

STATEMENT BY MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT REGARDING THE OUTCOME OF THE MEETING HELD WITH TRADERS ON TUESDAY 16TH APRIL 2024

Today 16th April 2024, the Hon. Minister of Finance, Planning and Economic Development together with the Hon. Minister of Trade, Industry and Cooperatives and the Hon. Minister of State for Trade, held a meeting with representatives of the traders to discuss and resolve a number of issues affecting the Traders. The following issues were raised by the traders:

- i. VAT Threshold:** The Traders requested that Government should consider increasing the VAT threshold from Shs150 million to Shs. 1 billion and a reduction of the VAT rate from 18% to 16%.
- ii. Electronic Fiscal Receipting and Invoicing System (EFRIS):** The traders expressed concerns that the Electronic Fiscal Receipting and Invoicing System (EFRIS) presents several challenges, notably: it imposes a high cost of compliance; most traders don't understand the system; and it applies to all traders irrespective of whether they are VAT registered or not.
- iii. Import Duty on Fabrics and Garments:** The traders argued that the import duty of USD3 and USD3.5 per KG or 35% whichever is higher for textile fabrics and garments respectively is very high.
- iv. Non-standardized valuation guidelines for goods:** The traders argue that URA gives different values to different importers and at different times, for the same imported items. They noted the need for certainty and uniformity about the tax liability on imports. They further recommended that URA should, as much as possible, use valuation methods consistent with the WTO customs valuation and in special circumstances where values cannot be determined, URA should provide value guidelines on an annual basis.
- v. Anti-competition practices by manufacturers:** The traders argued that some manufacturers, notably foreign investors, are participating in distribution, wholesale, retail, and hawking of their products. This results in under cutting prices and thus low sales

for the Ugandan traders, which goes against the principles of fair competition.


- vi. Loss of Uganda's competitiveness as a trade hub for the region:**
The traders argued that Uganda has lost its competitiveness as a trade hub for the region. They noted that traders from Congo, Rwanda, South Sudan, Burundi now prefer to buy from Kenya and Tanzania because the prices in those countries are much lower than prices in Uganda on account of differences in taxation of imported products.

Following a long discussion with the traders, it was agreed as follows:

1. The Ministry of Finance, Planning and Economic Development shall, within the next two weeks, study and consult on the proposal to increase the current VAT threshold and the VAT rates, and communicate the Ministry's position on the matter, taking into account the findings from the study and relevant consultations. The traders, also undertook to provide their input on the matter.
2. URA shall continue to implement the EFRIS. However, emphasis shall be placed on sensitization and handholding of tax payers to appreciate the EFRIS and also ensuring that it is demystified among all tax payers. To that end, URA shall:
 - i. with immediate effect establish an office in Kukuubo that is solely dedicated to providing EFRIS support services to all traders and other tax payers.
 - ii. exercise more sensitivity in the enforcement of EFRIS and shall accordingly exercise restraint with regard to the issuance and enforcement of penalties for the non-compliance to EFRIS, so as to give all tax payers time to appreciate the EFRIS system.
 - iii. The Commissioner General URA shall submit the list of Traders currently having outstanding EFRIS penalties, for Hon. Minister's Consideration for possible waiver in accordance with the law.
3. Regarding the anti-competition trade practices by manufactures, the Ministry of Trade, Industry and Cooperatives (MTIC) is finalizing the Regulations to implement the Competition Law that was recently assented to by H. E. the President. The Ministry of Trade, Industry and Cooperatives has also issued a Circular to Kampala Capital City Authority, and all Chief Administrative Officers and Town Clerks, directing them to ensure compliance with the provisions of the Trade

Licensing Act which prohibits the licensing of non-citizens as hawkers.

4. It was agreed that traders shall immediately resume normal business as Government concludes internal consultations and further engagement with the leadership of the Traders. The consultations shall be concluded within two weeks.



Matia Kasaija (MP)

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT