as well as expenditure.</td>
</tr>
</tbody>
</table>
Uganda

<table>
<thead>
<tr>
<th>Program</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest in development for the Ugandan people</td>
<td>Uganda has particularly focused on increasing its investment into infrastructure, agriculture, and health in order to manage major development requirements. Major focus point were infrastructure projects related to road and bridge development, as well as health projects focused on improvement of vaccine and medication distribution.</td>
</tr>
<tr>
<td>Improve transparency and further the fight against corruption</td>
<td>The lack of transparency and increased corruption in Uganda continue to hinder social and economic development. Focusing on pushing to further increase the importance of anti-corruption policies and abidance by them accordingly is paramount to development in Uganda. Further, Uganda has recently discovered oil, and efficient income and expenditure from the discovery are extremely important in responsibly capitalizing on the natural resource findings.</td>
</tr>
</tbody>
</table>
Tax considerations

East African countries are aiming to achieve the following tax objectives:

Tanzania:
1) Reduce tax exemptions by abolishing VAT exemptions on tourist services and reduce other tax exemptions. It has become a trend in the region to abolish exemptions as they are seen to erode national tax bases.
2) To continue supporting initiatives to establish a one stop service center at the port. This is hoped to increase efficiency and decrease costs incurred due to backlog and increased demurrage charges.
3) Increase TRA capacity and enhance skills in order to curb tax evasion and avoidance to increase TRA outreach and improve revenue collection.
4) Increase effectiveness of Electronic Fiscal Devices through TRA database.
5) Increase tax knowledge base in regard to the oil and gas sector. Considering the recent discovery of natural resources in the region and extremely large discoveries of natural gas of the coast of Tanzania, the importance of understanding the potential taxable implications from these revenues in the near future is paramount to ensuring proper revenue collection and tax compliance specific to the industry.
6) Implement revenue gateway to begin real time gross settlement electronically.

Kenya:
1) Further ensuring equity and fairness in our tax system which will improve tax efficiency and tax collection across the board, thereby bringing in more revenues.
2) Deepening tax reforms and enhancing tax administration to increase development and reform of taxation policies and make them more relevant to the current national and economic situation as well as improving collection efficiencies.
3) Further strengthening financial systems for sustainable development

Uganda:
1) Intensify efforts to enforce compliance across the board.
2) Expansion of audit coverage and avoidance of fraud to increase the importance and reliability of audits in order to ensure less room for fraud and arbitrage in taxation policy loopholes.
3) Enforce use of Tax ID Numbers.
4) Clean up VAT register to allow for more focused enforcement.

What achieving these objectives will mean?
It is fairly evident that all three countries are facing the same or fairly similar challenges in tax administration and revenue collections. The objectives of the various tax measures proposed by all three countries are clearly designed to improve enforcement, create a fair system and above all enhance revenue. Only time will tell how effective they will be.
Kenya
New beginnings?

This was the first budget under the new Jubilee government, the new constitution and of course the new cabinet secretary for finance, Henry Rotich. The fact that the Government was formed shortly before the budget day and indeed the cabinet secretary has held office for an even shorter period was clearly evident in the speech. When you add that to the fact that no Finance Bill was issued, you understand how difficult it must have been to prepare this budget.

Perhaps the most interesting part of this years’ Kenyan budget was how the Parliamentary Budget and Appropriations Committee reviewed the estimates. A lengthy document was tabled in Parliament on the Tuesday before budget and it appeared as though thorough scrutiny of the numbers had been conducted. It was evident that the committee clearly appreciated that bridging the deficit gap was going to be difficult and that expenditure had to be cut. They did indeed suggest reductions but this of course did not stretch to their own salaries.

Considerable sums of money have been allocated to various projects including the famous Jubilee Manifesto promises. What was not very clear however, is how the Government intends to finance all this. A budget deficit of KES 356 billion is on the cards with no real clue as to how it will be dealt with.

On the tax front, the lack of a Finance Bill made the speech somewhat meaningless. The revenue estimates tabled in April suggested tax revenues of KES 880 billion and it was hoped that on budget day all would be revealed. Sadly we are still very much in the dark. There were measures announced that left us with a sense of déjà vu – heard it before and nothing happened.

The VAT Bill is to be retabled in Parliament for the third time. Interestingly, it is now felt that will only raise an additional KES 10 billion rather KES 50 billion promised last year. Perhaps it will be watered down.

Landlords got an honourable mention again, even though it was the same as we saw last year. Clearly the mapping exercise had not been as successful as it might.

Tax breaks for interns got another mention. You may recall this was a big item in the budget when the current president was the Finance Minister.

Capital Gains Tax is set for a review although it is not clear what this actually means. One will have to want for the Finance Bill to see what transpires.

Overall, Kenya’s budget was somewhat of a letdown. There were many expectations but little came through. Of course all this would change when the Finance Bill is finally released.
Key Economic Highlights

Infrastructure & Industry

The Government of Kenya has continued to support its initiative to develop and expand infrastructure across Kenya. Alongside international support, the Government has taken initiatives to employ various new infrastructure projects and goals. Until recently, previous Governments were often vague in regards to infrastructure goals and development; however this year we have seen more initiative to specify projects, goals and targets.

Major focus has been placed on transportation, energy, and security projects. Particular mentions were made in regard to building and rehabilitation of roads, geothermal energy, and the Lamu Port Project. Areas that particularly stood out include:

- Development of a new twin standard gauge railway from Mombasa to Kisumu via Nairobi, which was allocated KES 22 billion;
- Development of advanced security infrastructure worth KES 16.2 billion; and
- Development of sustainable geothermal power plants though an allocation of KES 12.5 billion.

Although the budget allocations for infrastructure are ambitious and positive, the ability of the Government to deliver results on the aforementioned projects is yet to be proved. The Treasury stated that it would continue to promote the public-private partnership program in order to better and more efficiently achieve its goals.

Hand in hand with this massive investment, the Government should ensure the maintenance and upholding of ethical and anti-corruption principles and regulations. Having come into power recently the current leaders should keep in mind the high level of public expectations in so far as avoiding unprofessional and unethical practices are concerned.

Given the current economic and political outlook, we believe that the development and implementation of infrastructure projects are necessary to assisting Kenya with its development goals as well as maintaining the nation’s positive growth trajectory.

Financial Sector

The financial sector is being revamped to adapt to industry dynamics, challenging regulations and better respond to the needs of the market. Focus will also be on consolidating the Capital Markets in the East Africa Community and mitigation of risks in the Insurance and Retirement Benefits Sectors.

Recent developments in the banking sector have scaled up business activities. A negative effect of this increase in activity has been a growth in illegal practices that violate the Banking Act. Amendments have been proposed to the Act to enhance penalties for offenders.

Government has reaffirmed its commitment to developing the capital markets by amending the Capital Markets Act to support implementation of the requirements of the Common Markets Protocol and Integration. Fixed income securities are to be issued across regional markets and in addressing challenges threatening stability of the capital markets in the region, the amendment will redefine the offence of insider trading and identify common market manipulation practices.

Timely resolution of problems facing micro finance institutions have been addressed in changes proposed to the Microfinance Act. The rules limiting ownership of insurance companies have been relaxed and now extended to include other citizens of the East Africa Community in support of the Common Markets protocol. Governments of the four countries want to promote a competitive environment that fosters sustainable growth and a robust financial sector.

Lengthy claim processes delay compensation to policy holders. The Insurance Act amendment should shield policy holders by requiring the Policyholders Compensation Fund to include participation in the liquidation process of insurance companies.

An overhaul of the Insurance Act by September 2013 will align the Insurance Industry with international best practices and the Constitution. It will further strengthen the regulatory framework and ensure a stable and growing insurance sector.
Agriculture

In this year’s budget, achieving food security has been identified as a key priority. The Treasury Secretary attributed the low productivity in the sector to the use of inappropriate technology, inaccessible farm inputs, weak extension support services and over reliance on rain-fed agriculture.

To enhance investment in the agricultural sector, the Government has set aside KES 2 billion for Agri-Business Fund to de-risk and leverage commercial bank lending to smallholder and commercial farmers throughout the country. The Government plans to scale the Agri-Business Fund to KES 20 billion by the fourth year, to expand its access to Kenyans who venture into farming as a business. There is need though for clear ways of implementing this strategy. It is also important for mechanisms to be established to facilitate the youth to access the funds.

The Government will continue to promote irrigation and food security programmes. This is on the premise that reliance on rain fed agriculture has continued to expose the country to food insecurity. KES 8 billion has been allocated to implement the on-going irrigation projects spread throughout the country. In particular, the Government has set aside KES 3.6 billion to implement the first phase of the 1 million acre irrigation and food security project in Galana. The Galana irrigation project is expected to produce adequate food for the country, create at least 3 million jobs along the agriculture value-chain including multiplier effects and transform the Galana ranch and, by extension the coastal region, into an economic hub for production, agro-processing, packaging, distribution, export and tourism.

Concern was expressed that majority of the people are still food insecure and live in abject poverty, especially in rural and slum areas in the cities. To cushion the poor and the vulnerable, the Government set aside KES 356 million as urban food subsidy.

