PARLIAMENT OF UGANDA

MINORITY STATEMENT ON THE EXTERNAL TRADE (AMENDMENT) BILL, 2025

MAY 2025.

1.0 Introduction.

This Tax Bills were read for the first time on Thursday 27th March 2025 and referred to the Committee on Finance for scrutiny and report back to the House.

The object of this Bill is to amend the External Trade Act, Cap. 69, **to impose an infrastructure levy on imports which are for home use; to provide for import declaration fees on imports which are for home use and to impose an export levy on wheat bran, cotton cake and maize bran.**

The proposed amendment is to section 3 of the Act which provides for restriction on certain imports.

The Committee on Finance, Planning and Economic Development scrutinized the Bill and prepared a report.

Pursuant to Rule 214(b) of the Rules of Procedure of the Parliament of Uganda, this Minority Statement indicates dissenting opinions from the majority of the Committee

2.0 Areas of Dissent.

a) Infrastructure levy is unjustifiable.

b) Lack of studies to support tax bills.

c) Lack a comprehensive taxation policy in the country.

d) Instability of the tax regime coupled with Multiple taxes are crippling businesses in the country.

3.0 dissenting observations.

3.1 Infrastructure and import declaration levies are unjustifiable.

The Bill proposes to amend the External Trade Act by inserting Section 3A, which introduces an infrastructure levy set at 1.5% of the customs value of goods for home use and is payable by the importer at the time of entry.

The Bill also proposes to amend the External Trade Act by inserting Section 3B, which introduces am import declaration fee on all goods imported into Uganda for home use. The fee is set at 1% of the customs value of the goods and must be paid by the importer at the time of entry.

In effect, this bill introduces two new taxes on imported goods in Uganda. Importers will now be required to pay an infrastructure levy of 1.5% and a declaration fee of 1% of the customs value, in addition to existing taxes. Therefore, in FY 2025/26, importers will face a total of additional charge of 2.5% of the value of goods imported. Consequently, this increased import tax will liely burden not only importers but, more significantly, the final consumer through higher prices.

Secondly Rt. Hon. Speaker, the proposed Import Declaration Fee on Goods Imported for home use, projected to generate UGX.79.0 billion for the Standard Gauge Railway in FY 2025/26 under the Government of Uganda, is significantly insufficient to compensate Project Affected Persons (PAPs).

Rt. Hon. Speaker, for the FY 2025/26 ,the SGR has been allocated UGX 79.03[1] bn in Government of Uganda counterpart funding and 765.029 bn to fully offset the SGR project costs resulting in a funding gap of UGX.686.001.

As a net importer of goods and services, Uganda's strategy of making imports more expensive is unlikely to promote import substitution and support local industries. Many local industries currently struggle due to factors such as multiple taxes and limited market demand. People are poor. They can't afford expensive goods.

we reject the proposal primarily because the revenue it is projected to generate is insufficient for the Standard Gauge Railway (SGR) Project. Furthermore, and more critically, it will burden taxpayers through increased prices for goods imported for home use.

3.2 Lack of studies to support tax bills.

Hon. Speaker, we continue to process tax bills that are not supported by studies against parliament recommendations. In its report for FY 2024/25, the Committee of Budget recommended that going forward, '' Studies be instituted by MoFPED to assess the effectiveness, efficiency and impact of the tax exemptions in greater detail''.

In the same year, FPED3-24 also noted that, the majority of the tax law amendments were not informed by tax related analytical briefs; emphasizing that, the Ministry responsible for Finance failed to adhere to a previous recommendation of Parliament that while considering Bills for the FY 2023/24 that every Bill should be accompanied by a stand-alone evaluation or regulatory impact assessment. **Hon. Speaker**, it is disappointing for the same committee of

[1] **Report of the Committee on Physical Infrastructure on the Budget estimates FY 2025/26.**

Finance to continue supporting and approving bills it knows that don't adhere to its recommendations every Financial year.

We continued witnessing lack of appropriate studies for the current tax bills, for instance, while appearing before the Committee of Finance processing the tax bills, the Minister projected that tax proposals for FY 2025/26 will generate **UGX.538.6 billion**. Additionally, he projected to generate **UGX. 1,885 billion** from URA administration measures making a total of **UGX. 2,423.6** while targeting a Domestic Revenue growth of UGX. **4,836.74 billion.** Government doesn't tell us how it is going to raise the **UGX. 2,413.14 billion. This confirms that government revenue projections are made without studies to support the tax proposals.**

Failure to achieve targeted revenue projections by URA confirms our claim. For instance, in the Fiscal Trends for FY2023/24, URA had targeted to raise UGX. 29,218.98 in revenue but only managed to collect UGX. 27,301.22 billion leaving a revenue gap of UGX. 1,917.76 billion.

