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Monetisation of Uganda's Economy

Uganda National Budget Bulletin

June 2022

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The Economy

The Economy
Global Economy

According to the IMF's World Economic Outlook Report (WEO), April 2022, Russia's invasion of Ukraine has greatly contributed to the significant slowdown in global growth. Fuel and food prices have increased rapidly, with vulnerable populations (particularly in low-income countries) being the most affected on account of supply disruption of oil, gas, and metals from Russia together with wheat and corn from Ukraine.

Although many parts of the world appear to be moving past the acute phase of the COVID-19 crisis, death rates remain high, especially among the unvaccinated. The recent lockdowns in key manufacturing and trade hubs in China have caused new bottlenecks in global supply chains.

The IMF projects that growth in the global economy will decline from 6.1 percent as estimated in 2021 to 3.6 percent in 2022 and 2023. Inflation is projected at 5.7 percent in advanced economies for FY 2022 and 8.7 percent in emerging market and developing economies.

1

Inflation projections now stand at nearly 9 percent in OECD countries in 2022. In the United State and the United Kingdom, the prices of at least half the items in the inflation basket rose at annual rates above 4 percent over the year to April 2022.**.

2

The global trade growth is projected to slow from an estimated 10.1 percent in 2021 to 5 percent in 2022 and further to 4.4 percent in 2023.*

3

In Russia, the sanctions and the impairment of domestic financial intermediation has led to large increases in the countries sovereign and credit default swap spreads.

*Sources: The International Monetary Fund, World Economic Outlook Report, April 2022

** The OECD Economic Outlook, 2022

The Economy

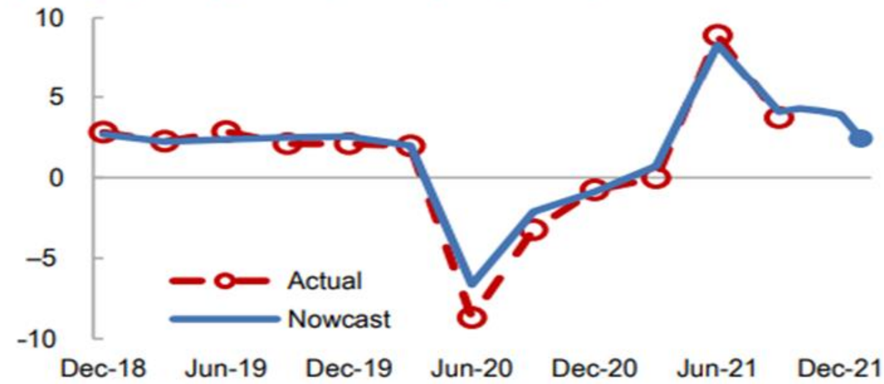
Sub Saharan Africa

In the second half of 2021, the economic recovery in sub-Saharan Africa was revised upwards from 3.7 percent to 4.5 percent. However, this was jeopardised by the Russian invasion of Ukraine.

As a result of the war, fuel and food prices have been the most affected. However, the increase in oil prices has lifted growth prospects for the region's oil exporters, such as Nigeria.

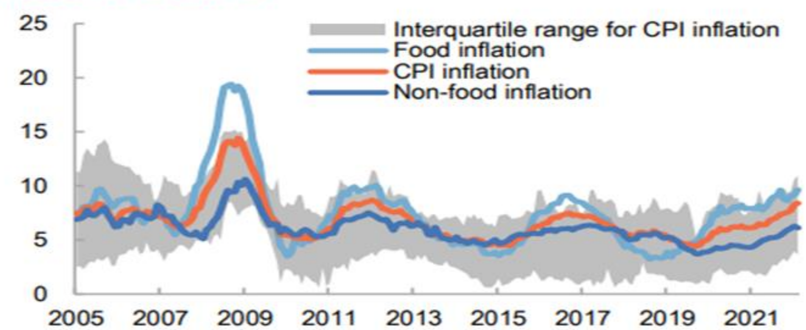
Overall, growth in sub-Saharan Africa is projected at 3.8 percent in 2022 which is above the 3.6 percent rate estimated for global growth. This is expected to accelerate to 4 percent in 2023.

Figure 6. Sub-Saharan Africa: Real GDP Growth
(Rolling quarterly growth, year-on-year, percent)



Sources: Haver Analytics; IMF internal databases; and IMF staff calculations.

Figure 12. Sub-Saharan Africa: Inflation Rates, 2005–22
(Percent, year-on-year)



Sources: Haver Analytics; and IMF staff calculations.

**Source: The International Monetary Fund, Regional Economic Outlook, Sub Saharan Africa, April 2022*

The Economy

Sub Saharan Africa

South Africa & Nigeria

- South Africa's economy shrank in the second half of 2021 after a relatively strong performance in the first half of 2021. After the lifting of the lockdowns, growth is expected to slow down to a modest 1.9 percent in 2022. Public debt is expected to grow steadily reaching 83.7 percent of GDP by 2026.

- Nigeria's growth outlook has improved as a result of higher oil prices. Growth is expected to reach 3.4 percent in 2022 falling back to 2.9 percent from 2024 onwards. However, the low vaccination rates from COVID-19 weigh negatively on the medium-term growth outlook.

Tourism dependent countries

- As a result of the Omicron variant, many tourism-dependent countries experienced a short-term set back in their recovery. However, some have fared better due to the rapid vaccination rollout (Seychelles).
- Others are facing persistent income losses as large as 15 percent of GDP (Mauritius, Cabo Verde).

2.1%

The percentage of GDP by which fiscal revenues have been revised upwards for oil exporting countries in 2022

The Economy

Uganda

Uganda’s economy is projected to grow by 4.6% in 2021/22, up from 3.3% the previous year.

Growth was primarily driven by the services and industry sectors on account of the re-opening of the economy and investment in the oil sector following the signing of the Lake Albert final investment decision in February 2022.

However, the economy suffered setbacks due to the significant increase in prices for essential commodities and services. This was largely due to COVID-19 restrictions across the world, which disrupted supply-chains and caused a shortage of intermediate raw materials, and worsened by the Russia-Ukraine conflict. Annual headline inflation as of May 2022 was 6.3%, a significant increase from the 2% for FY2020/21. This is projected to increase further to 7.2% for FY 2022/23.

The country’s indebtedness has steadily risen over the years and stood at 49.7% of GDP as at 31 December 2021 which raises concerns about the country’s ability to sustain such debt levels. In response, Government intends to reduce the level of domestic borrowing over the medium term to an average of 2.2 percent of GDP per year and longer term to 1.0 percent of GDP.

FY 23 Focus areas*

Increase in agro-processing and local manufacturing through investment in industrial parks, infrastructure (roads & electricity), and cheaper long-term capital

Digital transformation - Coordinating, developing and expanding flagship e-services and rollout e-services across all NDPIII programs.

Reducing domestic borrowing to a share of no more than 1 percent of GDP in the long term so as to avoid crowding out the private sector.

Source: Background to the Budget, 2022

The Economy

Uganda - key economic indicators*

Indicator	FY 2020/21 actual	FY 2021/22 projected
GDP at current market prices	UGX 148.3 trillion	UGX 162.1 trillion
GDP per capita (market prices)	$932	$1,046
Real GDP growth (market prices)	3.5%	4.6%
Domestic revenue as % of GDP (including oil)	13.4%	13.3%
Fiscal deficit as % of GDP	9.0%	7.3%
Public debt as % of GDP	47.0%	51.6%
Annual headline inflation	2.0%	4.9% (at April 2022) 6.3% (as May 2022)

*Source: Background to Budget fiscal year 2022/2023

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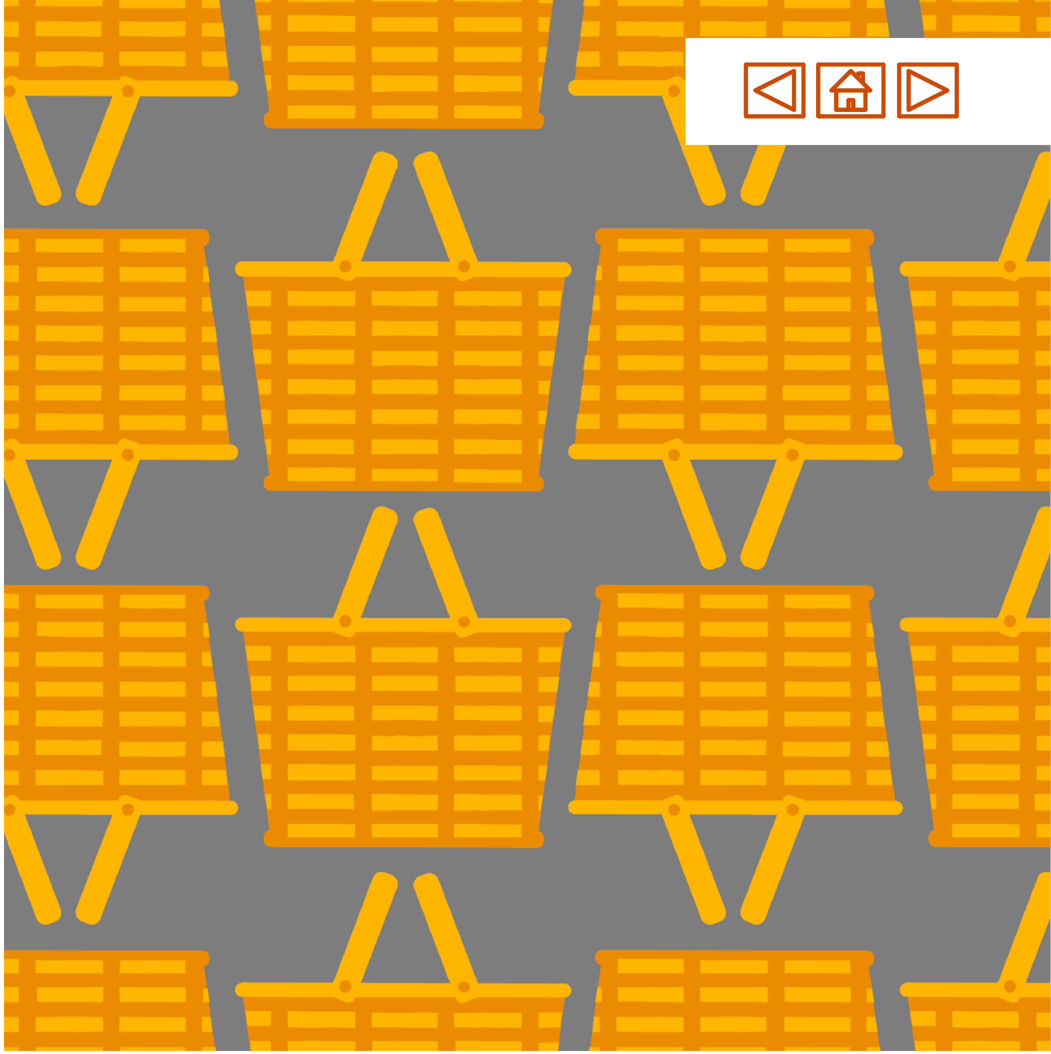
Fiscal performance



Fiscal performance

Budget in total

Outcome for FY 2021/22

Government has recorded an improvement in domestic revenue collection this financial year compared to last year on account of improved tax administration and increased economic activity following the re-opening of the economy in January 2022. However, the impact of the pandemic is still evident in the shortfall in domestic revenue and overspend in recurrent Government expenditure, including interest.

The resultant fiscal deficit has shot up to UGX 11.8 trillion, being 7.3% of GDP (compared to the budgeted deficit of 6.4%), although this is significantly lower than the 9% deficit registered in FY 2020/21.

Budget for FY 2022/23

Domestic revenue is targeted to increase by 19% from FY 2021/22 and overall expenditure is expected to increase by about UGX 4 trillion. This is stated to be due to increase in budget development costs in the current year and increased external expenses. Interest costs however are lower.

The planned deficit is UGX 9.8 trillion or 5.4% of GDP. The total resource envelope of UGX 48.1 trillion represents a 7% increase from the current year.

Budget summary	FY 2021/22 Budget UGX b	FY 2021/22 Projected UGX b	FY 2022/23 Budget UGX b
INCOMING			
Domestic revenue	**22,425**	**21,486**	**25,551**
Grants	**1,424**	**1,778**	**2,169**
Budget support	75	74	78
Project support	1,349	1,703	2,090
Borrowing (= fiscal deficit)	**10,383**	**11,763**	**9,753**
Domestic (net)	2,943	6,465	5,008
External (net)	7,240	5,298	4,745
Petroleum Fund (net)	200	0	0
TOTAL INCOMING	**34,232**	**35,027**	**37,473**
OUTGOING			
Sector allocations (excl interest)	**29,134**	**29,385**	**32,118**
Recurring	14,269	15,382	17,552
Development	14,755	13,856	14,268
Net lending/investment	110	147	298
Interest	**4,698**	**5,009**	**4,692**
Domestic arrears/other	**400**	**633**	**662**
TOTAL OUTGOING	**34,232**	**35,027**	**37,472**
Domestic debt refinancing	8,547		8,008
External debt repayments	1,787		2,412
Appropriation in aid	212		239
TOTAL RESOURCE ENVELOPE	**44,778**		**48,131**

Source: Background to Budget Tables 4.18, 7.2 and 16; Budget speech Annexes

Fiscal performance

Domestic revenue

Outcome for FY 2021/22

Fiscal operations in FY 2021/22 and the medium term were intended to focus on policy interventions that would sustain recovery from the socioeconomic setbacks caused by the COVID-19 pandemic. However, domestic revenue has continued to be significantly affected by the economic slowdown. The projected shortfall against budget is UGX 0.9 trillion or 4.2%.

	FY 2021/22 Target UGX b	FY 2021/22 Projected UGX b	Deficit UGX b	Deficit %
Tax revenue	20,837	19,941	-896	-4.3%
Non tax revenue	1,588	1,545	-43	-2.7%
Oil revenue	0	0	0	0
Total revenue	**22,425**	**21,486**	**-939**	-4.2%

While still of concern, the revenue shortfall is less severe than the UGX 2.0 trillion (9.0%) gap in the prior year. The projected revenue of UGX 21.5 trillion (including oil) is 8.3% ahead of FY2020/21 and represents 13.3% of GDP (prior year 13.4%).

Outlook for FY 2022/23

Domestic revenue for next year is budgeted at UGX 25.5 trillion, an increase of 18.9% over the current year projection.

	FY 2020/21 Actual UGX b	FY 2021/22 Projected UGX b	FY 2022/23 Budget UGX b	Increase FY 2022/23 v. prior year %
Tax revenue	18,337	19,941	23,755	19.1%
Non tax revenue	1,3614	1,545	1,796	16.2%
Oil revenues	141	0	0	0
Total domestic rev	19,839	21,486	25,551	18.9%
% of GDP				
Tax revenue	12.4%	12.3%	13.1%	0.8%
Domestic rev incl oil	13.4%	13.3%	14.1%	0.8%

This will represent 14.1% of GDP, an increase of 0.8% against the current year projection and in excess of the targeted medium term annual increase of 0.5%.

The tax revenue target is UGX 23.8 trillion, an increase of 19.1%. This is not based on any new taxes but is expected to be driven by gains from revenue enhancement measures, and increased taxable economic activities and aggregate demand for goods and services arising from the full reopening of the economy.

Fiscal performance

Government spending

Sector allocations for FY 2022/23

Total government spending for the coming year (excluding domestic arrears) is set at UGX 36.8 trillion, representing an increase of 8.8% compared to the FY 2021/22 budget. However, this represents 20.3% of GDP, which is a reduction against the projected spending for the current year of 21.2%.

The allocations are divided according to programme, which differs from the vote basis in prior years. This may make the year on year comparisons less transparent.

A significant boost of 743.8% has been recognised in the Sustainable development of petroleum resources as well as in the manufacturing programme by 404.7%.

Human Capital Development and Governance & Security programmes maintained their spots as the largest sector allocations (due to the percentage increase of 13.2% & 6.2% respectively).

Significant reductions in Public Administration and Public Sector Management appear to be a result of the planned expenditure rationalisation.

Source: Background to Budget Table 31

Sector allocations (by programme, excl. domestic arrears)

	FY 21/22 Budget UGX b	Share %	FY 22/23 Budget UGX b	Share %	Change vs prior year %
Agro- Industrialisation	1,466	4.3%	1,419	4.2%	-3.2%
Mineral Development	49	0.1%	33	0.1%	-32.7%
Devt of Petroleum Resources	102	0.3%	864	2.6%	743.8%
Tourism Development	179	0.5%	195	0.6%	8.8%
Climate chg, Natural Resource & Water	577	1.7%	617	1.8%	7.0%
Private Sector Development	589	1.7%	1,607	4.8%	173.1%
Manufacturing	83	0.2%	419	1.2%	404.7%
Transport Infrastructure & Services	4,961	14.7%	4,306	12.7%	-13.2%
Sustainable Energy Development	1,103	3.3%	1,582	4.7%	43.3%
Digital Transformation	195	0.6%	130	0.4%	-33.2%
Sustainable Urbanisation And Housing	125	0.4%	369	1.1%	195.4%
Human Capital Development	8,062	23.8%	9,125	27.0%	13.2%
Innovation, Tech Devt & Transfer	286	0.8%	27	0.1%	-90.7%
Community Mobilization & Change	82	0.2%	74	0.2%	-10.1%
Governance And Security	6,990	20.7%	7,423	21.9%	6.2%
Public Sector Transformation	427	1.3%	209	0.6%	-51.1%
Regional Development	1,562	4.6%	1,187	3.5%	-24.0%
Development Plan Implementation	1,093	3.2%	1,218	3.6%	11.4%
Administration Of Justice	373	1.1%	400	1.2%	7.1%
Legislation, Oversight & Representation	835	2.5%	915	2.7%	9.6%
Reconciliation difference	-5	0.0%	0	0.0%	-100.0%
Total (excl interest)	**29,134**		**32,118**		10.2%
Interest	4,698	13.9%	4,692	13.9%	-0.1%
Total (incl interest)	**33,832**	**100.0%**	**36,810**	**100.0%**	**8.8%**

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Tax amendments

Tax Amendments

Introduction

In our Tax Alert issued in May 2022, we set out the proposed tax changes that were contained in the 2022 Tax Bills. The final amendments (with the exception of the Excise Duty Bill) have since been passed by Parliament and assented to by the President. We summarise below the amendments that will come into effect on 1 July 2022.