Towards deepening regional integration and export promotion, the National Treasury will work together with the Ministry of EAC, Commerce and Tourism and Ministry of Foreign Affairs to secure international and regional markets for Kenya’s agricultural products.

The Secretary also expressed assurances that the National Treasury will fast track the establishment and operationalization of a Commodity Exchange Market for agricultural produce and through the Capital Market Authority (CMA), license a Commodity Features Exchange.

Health Sector

Health sector spending by the Government has been low, as a percentage of total spending, in previous years despite this being a key area of focus under the Vision 2030. This Social Pillar in Vision 2030 seeks to improve the quality of life for all Kenyans by targeting a cross-section of human and social welfare projects and programmes, among which is health.

The Jubilee manifesto, which like Vision 2030, is based on 3 pillars, also highlights health as a key focus area under the Unity pillar. The manifesto indicates that central to the Jubilee Government’s health sector reform agenda, it will seek to improve healthcare services, better pay and conditions for healthcare professionals and a higher standard of care and treatment for patients. It promises to achieve free primary healthcare for all Kenyans, starting with women, expectant and breast-feeding mothers and persons with disabilities by increasing health spending from 6% -15% of total spending.
In the 2013/14 budget, the health sector was allocated KES 34.7 billion, representing 3% of total national spending. This was a 55% reduction from the KES 77 billion allocated to the sector in 2012/13. This is mainly as a result of the transfer of various functions to the county Governments. Some of the functions that the county Governments are now assigned include: county health facilities and pharmacies, ambulance services, promotion of primary health care, licensing and control of undertakings that sell food to the public, refuse removal, refuse dumps and solid waste disposal.

To restore Kenyans’ confidence and growing criticism over whether the Government would deliver on its promises, KES 3.8 billion was allocated for free access to maternal health. A key problem identified in the health sector in the past, was the Government’s setting up of health facilities around various areas of the country without the necessary capacity building. Perhaps this was the driving motive for the allocation of KES 3.1 billion and KES 522 million for recruitment of 30 community nurses and 10 community health workers, respectively, for each constituency to improve accessibility of health services. KES 1.2 billion was also allocated for the provision of 1,500 affordable housing units to health care workers to enable them respond and attend to patients in a timely manner. Going forward, key areas of concern will be the implementation of the outlined plans.

### Education Sector

Perhaps the greatest achievement to-date in the education sector was the re-introduction of free primary education. The Jubilee Government, keen to come-up with its own policy, came up with the free laptop for class 1 pupils. Many had questioned the practicality of this, but the Government has moved to quell any doubts by allocating KES 9.8 billion to cater for the purchase of 1.35 million laptops. This has been termed as transformation of the education sector to e-teaching and e-learning. KES 53.5 billion has been allocated for this transformation and besides the cost of the laptops; it also includes capacity building for teachers, development of digital content and setting up of computer laboratory for class 4 to 8 pupils in all schools throughout the country.

The education sector was allocated KES 273.5 billion in 2013/14, an increase of 19.5% from the 2012/13 allocation of KES 229 billion. KES 143 billion was allocated to the Teachers Service Commission (TSC) with KES 130.5 billion allocated to the Ministry of Education, Science and Technology. In previous years, a spate of strikes by teachers complaining about salaries and working conditions has been the norm. The allocation to TSC represents 52% of total spending on the education sector and is classified as recurrent expenditure indicating that a bulk of this will be used for settling salaries and wages and recruiting new teachers.

The Jubilee Government has reiterated its commitment to expanding access to and raising the standard of education in Kenya. This, it hopes to achieve through increasing the proportion of students moving from primary to secondary education and then into the tertiary and university level. It remains to be seen whether they will manage to improve quality of education rather than quantity, as was done by the previous Government.
Kenya
Tax Measures
Income Tax

Commissioner to recover tax from Principal Officers

The measure
The Income Tax Act is to be amended to empower the Commissioner to access books of account and where tax evasion is proved in court, to collect the tax due from corporate officers of corporate bodies where they are convicted of tax fraud.

Who will be affected
Officers of Corporate bodies who include the Directors of the Company, General managers, Company Secretaries and other corporate officers.

When
To be advised when the Finance Bill is available.

Our view
This legislation was previously introduced in the Finance Bill of 2012 but was dropped from the Finance Act of the same year. This has now been re-introduced with the aim of collecting corporate tax due from officers of the Company were fraud has been proved in a court of Law.

This calls for management to pay closer attention to tax matters of the Company.

Withholding Tax on winnings from Gaming and betting

The measure
The Income Tax Act is to be amended to impose witholding tax on winnings from gaming and betting.

Who will be affected
Persons who are beneficiaries of winnings from gaming and betting activities.

When
To be advised when the Finance Bill is available.

Our view
This amendment brings into effect the previous move to introduce a withholding tax rate of 20% under the Finance Act, 2012.

This is a welcome move as it seeks to expand the tax base and widen the tax net.
Capital Gains tax

The measure
The Government has initiated review of capital gains tax provisions under the Income Tax Act with a view to formulating modalities for its effective enforcement.

Who will be affected
Those selling qualifying assets, typically land, buildings, shares and other investment property. The qualifying assets will be advised when the Finance Bill is available.

When
When the review is complete.

Our view
Since 1985 when capital gains tax was suspended, two attempts have been made to re-introduce it without success. If capital gains tax is to be implemented properly, it should ensure that it is actual capital gains which are subjected to tax rather than the gains due to inflation.

The measure is otherwise good as it will widen the tax net.

Establishment of a single tax appeal body

The measure
The Cabinet Secretary proposed to establish a single tax appeals body with the view to improving the dispute resolution framework, instilling professionalism and fast-tracking resolution of tax cases.

Who will be affected
All tax payers.

When
To be advised when the Finance Bill is available.

Our view
From the Secretary’s speech it is unclear how the benefits of the proposed measure will be achieved. In our view, the benefits this measure promises can be attained by ensuring that members of the appellant bodies have a good understanding of tax legislation and practice. Fast-tracking the resolution of tax cases can be enhanced by scheduling more regular sittings.
Compounding of Income Tax Offenses

The measure
The Cabinet Secretary proposes to improve the compounding framework for Income Tax to encourage taxpayers with tax offences to engage KRA to settle their cases out of court.

Who will be affected
Income tax offenders.

When
To be advised when the Finance Bill is available.

Our view
Compounding of tax offences is already provided for under the Income Tax Act but subject to approval by the Minister. The amendment would make it easier for the KRA to compound cases without the need to refer to treasury.

If properly implemented it should improve on income tax collection and speedy resolution of tax cases.

Tax exemption for persons with disabilities

The measure
Tax exemption status for persons with disabilities now extended from three years to five years.

Who will be affected
Persons with disabilities.

When
TBA.

Our view
This is a welcome measure as the validity of the tax exemptions issued to Persons with disabilities will now be renewable after five years.
Taxation of Insurance Premiums

The measure
Employees will not be subject to tax on group life and personal accident covers where the policy does not confer a benefit on the employee.

Who will be affected
All employees whose employers have taken out group life or group personal accident cover.

When
TBA.

Our view
In view of the fact that the KRA has on several occasions sought to tax the premiums as a benefit in the hands of the employee, this is a welcome measure as it now clarifies the tax treatment of premiums paid for Group Life and Personal Accident covers on the employee. The proposed treatment by the KRA was disputed by taxpayers, who sought the intervention of the High court. The measure is in line with the High Court’s decision which noted that for a benefit to be taxable on the employee, it must be enforceable by the employee.

Under a GLA policy, the insurance is taken out to cover the employer (who is the policyholder) against potential future liabilities in respect of compensation payable to employees. Therefore, the policy does not benefit the employee unless and until he suffers loss for which he can claim compensation from the employer.
Tax to be paid before lodging appeal

The measure
The Income Tax Act has been amended to state that where the Commissioner has rejected a taxpayer’s objection notice on grounds that it was submitted late the taxpayer is required to pay the amount not in dispute to the KRA in addition to 30% of the amount in dispute before the taxpayer is permitted to appeal to the Local Committee.

Who will be affected
Taxpayers who file late objections.

When
TBA.

Our view
This will make life tougher for taxpayers who file their objections to KRA outside 30 day window provided in the Income Tax Act. They will be forced to pay 30% of the amount in dispute before proceeding to the Local Committee.

KRA’s power to search and seize

The measure
Previously the KRA had the power to search and seize documents of a person who has committed or is suspected to have committed an offence under the Income Tax Act. However, the KRA required a warrant from a magistrate to perform this task. The Income Tax Act has now been amended to remove the requirement of a magistrate’s warrant.

Who will be affected
All taxpayers.

When
TBA.

Our view
This extends the powers of the KRA by removing the requirement to seek a warrant before searching and seizing a person’s documents. However, this is in line with the VAT Act in which the KRA does not require a magistrate’s warrant to search and seize.
**Withholding tax on assignment of rights by oil companies**

**The measure**
In the case of assignment of rights by an oil company the withholding tax applicable on the transaction is not a final tax but can rather be claimed when the company is filing its tax returns.

