



PARLIAMENT OF UGANDA

**MINORITY STATEMENT ON THE INCOME TAX (AMENDMENT NO.2) BILL,
2025**

MAY 14 2025

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1.0 Introduction.

The Income Tax (Amendment) (No.2) Bill, 2025 was read for the first time on Thursday 27th March 2025.

The object of the Income Tax Act, Cap. 338, to;

- i. Provide for the exemption of the income of startup businesses established by a citizen for a period of three years;
- ii. to extend the income tax exemption of Bujagali hydro power project up to 30th June 2032;
- iii. To amend Schedule 2 of the Act to prescribe the International Atomic Energy Agency as a listed institution.

We disagree with the recommendation of the majority report to extend Bujagali tax exemption. We also disagree with the adhoc and piecemeal tax policies.

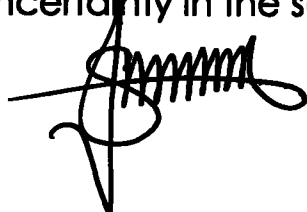
1. No policy, no studies to support the Bill

There is a commitment by Finance Minister Hon. Matia Kasaija to move away from annual piecemeal tax proposals.

This commitment is contained in the Domestic revenue Mobilization Strategy for Uganda 2019/20-2023/2.

"In order to achieve our revenue potential, we will move away from adhoc, annual tax policy changes. These piecemeal adjustment with little alignment to an overarching strategy, have created a high degree of unpredictability and uncertainty in our tax policy direction. The Domestic Revenue Mobilization Strategy will address this as well as ensure that our future tax policy embodies the principal of simplicity, fairness, citizen welfare and sustainability."

It cannot be the same minister asking Parliament to maintain what he says causes uncertainty in the sector.



If he has forgotten, your duty is to remind him of this commitment. The Domestic Revenue Mobilization Strategy came of age last Financial Year. Because it is wonderful, Kasaija extended it. We must help him to stick to it. The help is in form of rejecting these piecemeal proposals.

The committee on Finance which today in a majority report proposes approval needs to revisit its own report on income tax (amendment) Bill last year. Chaired by the same person the committee stated thus, "The frequent amendment of tax laws has caused challenges to both the taxpayer and Uganda Revenue Authority while administering taxes." It cannot be the same committee entertaining and recommending what it noted was full of challenges.

2. Bujagali Tax exemption.

About two months ago, on February 4th 2025, junior Finance Minister Hon. Henry Musasizi tabled before Parliament the Income Tax (Amendment) Bill, 2025 which Parliament approved on February 20th exempting the income of Bujagali hydro power up to 30th June 2025.

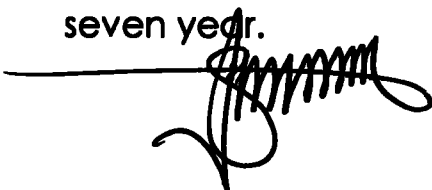
This particular Bill of the two months ago, has not been assented to.

The same Minister has brought another amendment for Bujagali.

The reason he is doing so is because on May 18th 2022, you Parliament refused to grant Bujagali a five year tax exemption extension.

Bujagali was first granted this sort of exemption in 2017 which was five year ending 2022. In 2022, Musasizi sought another five year extension which you refused.

He resorted to annual amendments. He has now returned in full gear with a request to extend the Buhagali tax exemption for another seven year.

A handwritten signature in black ink, appearing to be 'J. Kasaija', written over a horizontal line.

The reason you declined to extend the exemption beyond a year was largely because the objective/purpose for which it was granted had not been met. The objective was reduction of power tariff.

While Bujagali continued making abnormal profits, the tariff continued raising. There is even an adhoc committee report to this effect. The adhoc committee found out that by 2021, Bujagali had benefited from a Shs 388 billion tax exemption. That is why, you refused to extend the exemption. Hon. Musasizi is daring you. He is checking both your memory and resolve.

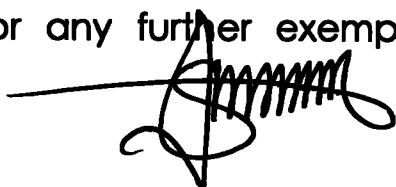
Table showing the profit Bujagali has made on which Shs 388 billion should have been collected.