Table 1. The Medium Term Revenue Projections FY 2022/23-FY 2029/30.

	2022/23	2023/24	2024/25	2025/26
	Actual	Actual	Estimated Revenue	Estimated Revenue
Total Revenues (Net Tax + NTR)	22,567.46	27,782.30	32,006.86	36,818.66
Net Tax Revenues	**23,732.99**	**25,719.59**	**29,368.46**	**33,592.53**
NTR	1,834.47	2,062.71	2,638.40	3,226.13

Source: Draft Estimates of Revenue and Expenditure (recurrent and Development) FY 2025/26.

Table 2. Fiscal Trends (FY2016/17 = base year)

Indicator	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Net URA Collections (Shs Bn)	**19,263.00**	**21,658.01**	**25,209.05**	**27,301.22**
Gross Revenues (Shs Bn)	19,649.87	22,098.06	25,752.05	27,938.49
Net URA Targets (Shs Bn)	**21,638.65**	**22,363.51**	**25,151.57**	**29,218.98**
Revenue shortage	**(2,375.65)**	**(705.5)**	**57.48**	**(1,917.76)**

Source: URA & UBOS.

Rt. Hon, Speaker, the BFP revenue targets, versus the 2nd Budget Call Circular to the revenue current projections indicate very wide variations indicating lack of studies for the projections.

The 1st BCC (13th September 2024) Domestic revenue projections amounted to **UGX.33.182 trillion** with a budget of **UGX. 57.441trillion.** The 2nd Budget Call Circular issued on the 13th February 2025 three months later projected domestic revenue at **UGX. 35,692.9** with a budget of **UGX.66.086 trillion.** On the 25th day of March 2025 after barely one month, proposed a domestic revenue amounting to **UGX. 36,818.66 billion** for a budget of **UGX. 71.96 trillion.** To change revenue targets frequently implies lack of lack of studies to support tax proposals.

Table showing frequent changes in domestic revenue projections between 13th Sept 2024 to 25th March 2025,

Period	Date	Domestic Revenue Projection (trn)	National Budget (trn)
1st BCC	13th sept 2024	33.182	57.441
2nd BCC	13th Feb 2025	35.692	66.086
Current	25th March 2025	36.818	71.96

Source; MoFPED & LOP'S Compilation.

3.3 Lack a comprehensive taxation policy in the country.

Hon. Speaker, as consistently highlighted in our various Minority reports, we have advised government to develop a comprehensive taxation policy. Overtime, even the majority reports have echoed this call. For instance, the Budget Committee's report on the Annual budget estimates for FY 2024/25 (BUD2-24 Report) recommended that Government develop a National Tax Policy to serve as the foundation for effective tax legislation and administration.

3.4 Instability of the tax regime coupled with Multiple taxes are crippling businesses in the country.

While taxes are crucial for a country's development, a multitude of taxes and complex tax procedures have placed a significant burden on businesses, hindering their growth, profitability, and overall sustainability. A typical business pays corporation income tax, VAT, Excise on locally manufactured or imported goods and services. It further pays P.A.Y.E, Withholding Tax, stamp duty to mention but a few.

Rt. Hon. Speaker, the cumulative effect of multiple taxes significantly erodes profits leaving businesses with little profits for reinvestment and expansion. It is high time, this Government streamlined the tax system, reduce the number of levies, simplify tax compliance and provide a more conducive business environment.

Rt.Hon. Speaker, the frequent amendment of tax laws has caused challenges to both the tax payers and Uganda Revenue Authority while administering the taxes. The previous committee of Finance Reports on Tax Bills attributed this to the absence of a comprehensive tax policy. The committee on Finance while processing the FY 2024/25 Tax Bills, recommended the MFPED to establish a comprehensive taxation policy to address among others, stability of the tax regime.

Unfortunately, Rt.Hon. Speaker, this year, Government is proposing seven tax Bills intended to further milk tax payers without a corresponding improvement in service delivery. We continue to have poor health services in the country. Education sector is grossly underfunded! Poor roads and floods whenever it rains! To mention but a few.

I beg to submit

SN	Name	Signature
1	NABUKEERA HANIFA HUSSEIN	
2.	KARIM MASABA	
3	SSEMUJJU IBRAHIM	