**Who will be affected**
Oil companies taxable as per the 9th Schedule of the Income Tax Act.

**When**
TBA.

**Our view**
The amendments brought about by the Finance Act 2012 of 9th January 2013 that brought about withholding tax on assignment of rights by oil companies created a situation whereby the income was taxed twice as the 9th Schedule already deemed the income as taxable under trade income. This amendment allows oil companies to deduct these withholding tax payments from their overall income tax liability.
Customs Duties

Import Duty on millstones and grindstones

The measure
Increase of Import Duty on millstones and grindstones of HS Code 6804.10.00 from 0% to 25%.

Who will be affected
Importers and users of millstones and grindstones.

When
Pending publication of the East African Gazette Notice. Normally effective from 1 July.

Import Duty on welding electrodes and plastic tubes

The measure
Kenya to stay application of CET rates for:
- Welding electrodes of HS Code 8311.10.00 from 10% to 25% for one year; and
- Plastic tubes for packing of toothpaste, cosmetics and similar products of HS Code 3923.90.20 from 10% to 25%.

Who will be affected
Importers, manufacturers and users of these products.

When
Pending publication of the East African Gazette Notice. Normally effective from 1 July.
Exemption under the 5th Schedule of the EAC Customs Management Act

The measure
The following goods will be exempt from payment of import duty:
- Bag biogas digesters under HS Code 3926.90.90; and
- Items used to facilitate railway operations.

Who will be affected
Importers of bag biogas digesters and railway operations components.

When
Pending publication of the East African Gazette Notice. Normally effective from 1 July.

Our view
This is a welcome move designed to encourage importation of the goods in order to support various sectors including energy, agriculture and transport. The bag biogas digesters can be used as alternative sources of renewable energy for cooking, electricity generation and lighting. The residue from this process is also used as fertilizer. The exemption on items used for railway operations will assist in improving the transport infrastructure.

Review of KRA Structure

The measure
The process to review the organisation of KRA has been initiated as mentioned in last years budget speech with a view to establishing Customs as an Autonomous Entity that will focus on its primary mandate of trade facilitation and effective border control.

Who will be affected
KRA, taxpayers.

When
In progress.

Our view
At the international level and specifically from a World Customs point of view the focus for customs should be to secure the international supply chain and facilitate trade. Having Customs fully dedicated to border controls and trade facilitation will help to secure trade against the threat of global terrorism, facilitate movement of legitimate trade and improve Customs operations. For example, the US and Australia have agencies referred to as Customs and Border Protection whose main mandate is to manage the security and integrity of borders. Many countries are also positioning their customs services to focus on border control and trade facilitation working closely with the security agencies and we will wait to see how Kenya implements this.
Increase in import costs

The measure
Introduction of a Railway Development Levy of 1.5% on all imported goods.

Who will be affected
Importers of goods into Kenya.

When
To be advised when the Finance Bill is available.

Our view
The Minister has proposed to introduce a Railway Development Levy to be able to mobilize additional funds in the construction of a standard gauge railway line from Mombasa to Kisumu. Although this change will assist in improving the infrastructure and reduce freight cost in the long run, the immediate effect is an increase in the overall taxes for goods imported into Kenya. Importers will have to dig deeper into their pockets to accommodate this extra charge on goods. However, it is not clear what the base for calculation of the 1.5% will be and if this levy will be charged to goods originating from the EAC Partner states where any additional costs to imports other than the standard taxes is considered a non tariff barrier. Logically we believe that the treatment in this respect will be the same as IDF which is not levied on goods in transit or those originating from within the EAC Partner states.
Amendment to Section 34 of the EAC Customs Management Act

The measure
Introduction of Customs Warehouse Rent (CWR) on entered goods which remain at the port of discharge for a period exceeding 21 days from the date of commencement of discharge.

Who will be affected
Importers of goods into Kenya.

When
Pending publication of the East African Gazette Notice. Normally effective from 1 July.

Our view
Section 34(1) of the EAC CMA requires importers to enter their goods within 21 days after commencement of discharge. Where goods remain unentered within 21 days subsection 3 provides that they shall be moved to the customs warehouse. Subsection 4 which was amended by EAC Act Supplement of 17th February 2011 provides that where goods are entered within 21 days but not removed from the first point of entry within 14 days from the date of entry they shall be liable to CWR. This provision gave importers more time to remove goods from the port because they had 21 days to enter the goods and an additional 14 days from the date of entry. The provision has now been deleted. This amendment now requires importers to enter and remove goods from the port within 21 days from the date of commencement of discharge which will assist in easing up congestion at the port since the goods must be removed within a shorter period. The question remains whether this measure will be effective since the provision for waiver of CWR still applies and goods can stay at the port for very long periods as importers await consideration of waiver from the Commissioner.
Excisable Goods Management Systems

The measure
The Minister has issued a gazette notice “Excisable Goods Management System 2013” which prescribes procedures and guidelines for its operation.

Who will be affected
Excise manufacturers, importers, other players in the supply chain dealing with excisable products and services.

When
To be advised when the Finance Bill is available.

Our view
The goods management system is intended to minimize tendencies for mis-declaration and undervaluation by excisable firms. If well implemented it will make it easier to manage, control and account for excise related operations and excise taxes for both KRA and all players in the supply chain. The gazette notice will highlight the procedures and guidelines of how the system will operate and provide information on the obligations of the key players.

Excise duty remission on containerised beer (KEG)

The measure
The Minister has proposed to reduce the current remission of excise duty on containerised beer (KEG).

Who will be affected
Manufacturers of keg beer and consumers.

When
To be advised when the Finance Bill is available.

Our view
The excise duty remission on containerised beer was introduced in 2006 and over the years has enabled manufacturers to provide low income consumers with an affordable and good quality product. The Ministers proposal is to reduce the remission from the current 100% to 50%. In addition, it will be on a transitional basis for a period of three years. Any increase in excise duty results in an increase in price for the consumers and will definitely encourage migration by the market that had been captured by the keg beer to the harmful cheaper illicit brews.
Excise duty remission on beer made from millet, sorghum and cassava

The measure
The Minister has proposed to introduce a remission of 50% of excise duty on beer made from millet, sorghum and cassava.

Who will be affected
Manufacturers of beer and consumers.

When
To be advised when the Finance Bill is available.

Our view
This is a welcome move and will encourage local farmers to grow these crops and stimulate agricultural activity in the regions where millet, sorghum and cassava are grown. It will also provide an incentive for beer manufacturers to produce beer made from these products and be able to provide them at a price that is more affordable to the low income consumers.
Tanzania
A budget for growth?

Minister Mgimwa’s 2013 budget speech highlighted some important achievements but some significant challenges ahead. Achievements included falling inflation, rising tax collections and continued real growth in the economy (GDP grew by 6.8% in 2012). Tanzania is also close to getting a credit rating which should make it easier to access international capital markets. The Minister further reported that the EAC is now close to establishing a monetary union, though whether recent experiences of the Eurozone may have discouraged that aspiration, he did not say.

Challenges continue however. Access to reliable electricity continues to be a key constraint on growth, but fortunately Tanzania now has significant gas discoveries which have the potential to fix this problem in the longer term. But on the other hand there are also risks arising from the limited capacity of government departments to manage the challenges of the new industry: the need to train government personnel, particularly the TRA, was mentioned more than once.

The Minister devoted significantly more time than his colleagues in Uganda and Kenya to the discussion of tax issues. He was particularly concerned about Tanzania’s narrow tax base and the need to restrict various tax exemptions (particularly in respect of VAT). The tourism industry was singled out for special mention, but clearly the spotlight is going to be turned on exemptions and reliefs across every industry. This reflects a continuing concern in some quarters that Tanzania is being short changed by investors. On the other hand it was refreshing to see that for once some praise is given to companies that are paying their fair share: mining companies were credited for a significant increase in tax payments and BP received specific mention for paying tax when it sold its downstream operation in Tanzania.

Whilst we still wait for the fine print of the Finance Bill, on the face of it there were few major changes in the area of direct tax. A welcome reduction in Skill Development Levy (SDL) from 6% to 5% and a very small reduction in personal income tax were balanced by some increases on withholding tax (including 5% on services, even if provided by a registered taxpayer). Indirect taxes continue to be a revenue raiser for the Government with the usual across-the-board increases in excise taxes and the indication of a toughening up of the VAT regime down the track. Indeed VAT reform seems to be the flavor of the moment as Uganda also announced a VAT review and Kenya continues to tinker with its VAT Bill.

The budget emphasized the need to invest, particularly in infrastructure, so it is not surprising that the Minister also put emphasis on measures to increase government revenues. He has a difficult balancing act, like his peers, of course: apply the fiscal screw too tight and private investment will dry up and tax revenues will fall. Our assessment of how far the screw has tightened this time will have to wait for the Finance Bill and the outcome of the review of tax exemptions.
Key Economic Highlights

Economic performance for Tanzania for the financial year 2012/13 invited varied views, depending on who one is listening to. Those citizens on low income would argue that the cost of living was still too high, despite the inflation rate falling to 9.8% in March 2013, from a double digit high of 19.8% in December 2011. According to Hon Dr. Mgimwa, Tanzania’s Minister for Finance, the significant decline to single digits was mainly attributed to concerted efforts to ensure enhanced availability and supply of food in line with the demand; strengthened transportation infrastructure, which in turn reduced transportation costs; and measures taken to raise the interest rate at which the Bank of Tanzania (BoT) imposes on loans issued to local institutions from 7.58% to 12.58%.