Year	Exempted Income	Potential CIT foregone
2018	361,335,734,467	108,400,720,340
2019	333,466,927,758	100,040,078,327
2020	302,455,344,738	90,736,603,421
2021	298,409,002,778	89,522,700,833
Total	1,295,667,009,741	388,700,102,921

The Certificate of Financial Implication for this FY2025/26 Income Tax (Amendment No.2) claims that end-user electricity tariff will reduce from Ugx. 481.7 to Ugx. 459.8 per unit.

This is not true because currently the tariff is at Shs 892. When you pay Shs 10,000, you get 11.20 units.

Baby-sitting Bujagali. The Auditor General also raised serious issues about Bujagali business ethics which government must explain before asking for any further exemption. For example Bujagali wrongly



claimed USD 114,114 as part of insurance, yet this obligation was supposed to be met by its supplier and not government.

Although residency statuses for SGBHL and SNPINBV were confirmed for Mauritius and Netherlands respectively, validation of their status as beneficial owners of the dividends had not been processed. And although government is a proud owner of shares in this company, it is receiving no dividends when profits are declared.

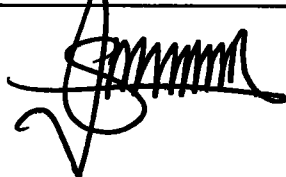
That is why the Auditor General recommended renegotiating with other shareholders in BEL with the view of government acquiring shares that provide voting rights. It should be noted that GOU doesn't participate in the appointment of BEL's directors, nor does it have a representative on the board.

The Minority report therefore recommends that before this extension is granted,

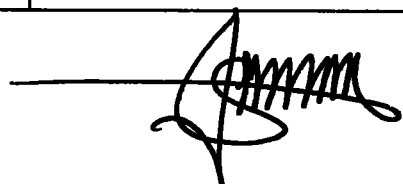
- i. A comprehensive cost-benefit analysis of the tax exemptions to determine the value for money is necessary. We need to assess the impact of the exemptions on electricity tariffs, the financial viability of the Bujagali project, and the overall economic benefits to the country.**
- ii. Comply with the recommendations of the Adhoc Committee of Parliament on Bujagali and the Special Audit Report on the Parliamentary Adhoc Committee findings regarding Bujagali Energy Limited in respect to renegotiating the terms in the public Private Partnership (PPP).**
- iii. Government must recover all excess payments made to Bujagali Energy Limited (BEL).**

Chronology of Bujagali Electric Project with Government.

Date	Agreements	Purpose
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2004	GOU, through competitive bidding , procures BEL Consortium	Undertake the devt of the 250 MW Bujagali Hydro Electric Power Project
7 th October 2005	GOU , UETCL World Power Holdings group and the IPS group signed the initialing agreement	To effect the implementation Agreement (IA) and the Power Purchase Agreement (PPA) for the BEL project.
13 th December 2005	UETC and BEL enter into a Power Purchase Agreement (PPA)	To purchase all power generated by the Bujagali Hydroelectric power Project
25 th May 2007	1 st Amendment to PPA	To accelerate the development of the project to address power generation shortfalls through a fast-track loan by GOU to BEL of USD 90M To agree to specific modifications to the Original PPA
6 th December 2007	2 nd Amendment to PPA	To agree to some modifications in 1 st Amended PPA to lower overall project cost To subsequently amend and restate the Implementation Agreement (IA)
8 th December 2007	Execution of shareholders' agreement	Execution of shareholders agreement between Bujagali Holding Co.Ltd, SG Bujagali Holdings Ltd, BEL and GoU represented by the MoFPED. GoU qualifies for Class C shares value at USD 20M. The Class C shares did not give the government the right to dividends and the right to vote, but only the right to participate.



July 2017	Parliament approves a 5-year exemption tax waiver to BEL to end on 30 th June 2022	Waiver of the Corporate tax was an intervention of GOU to reduce the generation tariff payable to BEL and therefore reduce the end-user tariffs
18 th June 2018	3 rd Amendment to PPA	To facilitate the refinancing of a particular debt

SN	Name	Signature
1-	Semir Drahini	