sh47b tax exemptions

URA confirmed a decision by Government to pay value-added tax (VAT) and import duty on raw materials for textile manufacturers. But the committee ruled that this exemption did not pass the test either. "The committee declines approval to the tax waivers of BIDCO, Quality Chemicals, Aya Investments, Steel and Tube and Southern Range Nyanza amounting to sh47.7b," the committee report said. "These expenditures have already been incurred and, therefore, it should be treated as a loss to Government."

The only exemption payment accepted by the committee, although this also lacked supporting documents, was to UEGCL and UETCL, which the committee was informed was in lieu of stamp duty.

"The committee approves this expenditure as an intervention to extend power supply to the populace," the report said. "Government is urged to budget for these tax expenditures in the normal budgeting process," the report adds.

WHAT URA SAYS

Vincent Seruma, URA's assistant commissioner in charge of public and corporate affairs, said the revenue collection agency had not taken any steps to recover the money and had no plans of doing so, because it was a waiver.

"Our mandate is to collect taxes, not to give exemptions. Otherwise, if we were the people responsible for collecting and exempting, there would be a possible conflict of interest."

However, Oulanyah told *Saturday Vision* that it is URA's mandate to collect taxes and the reason they never collected those taxes (sh47b) was because it was supposed to be recovered from the Government.

"Now it has not been recovered from the Government. So they (URA) should recover from the people who were supposed to have paid them in the first place. If URA has opted not to recover this money, it is now (an issue) between URA and Parliament," Oulanyah said.

He said there should be a process of review of actions taken on the recommendations of Parliament. "So probably the (budget) committee will come back (to the House)," he said.

MONIES SPENT

But the sh77b paid by government appears to be only a fraction of total tax exemptions.

According to information obtained by *Saturday Vision* from the finance ministry, from FY2009/10 to FY2016/17, the Government paid sh198b in respect of tax expenditure on behalf of hotels, hospitals, textile companies, manufacturers of steel, milk, palm oil and tertiary institutions. These payments included exemptions on corporation tax, withholding tax, stamp duty, import duty and excise duty on behalf of the companies.

WHAT STUDY SAYS

However, a study conducted on tax incentives and exemptions by the Tax Justice Alliance of Uganda last year titled Cost-benefit analysis of Uganda's tax incentives: Journey to attracting foreign and domestic investment, says when measured against Foreign Direct Investment (FDI), government would be justified to expand the list of beneficiaries of tax exemption.

"However, the return of investment (revenues, jobs created and community development) seems to be minimal, Ugandans, especially the youth continue to search for jobs, URA continues to fail to raise the required taxes and the communities in which beneficiaries of tax holidays only receive a bare minimum in the corporate social responsibility investment made. The need to review the policies and also take administration action is overdue," says the report. It also says that developing countries do not need to grant tax incentives to attract FDI, because the decision to invest by genuine multinational corporations is largely based on other parameters such as market potential, energy and adequate infrastructure.

Bidco employees at the industry in Jinja

President Yoweri Museveni commissioning Bidco

Companies granted waivers

Company	Amount	Nature of tax
BIDCO	5,885,236,212	Corporation tax
Aya Investments Ltd	3,740, 133,004	Import taxes
Steel and Tube Industries Ltd	1,500,000,000	Corporation tax
Quality Chemicals Ltd	29,833,238,438	Corporation tax
Southern Range Nyanza	6,747,372,976	Import taxes
UEGCL	25,321,237,214	Stamp duty
UETCL	4,230,672,110	Stamp duty
Total	77,257,889,954	

What beneficiaries say

Nevin Bradford, Cipla Quality Chemicals' chief executive officer, said: "Tax exemption is only worthwhile if the company is profitable."

"If you are not profitable, you don't pay any taxes, anyway. This (Cipla) company has been profitable because of the success we have been able to demonstrate and that has been due to professionalism of the team, dedication and also the quality (of medicines) that we have been able to demonstrate over the past 11 years or so," Bradford explained.

He stressed that tax exemption is intended to establish the companies to be competitive.

"We have established ourselves and it has been successful. Going forward, we don't need the tax exemption. It is never meant for any company to be forever," Bradford, who said they employ 300 people, stated.

He, however, was not happy with *Saturday Vision's* questions about taxes.

He declined to explain how his company managed to get the 10-year exemption from corporation taxes from government, which expires in 2019.

"We need to talk about the company or the taxes because I don't understand why everything you are asking is about taxes. Why are you so concerned about taxes? You are obsessed with taxes," he said, declining to comment further on tax issues.

Parliament proposal

Saturday Vision learnt that the finance committee of Parliament has finished scrutinising the Investment Code Bill 2017, which seeks to amend the Investment Code Act, 1991, to conform to the Constitution.

Among other amendments, the Bill provides the criteria for allocation of tax exemptions.

"We are amending the Investment Code Act to deal with the rationale, criteria and everything. The companies are not complying because the guidelines, first of all are not clear. They also have no legal backup and that is what the new amendment is intended to cure. We have laid clear procedures on how one qualifies to be an investor and what we expect from them," Henry Musasizi, the finance committee chairperson, told *Saturday Vision*.

Basil Ajer, acting executive director of Uganda Investment Authority, told *Saturday Vision* that the agency was focusing on economic services that facilitate investment, such as good quality roads, stable electricity, enough water for industrial use and political stability.

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