For those in industry, they could argue that, generally 2012/13 presented better prospects than the previous year, with strong performance recorded in the manufacturing and a slightly improved performance in the agriculture sector.

The official International Monetary Fund (IMF) figures showed the Tanzanian economy performed well in 2012, with annual growth rate increasing to 6.9% in 2012, representing a 0.5% increase on the previous year. Of even greater significance is the projection by the IMF that the economy will grow to 7% and 7.4% in 2013 and 2014 respectively. Additionally, these growth rates are much higher than those of the wider Africa region, making Tanzania’s prospects much brighter in the long term provided other factors critical to ease of doing business are addressed.

Some of the factors which contributed to the recorded improved performance of the economy include but are not limited to:

• Stronger performance in manufacturing, particularly in the production of chemicals, textiles, cement and food processing.
• Improved, though not 100% reliable electricity availability and utilization of alternative energy in the industrial production. There was a notable increase of 11.8% on the amount of electricity generated and connected to the national grid compared to 2011.
• Improved agricultural production made possible by good rains in the regions which supplies the country with the bulk of its food supply.
• Growth of the financial services sector and enhanced availability credit for the private sector.

A snapshot of performance by sectors in 2012 and projections for 2013/14

Financial services sector
This sector grew from 10.7% in 2011 to 13.2% in 2012. The growth of the sector was attributed by the growth in the number of Banks from 49 to 51; insurance companies from 26 in 2011 to 28 in 2012; and, SACCOS from 5,424 in 2012 to 5,559 in 2013. Other notable developments in the sector included:

• Increase in amount of reserve requirements by 10%: BoT increased the amount of reserve requirement for banks from 30% to 40% and reduced foreign exchange holding by banks in relation to their core capital from 10% to 7.5% from the end of 2012.
• Establishment of the Tanzania Mortgage Refinancing Company (TMRC): This is intended to enable banks to issue mortgage loans. The Minister for Finance reported that as of December 2012, a total of 12 banks purchased TMRC shares. In addition, a total of TZS 106.2million worth of loans were issued to over 1700 borrowers. Despite this initiative, the uptake on mortgage products continues to be sluggish due to unfavourable lending rates, coupled with stringent and at times inhibiting application and approval processes.
• Establishment of a specialised department to deal with financial sector development: This department, to be established at the Ministry of Finance, will have a dedicated section to deal with the supervision of microfinance services and one that will focus on development of sector policies.
• Minimised capital requirements for community banks: BoT has minimized conditions relating to capital requirements to facilitate the establishment of community banks. With the introduced changes
coming into effect, the capital requirement for community banks is
a mere TZS 2 billion, compared to the TZS 15 billion capital requirement
for commercial banks. It is expected that these relaxed requirements will
trigger an increase in the establishment of SACCOS, Village Community
Banking (VICOBA) and community banks to enable people access to
credit for commercial and production purposes.

- **Plans for this sector for 2013/14 include:** preparation of laws which
  will govern the National Payments System (NPS) to enhance performance
  in the use and provision of electronic services such as ATMs, sales centres,
  mobile banking; preparation of the National Insurance Policy.

**Energy and Resources**

Given the heightened activities in the gas sector in the Southern corner
of Tanzania, which has heralded the influx of numerous investors, the prospects
for this industry are bright provided those significant finds are properly
exploited. The key sector highlights for 2012 include, but are not limited to:

- **Progress made on the construction of the Mtwara – Dar gas
  pipeline:** Commencement of the construction of Natural Gas Pipeline
  from Mtwara to Dar es salaam of which the challenges emanating from
  ineffective community engagement are well documented.

- **Increased power production:** This was done through the procurement
  of fuel for emergency power generation; construction of 150MW gas
  fired Plant at Kinyerezi; completion of construction and generation of
  electricity using heavy fuel at Ubungo - Dar es Salaam (MW 105) and
  Nyakato-Mwanza power plant (MW 60); and, implementing rural electrifi-
  cation projects in 16 regions.

- **The issuance of a revised draft natural gas policy for Tanzania:**
  The key areas covered in the draft policy include development of natural
  gas infrastructure; natural gas for domestic market; natural gas for export
  market; local content and capacity building; management of natural
  gas revenues; security of natural gas infrastructure and supply etc. It
  is intended that upon its enactment, the policies will provide a clearer
  framework for all stakeholders for the mid and downstream segments of
  the industry.

**Transport and Communication**

The communication sector recorded the highest growth rate of 20.6% in
2012/13, although its contribution to the GDP was low at 2.3%.
There were notable initiatives by the Government of Tanzania in
the transport sector in 2012, which saw the establishment of passenger
trains in Dar es salaam to reduce traffic congestion; restoration and
improvement of passenger and cargo trains for the Tanzania Zambia
Railways Authority (TAZARA) and the Tanzania Railways Limited (TRL); and,
construction and rehabilitation of airports at Songwe, Katavi, Mwanza,
Kigoma and Tabora.

**Agriculture**

Despite the focus and investments made in this sector, its contribution to
the GDP remained lower than where it could be due to over-reliance on
rain-fed agriculture. This being said, there were on-going initiatives to spur
sector growths including the strengthening of the Southern Agriculture
Corridor of Tanzania (SAGCOT). SAGCOT’s main objective is to foster
inclusive commercially successful agribusiness that will benefit the regions
small scale farmers and contribute towards improving food security, which
will in-turn lower inflation rates and support economic growth.

The focus for 2013/14 will be in promoting and attracting local and foreign
investors towards commercial farming in order to increase productivity
in agriculture sector and promote livestock keeping and fishing; increase
the availability of agricultural inputs; improve agriculture extension services;
ensure availability of credit facilities to farmers; and, provide markets for
agricultural produce and improve investment climate in the agricultural
sector.
Key focus areas for 2013/14

The key focus areas for the Government in the 2013/14 fiscal year will include but not be limited to:

- **Introduction of Sovereign Credit Rating**: This process is at an advanced stage but yet to be finalized, as the Government is facilitating the process of acquiring an international credit rating agency. It is expected that the rating process will be completed during this financial year. Successful completion of this initiative will enable the Government to raise funds from international financial markets at low costs for financing various projects, particularly infrastructure; and, make it easier for Tanzanian companies to access capital from international capital markets.

- **Streamlining of Public Private Partnership (PPP) to realise better benefits for the country**: The Government will merge the various PPP Units into one and review the PPP Act and Regulations with a view to improving them. Furthermore, the Government plans to establish PPP Facilitation Fund to finance feasibility studies for implementing PPP projects in the country.

- **Widening and enhancing revenue collections**: In addition to many initiatives tabled by the Minister for Finance to enhance tax revenues collection, the Government also plans to introduce auctioning of forestry and tourist hunting blocks; and, undertake valuation of land and property together with the collection systems so that land and property tax will be effectively collected.
Tanzania
Tax Measures
Income Tax

Withholding Tax

Removal of withholding tax exemption on payment for aircraft leases.

The measure
Rental charges in respect of aircraft lease paid to a non-resident by a person engaged in air transport business are no longer exempted from withholding tax.

Who will be affected
Companies in the air transport business which lease aircraft from non-resident entities.

When
1 July 2013

Our view
The non-residents are likely to increase the rental charges in order to maintain their profit margin. The lessee will either pass the costs to the final consumers by increasing the fares, or bear the costs. The consequence of increasing the fares will be reduction on demand, which will have a direct impact on the profitability of the air transporter. Absorption of the cost will have the same impact of reducing the profit of the airlines. This measure is more likely to damage the financially fragile, yet strategic, airline sector rather than raise significant revenue.

PAYE

Decrease of the minimum tax rate chargeable on individual income.

The measure
Minimum tax rate chargeable on income of a resident individual has been reduced from 14% to 13%, and tax on each band has been adjusted.

Who will be affected
Resident individuals who are taxed using the individual income tax rates.

When
1 July 2013

Our view
Whilst the intention is to provide relief to employees, the relief is too small to have much impact.
**Withholding tax**

Withholding tax on commission on mobile phones money transfer.

**The measure**

Withholding tax at a rate of 10% has been introduced on payment of commission for money transfer through mobile phones.

**Who will be affected**

Agents.

**When**

1 July 2013

---

**Withholding tax**

Introduction of 5% withholding tax on services.

**The measure**

Payment for services will be subject to withholding tax at the rate of 5%.

**Who will be affected**

All service providers who will now be required to withhold tax.

**When**

1 July 2013

---

**Our view**

Most of the agents are individuals who may be registered with the tax authority, or if registered, may not be fulfilling their tax obligations. Whilst the change may contribute to the government's offer by taxing such individuals, this may increase the cost of money transfer and ultimately offer the ordinary customers who use the service most.

---

**Our view**

The budget is silent as to whether the withholding tax will apply on payments to non-residents. Given that currently there is a withholding tax of 15% applying on service fees paid to non-resident, we believe the 5% will apply on payments to resident service providers. This move will have a cash flow impact for service providers, though we understand that the 5% will offset the final income tax liability for the relevant year of income.
**Withholding tax**

Introduction of 2% withholding tax on payment for goods supplied to the Government and its institutions.

**The measure**

Government and its institutions will deduct withholding tax at a rate of 2% on payments to suppliers of goods regardless of whether the supplier has a Tax Identification Number or not.

**Who will be affected**

Suppliers of goods to the Government and its institutions.

**When**

1 July 2013

---

**Our view**

This is designed to ensure suppliers pay tax (like the tax on service fees). While a good expedient to raise revenue it does imply that the governments attempts to encourage Tanzanians to comply with their tax obligations are making slow progress.
**Excise Tax**

**Alcoholic beverages and tobacco products**

**The measure**
Excise duty has been increased on the following excisable goods:
- Beer from unmalted cereals from TZS 310 per litre to TZS 341 per litre;
- Other beers from TZS 525 per litre to TZS 578 per litre;
- Wines with more domestic grape content from TZS 145 per litre to TZS 160 per litre;
- Wines with more foreign grape content from TZS 1,614 per litre to TZS 1,775 per litre;
- Spirits, from TZS 2,392 per litre to TZS 2,631 per litre; and
- Cigarettes on all categories.

**Who will be affected**
Smokers and drinkers are almost invariably the target of finance ministers looking to raise revenue.

**When**
1 July 2013

<table>
<thead>
<tr>
<th>Our view</th>
</tr>
</thead>
<tbody>
<tr>
<td>The levies are passed on to the end consumers thus increasing revenue collections for the Government while increasing the cost for consumers.</td>
</tr>
</tbody>
</table>

**Non-alcoholic beverages e.g. juices and soft drinks**

**The measure**
Excise duty has been increased on the following excisable goods:
- Carbonated soft drinks from TZS 83 per litre to TZS 91 per litre;
- Locally produced fruit juices from TZS 8 per litre to TZS 9 per litre; and
- Imported fruit juices from TZS 100 per litre to TZS 110 per litre.

**Who will be affected**
Consumers who will be forced to digger deeper into their pockets.

**When**
1 July 2013

<table>
<thead>
<tr>
<th>Our view</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rise in taxes for imported juices aims at protecting and promoting the local manufacturing industry.</td>
</tr>
</tbody>
</table>
Motor vehicles

The measure
Excise duty has been increased on the following excisable goods:
- Non-utility vehicles aged more than 10 years, from 20% to 25%; and
- Utility motor vehicles aged more than 10 years, 5%.

Who will be affected
Consumers and importers of motor vehicles.

When
1 July 2013

Our view
The aim is discourage importation of older vehicles, preserve the environment and reduce accidents.

Petroleum products

The measure
Excise duty has been increased on the following excisable goods:
- Diesel oil (Gas Oil) from TZS 215 per litre to TZS 217 per litre; and
- Petrol (Motor Spirit Premium) from TZS 339 per litre to TZS 400 per litre.

Who will be affected
Transporters and industrial consumers.

When
1 July 2013

Our view
Increase in fuel prices has a multiplier effect on the economy which will cause the prices of commodities and services to rise.
Miscellaneous items

The measure
A 10% to 25% excise duty will be introduced on the following items:

a) Carpets and other textile floor coverings;
b) Makeup preparations;
c) Leather suitcases, articles of leather or composition leather apparel and clothing;
d) Guns;
e) Ammunition;
f) Aircraft and helicopters of an unladen weight exceeding 2,000kg;
g) Yachts and other vessels for pleasure or sports, rowing boats and canoes;
h) Wind cheaters, wind jackets and similar articles; and
i) Anoracks (including ski-jackets).

The Government has also introduced a 15% excise duty on furniture under HS Code 94.03 Mobile service will now be subject to a 14.5% excise duty rate, up from the previous rate of 12%.

Who will be affected
High-end consumers, sport and recreational organizations, telecommunication services and air transport businesses.

When
1 July 2013

Our view
The affected goods will become more expensive on importation. Whilst this seems reasonable for luxury goods, it is not clear what benefits will flow from the tax on aircrafts as the aviation sector is fragile although critical to Tanzania’s economy.
Value Added Tax

Tourist services are now taxable

The measure
Abolition of VAT exemption on tourist services under item 14 of the Second Schedule to the VAT Act.

Who will be affected
Tour guide companies, air charter companies, tourist transporters, animals and birds parks.

When
To be communicated.

Our view
The 18% VAT charge will mean more cost for tourists coming into the country. This measure does not compliment the massive efforts of the Government to promote tourism over the past years. The withdrawal of exemptions therefore sounds like a hindrance to the development of tourism sector and players in tourism industry in general.

Domestic textile manufacturers now specially relieved

The measure
Amendment of the Third Schedule to provide special relief to domestic textiles manufacturers using locally produced cotton from the current practice of zero rating.

Who will be affected
Domestic textiles manufacturers, local cotton producers / farmers and cloths consumers.

When
To be communicated.

Our view
The measure intends to lower the cost of production and make locally manufactured textiles more affordable to consumers. This is because the manufacturers will not be paying input tax on the materials and services and therefore a reduction of cost of production by 18%. However it is not certain whether the relief is 100% or less based on the categorization introduced in the financial year 2012/2013.
Customs Duties

**Import Duty Increase**

**The measure**
- Increase import rate for milestones and grindstones from 0% to 25%;
- Extended stay of application of CET rate of 35% on sugar & rice and apply an import duty rate of 10% for another year; and
- Impose duty rate at 25% on rice and sugar when there is a shortage of supply.

**Who will be affected**
Local millstones and grindstones manufacturers and local food suppliers and distributors.

**When**
1 July 2013

**Our view**
The budget seeks to promote and develop the railway infrastructure as a means of transport. Improving rail infrastructure is a key government priority and this will reduce the cost of that initiative.
Import Duty Exemption

The measure
• Import duty on goods imported by the National Intelligence Services; and
• Continued exemption of import duty to Armed Forces Canteen Organisation for the period of one year.

Who will be affected
National Intelligence Agencies and the Aimed forces.

When
1 July 2013

Our view
It is our view that the budget leans towards promotion of national security and increases the depth of the equipment to ensure the police force and security agencies are well equipped.

Import Duty Exemption

The measure
• Import duty exemption to plastic bag biogas digesters under HS Code 3926.90.90; and
• A split of the tariff line under HS Code 8421.29.00 in order to grant exemption of import duty to water treatment effluent plant.

Who will be affected
Industrial & Agricultural Sector and general environment.

When
1 July 2013

Our view
The budget also seeks to tackle the problem of dependence on few sources of energy and reduce environment pressure on the high demand for energy. The budget also aims at encouraging water recycling since it is a scarce resource and another step towards establishing sustainable environmental conservation schemes. Green and renewable energy measures have not received much attention this year. These measures are at least a nod in that direction.
**Import Duty Reduction**

The measure
Extend duty remission to soap manufacturers using LABSA as raw material from 10% to 0%.

Who will be affected
Soap manufacturers and general public.

When
1 July 2013

---

**Import Duty Reduction**

The measure
To improve the valuation system for imported goods.

Who will be affected
General public and importers.

When
1 July 2013

---

**Our view**
This move will help spur the growth of the local soap manufacturing sector and should also witness a reduction in prices which will benefit consumers.

---

**Our view**
The budget also aims at increasing revenue collection and managing tax administrative procedures for the tax payers. This is also a revenue protection measure.
Miscellaneous

Road and Fuel Tolls Act, CAP 220

The measure
Increase of fuel levy from TZS 200 per litre to TZS 263 per litre.

Who will be affected
All road and other transport users.

When
1st July 2013

Our view
While this is going to increase the cost of living, the Government claims that it will utilize the funds in rehabilitation of infrastructure.

Skills Development Levy Act, CAP.82

The measure
Reduction of Skills Development Levy from 6 percent to 5 percent and inclusion of Government Institutions which do not receive Government Grants for payment of SDL.

Who will be affected
All employers and Government institutions not receiving substantial government grants.

When
1st July 2013

Our view
Whilst a step in the right direction, this change will only provide a minor relief to the employees.
Road Traffic Act; CAP 168

The measure
Increase in the annual motor vehicle licence fee as follows:
(i) Motor vehicles with engine capacity between 501cc and 1500cc from TZS 100,000 to TZS 150,000;
(ii) Motor vehicles with engine capacity between 1501cc and 2500cc from TZS 150,000 to TZS 200,000;
(iii) Motor Vehicles with engine capacity above 2501cc from TZS 200,000 to TZS 250,000; and
(iv) Motor vehicles with engine capacity below 501cc shall not be charged annual Motor Vehicle License Fee.

Who will be affected
All motor vehicle owners.

When
1st July 2013

Petroleum Act; CAP. 392

The measure
Introduction of Petroleum Levy of TZS 50 per litre. The Levy to be collected by TRA and the revenue will be remitted to Rural Energy Authority for the financing of rural electrification. This measure is expected to increase Government revenue by TZS 123,725 million.

Who will be affected
All consumers of petroleum products.

When
1st July 2013

Our view
The increase is not likely to yield much revenue to the Government but it does seem to hit smaller, cheaper vehicles disproportionately hard.

Our view
An additional burden on the consumer.
Tanzania Investment Act; CAP.38

The measure
The budget seeks to introduce the following measures that will work to increase the cost of imports by persons who previously enjoyed relief under the Tanzania Investment Act.

• Imposition of 25% of the applicable import duty rate for “deemed capital goods”;
• Import duty exemption reduced to 75% from the current 90%; and
• Establish a list of items that cannot be deemed, to be capital goods.

Who will be affected
Businesses.

When
1st July 2013

Our view
Anything which increases the cost of importing capital items which are not manufactured in Tanzania is likely to slow down economic growth and job creation.
Uganda
Different year, same tone

With her second turn at the helm, the Minister of Finance, Mrs. Maria Kiwanuka stood firm and with confidence delivered the 2013/2014 budget despite general public sentiment during the build-up to the budget that this year’s pronouncements would be a rehash of the previous year given that Government for the most part had not delivered as promised. The theme of this year’s budget was “The Journey Continues: Towards Socio-Economic Transformation for Uganda”.

The next year’s budget is projected to be a little over 13 trillion Ugandan shillings (UGX), with anticipated revenue collections of almost UGX 8.5 trillion. The remainder is expected to come from Non-Tax Revenues, Government Securities, or pulling from Government savings, as well as some external financing.

In general, it contains some measures intended to broaden the tax base in Uganda, and intentions to capture more of the informal sector. There is also an emphasis towards approaching a balanced budget and ability to self-finance - reflective of the recent decrease in external donor funding. Seeking transparency and accountability was also stressed by the Minister, along with announcement that anti-money laundering and public finance legislation would be introduced to improve controls and help fight corruption.

The focus areas stated for improving Uganda’s economic standing are roads, power, water, skilled human resources and a continued commitment to agronomy and agro-processing.

Similar to last year’s budget, there was an emphasis on the improvements and upgrades in roads across the country, revisiting of progress on hydro-electric stations, and plans for improving education, but now with recognition of needs for vocational education.

Areas of note for improving the business climate are plans to roll out an e-licencing system and a simplified registration system. To improve the mineral sector, exploration licences will be reviewed for possible re-allocation. Yet again, a Tax Procedures Code is to be introduced which failed to materialize last year.

In efforts to capture more of the informal sector of the economy, the number of Withholding Tax Agents is set to be expanded as a well as introducing the need for a Taxpayer Identification Number for all traders. Other additional new means of enhancing the revenue take includes introducing VAT on hotel accommodation and products such as wheat, flour, and consumer water (the latter was announced in last year’s budget, only to be subsequently cancelled). Increases to Excise were announced on fuel, cigarettes, alcohol, and gambling, along with new taxes to be introduced on the fees for mobile money transfers and international calls. Vehicle registration fees are also set to increase.

The measures proposed to be taken in this next year’s budget have already been met with criticism and skepticism from various corners. But certainly the pressure is on to make up for the reduction in donor financing and move towards more self-reliance.
Key Economic Highlights

Infrastructure

Uganda continues to prioritize infrastructure as a springboard to improving the business climate for both local and foreign investors; and to ultimately accelerating social economic transformation for the country as a whole. Consequently the Minister for Finance has allocated significant resources to infrastructure development, in particular on roads, railways, energy and ICT.

Transport infrastructure

With the country’s paved network of national roads now totaling 4000 kms (excluding urban tarmac roads) the Uganda Government is looking to further improve the national road network. The proposed key interventions to be undertaken next year include the construction and rehabilitation of major strategic national roads, new bridges, equipping local Government road units, and the maintenance of district and community roads.

Therefore the roads and works sector has been allocated UGX 2,395 Billion (this year UGX. 1,650.75 Billion). The Minister also proposes to increase the Uganda Road Fund to UGX 352.98 Billion so as to enhance funding for national road maintenance. These measures are aimed at stimulating increased agricultural production, improving connectivity to tourist sites and facilitating national and regional trade.

Under railway transport, plans have been made to fast track the rehabilitation of Tororo-Packwach and Kampala-Kasese railway line. For water transport the Government plans to commission several ferry services and landing sites such as the Obongi-Sinyanya and Kayunga-Mbulamuti. Construction of the New Kampala Port at Bukasa will also commence and several bridges such as the existing Nalubale Bridges will be rehabilitated and construction of the second Nile Bridge is scheduled to commence next financial year.

While Uganda has made substantial progress on transport infrastructure, there are key challenges. The main challenge being the continued over reliance on roads as a major means of transport and it is no wonder that the roads are congested and deteriorate quickly. The country lacks an operational and efficient rail network to supplement the inadequate roads. Government’s much talked about programme to revitalize the railway network is yet to yield any results.

Financial Sector

Inflation

Inflation has been at single digit for most of the FY 2012/13, with the exception of July and August 2012. The major driver of low inflation has been the drop in food prices, which have been negative on average for the whole fiscal year. The inflation rate was 3.6% in May 2013, compared to 18.0% at the start of the financial year.

The primary objective of a low inflation rate is to maintain stable prices in order to create a conducive environment for investment, and to maintain the welfare of the population. Low inflation is also important for maintaining the value of savings, which encourages the working population to save.

The drop in inflation was a result of increased production, in addition to the improvements in the global economic prospects. This has helped to restore confidence in the country’s economic management, and the speed with which this happened is a strong indication of the soundness of Uganda’s economic foundation for continued growth.

The supply of food to the markets continues to be a source of vulnerability to inflation. Therefore increased agricultural production and enhancing productivity is key in achieving the Government objective of maintaining single digit inflation.
Interest Rates
Interbank interest rates declined to 8.6% in March 2013 from 26.2% in January 2012. This was a result of a drop in the Bank of Uganda policy reference interest rate, which has translated into lower commercial bank lending rates during the financial year.

Borrowers, both new and old, were adversely affected by the rise in interest rates in the previous year making it difficult for most to adjust their cash flows to meet the increased cost of servicing their loans.

Bank of Uganda developed consumer protection guidelines and is undertaking financial literacy and awareness campaigns via media throughout the country in the local languages in order to help borrowers and to reduce on the non-performing loans, which increased from 3.4% in March 2012 to 4.7% in March 2013.

The financial sector in Uganda has experienced rapid growth. Commercial Banks now number 22 with combined outlets of 360 branches across the country. In addition, four Microfinance Deposit-taking Institutions (MDIs) have been registered with Bank of Uganda and two MDIs have upgraded to Commercial Bank status.

In order to increase access to microfinance, the Government implemented the rural financial services programme, increased implementation of Village Savings and Loan Association (VSLA), and Savings and Credit Cooperatives (SACCOs).

The proposed innovations to increase access to financial services include agent banking, Islamic banking, micro insurance, and mobile money. This will be coupled with monitoring and supervision to build trust and confidence in financial institutions.

Insurance
Insurance plays an important role in enhancing economic growth as it protects policy holders against risks that would avert production and business development. The industry recorded positive growth and remained resilient despite some macroeconomic challenges during the financial year. The composition is still dominated by non-life insurance that accounts for 89.1% of the total premiums, the rest being for life insurance.

During the year, the Insurance Regulatory Authority of Uganda (IRAU) issued licenses for the Year 2013 to 22 Insurance Companies (including a new re-insurance company, “Uganda Re”), 27 Insurance Brokers, 14 Loss Assessors/Adjusters, and 833 Insurance Agents.

Retirement benefits (pensions)
The overriding objective of the on-going reforms in the retirement benefits/pension sector is to create a robust and efficient pension system that will ensure all Ugandans are protected from old age poverty and those who face various risks in their life especially vulnerable children and women as well as the elderly, have a social safety net. Along these reforms are issues such as governance and accountability that need to be addressed in order to build trust and confidence in the social protection system. This is a broad reform which will be expanded to cover not only those in the formal sector who constitute only about 9-10% of the working population of 12 million, but also to those in the informal sector who are the majority workers in Uganda.

Specifically, these reforms aim at:
• improving governance of the retirement benefits sector;
• increasing coverage to include all those employed in the formal sector, those who are self-employed and to also cover those in the informal sector who are the majority in Uganda’s working population;
• ensuring that these retirement benefits schemes are fiscally sustainable and are able to meet the future pension obligations of savers;
• over the long term, ensuring that those who save for their retirement have adequate income.
The reforms the Government is undertaking are therefore broad in nature and scope.

To protect retirement or employee savings and ensure that those who save in retirement schemes get their benefits, Government has but in place an independent regulator, the Uganda Retirement Benefits Regulatory Authority (URBRA).

**Manufacturing**

The manufacturing sector recovered from a decline in the year 2011/12 to record a growth of 4.2% in the year 2012/13. This growth is attributed to the improved supply of electricity, a positive regional economic outlook and strong domestic demand. The main contributors to the recovery in the manufacturing sub sector were the strong growth in food processing, drinks and tobacco, paper and printing and metal works.

Despite the growth in manufacturing, the economy is still heavily reliant on imports and has little in the way of exports, save for raw materials. A deliberate effort is required to encourage and promote production; encouraging manufacturing especially agro processing which would serve to add value to the mainly agricultural produce exported in unprocessed form.

**Agriculture**

This sector is and continues to be the main source of livelihood for over 66% of Uganda’s population. Despite its large employment potential, growth in the agricultural sector continued to be sluggish and only registered a growth rate of 1.4%. This was slightly better than 0.8% recorded for the year 2011/12.

Food crops like maize, beans, simsim or cassava contributed about 52.5% of the total value added in the sector, closely followed by the cash crops.

Government is committed to continue providing support towards further development of this sector in research, seed multiplication and certification, and disease control, provision of extension services and support for agro-processing to agricultural produce. This approach has always been a running theme in the different budgets and what the Government needs is better implementation and sustainability if it is to realise the potential in this sector.

To address gaps in the agriculture sector, Government intends to implement the Infrastructure Development Strategy meant to reduce the cost of doing business, promote private sector growth and create jobs. The improved infrastructure will stimulate increased output in productive sectors like agriculture through Value Addition which will in turn increase Uganda’s earnings through exports.

The following will be implemented in the coming year in a bid to grow this sector:

- Reform the National Agricultural Advisory Service (NAADs) to create a single spine Extension system aligned to the relevant Directorates in the Ministry of Agriculture;
- Ensuring availability of improved seed varieties; and
- Rehabilitation of large scale irrigation schemes and promotion of small scale and affordable irrigation technology to reduce excessive reliance on natural weather for agricultural production.

Overall, this highlights the largely subsistent nature of Uganda’s agriculture, and hence the urgent need to invest in modern farming methods and increased commercial production and productivity enhancement.

The agricultural sector has been allocated UGX 394.4 billion and an additional UGX 9.2 billion to strengthen the Fisheries Department in enforcing fishing regulations and standards. This is a big drop when compared to UGX 585.3 billion of the previous year. This is not in tandem with the Government objective of supporting the most critical sector in the economy which employs directly and indirectly the majority of Ugandans.
Energy and Resources

Energy infrastructure
Government has maintained its emphasis on increasing power generation capacity and expanding the transmission and distribution network. The major projects being considered this financial year are the 600MW Ayago Hydropower Project whose detailed engineering designs are being prepared, and the construction of the Karuma Hydropower Project (600MW). In addition, construction of a further 15 mini-hydropower projects that will deliver a total of 125MW is expected thanks to support from the Global Energy Transfer Feed-in-Tariff (GETFiT) East Africa Pilot Project.

Umeme (the current electricity utility distributor) has been required to install 15,000 pre-paid meters in order to ensure increased efficiency in electricity use, and also reduce distribution system losses through further investment in the distribution network.

Oil and mineral resources
Construction of the Kenya-Uganda and Uganda-Rwanda oil pipeline will be fast tracked in the coming financial year to ease the pressure, congestion, and bottle necks associated with transporting oil products by road.

Funding to the National Environment Management Authority (NEMA) has been increased to enable it to carry out an environmental impact assessment of oil exploration and production activities expected to increase in the Albertine region.

A Geological and Mineral Information System (GMIS) plus a computerized mining registry have been established. These will provide a one-stop centre for all geological and mineral information country wide, whereas the computerized mining registry will expedite mineral licensing. This is expected to provide greater transparency and accountability in the management of oil and mineral rights.

Public sector

The FY2013/14 Budget continued to focus on creation of an enabling environment for growth, development and socio-economic transformation, focus continues to be put on:

a) Improving the quality and access in social service provision in health, water and education.

Education
Over UGX 1,801 billion, representing 13.3% of the total budget has been allocated to the education sector to impart the necessary skills and knowledge required to tap the creative abilities of individuals, in order for them to lead a better life and enhance society’s wellbeing. To increase access to quality and appropriate education Government has set-up certain interventions such as accelerating Government investment in vocational and business training, developing a strong relationship between education institutions and private companies to design and provide appropriate training programmes, providing the infrastructure necessary among others.

Health
The major focus for the next financial year is the reduction in morbidity from the major causes of ill health and premature death and reduction of disparities in the provision of health services. The following interventions will be implemented:

- Develop and implement a comprehensive strategy for Malaria eradication;
- Continue improvement in health infrastructure as well as equipping them with facilities for specialized treatment;
- Recruit key health care personnel to ensure adequate staffing and provide staff housing for them;
- Formulate an appropriate legal and regulatory framework for the establishment of the national health insurance scheme; and
- Improve the governance and efficiency in health service delivery through increased joint supervision and monitoring in collaboration with non-Governmental health institutions.
Safe Water Coverage and Sanitation

In order to increase access to quality water and sanitation, Government will focus on construction and upgrading water and waste treatment plants and reservoirs as well as continuing with the provision of sanitary Ecosan toilets in schools and mobilizing communities for better hygienic practices.

b) Enhancing transparency and accountability to improve value for money and fight corruption vigorously in public service delivery.

The challenge of service delivery in Uganda is not lack of sufficient financial resources, but the achievement of maximum efficiency and effectiveness in the utilization of limited resources. The Government is committed to improving transparency and accountability in order to achieve enhanced service delivery, for which it has undertaken several reforms.

In order to tackle the institutional weaknesses that exist, Government will undertake the following:

- Strengthen the accountability and anti-corruption institutions such as the Inspectorate of Government, Auditor General’s Office, Uganda Police, the Judiciary and Public Accounts Committees;
- Institute an elaborate system of sanctions for delayed accountability;
- Rollout the Integrated Financial Management System (IFMS) in all Government Ministries, Departments and Agencies;
- Full implementation of all modules of the Integrated Personnel and Payroll System (IPPS) to link staff recruitment, payroll and salary processing, retirement and pension management and link the IPPS to the IFMS;
- Improve coordination, monitoring, inspection and evaluation of Government programmes at all levels;
- Coordinate Implementation of the National Identity (ID) Card Project with the National Census and the Electoral process;
- Review the Public Investment Plan (PIP) projects to include only those for which cost-benefit analysis and feasibility studies have been conducted and for which sources of financing have been secured; and
- Rationalize the current use of office space by Ministries and Government.

Technology, Media and Telecommunication

In a bid to keep up to pace with the global technology trends, a number of Information Technology (IT) related strategies have been developed and adopted by the Government.

Among others, the Government has completed its readiness for commercialization of the first two phases of the National Backbone Infrastructure (NBI), a system that facilitates access by telecommunication companies and connected institutions to the information superhighway. Implementation of the third phase of the NBI covering 700km is expected to be done in the next financial year. Benefits associated with the NBI include:

- Delivery of bulk internet bandwidth at a lower cost;
- Mainstreaming IT services across Government so as to avoid duplication and reduce costs;
- Improvement of information security and reducing electronic fraud; and
- Provision of connectivity to the neighboring countries of Rwanda and Tanzania thereby permitting alternative access to the coastal internet.

The Business Process Outsourcing (BPO) Centre has continued operations and the Government intends to establish fully serviced IT parks in different parts of the country to host BPOs and also develop and disseminate BPO operations standards. It is anticipated that this will create an additional 150 employment opportunities over the next financial year.

Implementation of the Digital Television transmission and cyber laws which were approved during the year will also commence in 2013 / 2014.
Further, the e-Government Master Plan, which provides priority IT projects for implementation, was developed in a bid to further improve IT service delivery and reduce implementation costs. Government will continue to promote development of the IT sector so as to increase productivity and firm profitability.

The Government initiatives notwithstanding, the implementation focus of initiatives such as the NBI appears to be Government departments / agencies so that the private sector players are largely left out.

In addition, one of the challenges anticipated with the digital television migration is the high subscription fees. In light of the recent increase in the charges imposed by key service providers such as DSTV, it would have been expected that Government would further subsidize underlying costs or regulate the industry so as to make the services affordable to a wider section of the population. Hard-hit subscribers can therefore only hope for continued existence of free-to-air channels.
Uganda
Tax Measures
Income Tax

Expansion of Withholding Tax agents

Payment for goods and services.

The measure
The scope of withholding agents has been widened so as to capture non-compliant persons.

Who will be affected
Taxpayers who are registered with the URA but are not currently designated withholding agents. Any person who purchases goods or services exceeding in aggregate UGX 1,000,000 per month from a designated withholding agent, and who is not exempted from Withholding Tax.

When
1 July 2013

Our view
This initiative will ultimately lead to an improvement in tax revenue collection by the Government.

However, it implies an increase in tax administration costs for the designated withholding tax agents because they will have to file tax returns with the Uganda Revenue Authority and remit any tax withheld.

It will also impact on the payees’ cash flows with those who are not registered for taxes being unable to make any recovery of the tax withheld from the Uganda Revenue Authority.
Value Added Tax

VAT on supply of water for domestic use
Re-instatement of VAT on the supply of water at 18%.

The measure
VAT is to be collected on supply of piped water for domestic use.

Who will be affected?
Domestic water consumers.

When
1 July 2013

Our view
When VAT was initially removed from domestic water, the measure was in response to public outcry to reduce the cost of utilities to the ordinary person. However in the Government’s view, this measure probably did not achieve the desired outcome. The cost of water remained the same and actually increased yet revenue was being lost. But re-introducing VAT will most likely increase the cost of piped water to domestic consumers.

The Government expects to raise over UGX 8 billion, which is substantial, from this due to the fact that this in an essential utility which the majority of individuals use as a basic human need.

Introduction of VAT on wheat and flour
Elimination of zero-rating on the supply of wheat and flour.

The measure
VAT at 18% is to be collected on supply of wheat and flour.

Who will be affected?
Consumers.

When
1 July 2013

Our view
Whereas the Government revenue will be increased the ordinary citizen who is the final consumer will bear the cost of the added VAT especially since for many, wheat flour is has been a relatively reasonably priced source of food. This coupled with the proposed additional tax on fuel and kerosene will make the cost of living that much higher for ordinary folks.
Elimination of VAT exemption on Hotel accommodation

Hotel accommodation will now be standard rated.

The measure
VAT at 18% is to be collected on supply of hotel accommodation which was previously exempt.

Who will be affected?
Locals and international tourists.

When
1 July 2013

Our view
The cost of accommodation in hotels will increase. Whereas this measure will increase the Government revenue there is a threat of it conflicting with the other Government focus arrears like promoting both domestic and international tourism. This may also affect investing in this sector especially in the areas outside of Kampala.
Scrapping of 0% import duty rate for Uganda’s raw materials and industrial inputs

Grant of the 0% duty on raw materials and industrial inputs for 5 years terminated.

The measure
This facility has been terminated and in its place, reduced rates for most industrial inputs have been secured.

Who will be affected
Manufacturers.

When
1 July 2013

Our view
This is a move towards harmonizing the tax rates for the entire EAC community to prevent industries in one country having an unfair advantage over its competitors within the region.

Ultimately though, the biggest loser is the end consumer given that an increase in the cost of inputs is in turn passed on through higher prices.
Excise Duties

Increase in excise on fuel and kerosene

The measure
• Petrol and diesel increased by UGX 50 to UGX 900 and UGX 580 per litre; and
• Excise reinstated on kerosene now UGX 200 per litre.

Who will be affected
Consumers.

When
1 July 2013

Our view
This measure is bound to have a profound effect on the cost of transport since we know from experience that a slight increase in taxes relating to fuel gives retailers an opportunity to increase pump prices and often not proportionately.

This measure will have a ripple effect on a number of things that ultimately affect the cost of living most unfortunate of which is the cost of transport.

Increase in excise on other items

The measure
• Increase of excise duty on undenatured spirits from 70% to 140%;
• Increase of excise on cigarettes;
• Soft cup (whose local content is more than 70% of its constituents) from UGX 22,000 – UGX 32,000;
• Other soft cup from UGX 25,000 – UGX 35,000; and
• Hinge lid from UGX 55,000 – UGX 69,000.

Who will be affected
Distillers, cigarette suppliers and consumers.

When
1 July 2013

Our view
Excise duty on undenatured spirits was increased only last year and already, the Minister is proposing to double the duty from 70% to 140%. While this increase has been justified on the basis of curbing unscrupulous distillers of spirits, it is highly unlikely that it will affect them at all. Instead it is the taxpaying distillers who will feel the pinch of this measure.

Cigarettes like alcohol have always been an easy target and this comes as no surprise. Customs officers at border points have to get more vigilant about ensuring that cigarettes from neighbouring countries are not coming in illegally because they are cheaper.
Introduction of duty on promotional and money transfers

The measure
• Imposition of 20% excise duty on promotion activities akin to gambling (not yet defined); and
• Imposition of 10% excise on Mobile money transfer fees.

Who will be affected
Consumers.

When
1 July 2013

Our view
There are a number of businesses that seem to be doing well in Uganda and both gambling related activities and mobile money are booming.

It was only a matter of time before the Government cashed in on these businesses; but like the levy on calls, it is unlikely that this tax will slow down the momentum of these activities.
Expansion of Non-Tax Revenue (NTR)

Meant for operators earnings from bets and gaming.

The measure
• Introduction of an International Calls Levy on incoming international calls;
• Revision of other NTR rates yet to be announced;
• Public to be allowed to pay NTR using mobile phones and internet; and
• URA to collect fees under the Energy & Mineral Development, Immigration and URSB.

Who will be affected
Everyone (businesses and individuals alike).

When
1 July 2013

Review of tax laws

The measure
Review laws on:
• Excise;
• Stamps duty;
• Lotteries, Gaming and Pool Betting; and
• Petroleum and Minerals Value Chain.

Who will be affected
Taxpayers.

Our view
As Government looks to grow the domestic revenues which at the close of this year contributed about 80% of its revenues, it has to consider other non-traditional avenues i.e. other than taxes.

Non tax revenue is one such avenue and has for long underperformed due to Ministries, Agencies and Government Departments not properly collecting or even accounting for these NTRs.

Even before the budget, traffic fines and charges for accessing certain facilities had already been increased.

Our view
These Acts are archaic and therefore this is long overdue but something that has been in the offing for a while. Let us hope that this is the year when it will become a reality.

However it would also mean that in changing these laws, we could see further amendments to rates etc which did not come through the budget.

On the issue of review of taxation of the value chain petroleum and minerals sector, there is likely to be a lot of debate and it is unlikely to be done in a hurry.
Increase in registration fees

The measure
- Registration fees for:
  - Cars – by UGX 200,000; and
  - Motorcycle – by UGX 120,000.

Who will be affected
New car and motorcycle owners.

When
1 July 2013

Our view
You just have to sit in a traffic jam in Kampala and look at how quickly we move from one letter of the alphabet to another when it comes to number plates to realise that Ugandans will not be deterred by the increase in car registration fees.

It would not come as a surprise if at the end of the year, the revenues from this increase surpass the UGX 8.84 and UGX 8 billion anticipated to be generated.

Provision of a legal framework to facilitate collaboration between URA, KCCA, Uganda Registration Services Bureau and Local Governments in tax collection

Closer collaboration between URA and other bodies such as KCCA and Local Governments.

The measure
The URA will work more closely with the different agencies in a bid to obtain as much information as possible about taxpayers or unregistered taxable persons.

Who will be affected
Businesses dealing with KCCA, Uganda Registration Services Bureau and Local Governments which are otherwise unreachable by URA.

When
1 July 2013

Our view
With the notable increase in the number of small and medium size enterprises in the recent past, this is a strategy that may lead to a widening in the tax base.

However, considering that in many cases entities registering with the Uganda Registration Services Bureau for example also do register and account for taxes, the effectiveness of the initiative may be limited.
Contacts

CEO
Sammy Onyango
sonyango@deloitte.co.ke

Audit
Fred Aloo
faloo@deloitte.co.ke
Eshak Harunani
eharunani@deloitte.co.tz
Iqbal Karim
ikarim@deloitte.co.ke
Anne Muraya
amuraya@deloitte.co.ke
Rose Mwaura
rmwaura@deloitte.co.ke
David Nchimbi
dnchimbi@deloitte.co.tz
Fred Okwiri
fokwiri@deloitte.co.ug
George Opiyo
gopioyo@deloitte.co.ug
Gebru Tekeste
tgebru@deloitte.com
Bernadette Wahogo
bawahogo@deloitte.co.ke
Joe Wangai
jwangai@deloitte.co.ke

Business Support Services
Doreen Mbogho
dmbogho@deloitte.co.ke

Financial Advisory
Harveen Gadhoke
hgdhoke@deloitte.co.ke

Tax
Nikhil Hira
nhira@deloitte.co.ke
Fred Omondi
fomondi@deloitte.co.ke
Bill Page
bpage@deloitte.co.ug

Consulting
Joe Eshun
jeshun@deloitte.co.tz
Solomon Gizaw
sgizaw@deloitte.com
Getu Jemaneh
gjemaneh@deloitte.com
John Kiarie
jkiarie@deloitte.co.ke
Kimani Njoroge
knjoroge@deloitte.co.ke
Martin Oduor-Otieno
moduorotieno@deloitte.co.ke
Haileleul Tamiru
htamiru@deloitte.com

Offices
Ethiopia
5th Floor, Mina Building
Ethio-China Friendship Avenue
Addis Ababa
Tel: +251 0 115 527666

Kenya
Deloitte Place
Waiyaki Way, Muthangari
Nairobi
Tel: +254 20 4230 000 or +254 20 4441 344
8th Floor, Kenya Reinsurance Plaza
Moi Avenue
Mombasa
Tel: +254 41 222 5827 or +254 41 2221 347

Tanzania
10th Floor, PPF Tower
Corner of Ohio Street & Garden Avenue
Dar es Salaam
Tel: +255 22 211 6006 or +255 22 2169000

Uganda
3rd Floor Rwenzori House
1 Lumumba Avenue
Kampala
Tel: +256 41 7 701000 or +256 41 4 343850

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

© 2013 Deloitte & Touche