Income Tax

Definition of Beneficial Owner

This definition has been amended yet again (after changes in 2019 and 2021) and now includes a natural person who owns or controls a customer and further defines who comprises a beneficial owner in relation to a legal person. This includes a person who exercises ultimate control over a legal person or arrangement, and a natural person holding 10% or more of the shares or voting rights.

The definition still largely restricts a beneficial owner to a natural person. This suggests that an entity cannot be a beneficial owner, even if the entity is not ultimately owned or controlled by individuals (e.g. foundations or government-owned entities).

The definition is only relevant for the purposes of sections 75 and 88 of the Act, and the practical impact of this remains unclear.

Definition of an exempt organisation

The definition is expanded to include a non-profit “research institution”. This is intended to promote investment in not-for-profit research.

Taxation of rental income

The amendments largely repeal the existing rental tax regime, including the blanket expense deduction equal to 75% of gross rental income as introduced in 2021. New rules and rates will apply going forward, varying for non-individuals, individuals, and partnerships.

Non-individuals

For companies and other non-individuals (excluding partnerships), the deduction of expenses against rental income will be capped at 50% of gross rents. Any excess expenditure will not be eligible for carrying forward.

This means that the effective rental tax rate for companies will be a minimum of 15% (30%*50%) on gross rents. This compares to the previous maximum rate of 7.5% (30%*25%.

Tax Amendments

Income Tax (continued)

Individuals

Along with the removal of the 75% blanket deduction, the prior deduction for mortgage interest has also been repealed. This effectively means that an individual is not entitled to deduct any expenses against rental income.

At the same time, annual rental income in excess of UGX 2,820,000 (the existing lower personal income tax band) will be subject to a flat tax rate of 12%.

This gives an effective tax rate on gross rental income above the threshold of 12%. Previously the rental tax rate for individuals was 30% which, after the 75% deduction, gave an effective maximum tax rate on gross rents of 7.5%.

Partnerships

The rental income and expenditures derived by a partnership will be allocated to each partner based on their respective partnership share.

Withholding tax on in-bound transport

The Act now clarifies that “for the avoidance of doubt” income derived by a non-resident from the carriage of passengers, cargo, or mail that is not embarked in Uganda is not income derived from a Ugandan-source service contract. Accordingly, payments for such transport are not subject to 15% WHT.

The URA has in the recent past sought to collect 15% WHT on these transport payments, which has been vigorously disputed. The wording of the new provision removes this uncertainty and implies that it may also exclude past payments.

Failure to file a return or provide information by a licensee

There is clarification as regards the penalty that applies to a petroleum or mining licensee who fails to file a return or provide any other document to the URA within the required timeframe. The penalty amount remains the same at between USD 50,000 and 500,000, but it is now specifically stated that: a) this is a penalty rather than a fine (implying that it can be imposed administratively rather than via a prosecution);
b) it applies independently of the alternative (lesser) penalties under sections 48 and 49A of the Tax Procedures Code Act.

Tax Amendments

Income Tax (continued)

Listed institutions

The following organisations have been added to the listed institutions exempt from income tax under the First Schedule:

- International Development Law Organisation (“IDLO”);
- Foreign Commonwealth and Development Office (“FCDO”), replacing the restructured DFID

Rejected proposals

The following amendments proposed in the Bill were rejected by Parliament:

- Defining a business asset under the 6% WHT provision in section 118B of the ITA to only catch certain land.
- Allowing a 100% tax deduction for amortised intangible assets used in petroleum exploration.
- Changing the due date for payment of taxes on mining and petroleum revenues.

Tax Amendments

Stamp Duty

Reduction of rate

The stamp duty rate on the following instruments in Schedule 2 has been reduced to nil:

- Item 6: Agreement relating to deposit of title-deeds, pawn pledge;
- Item 48 Agricultural Insurance Policy;
- Item 56: Security bond or mortgage deed executed by way of security for the due execution of an office, or to account for money or other property received by virtue of security bond or mortgage deed executed by a surety to secure a loan or credit facility

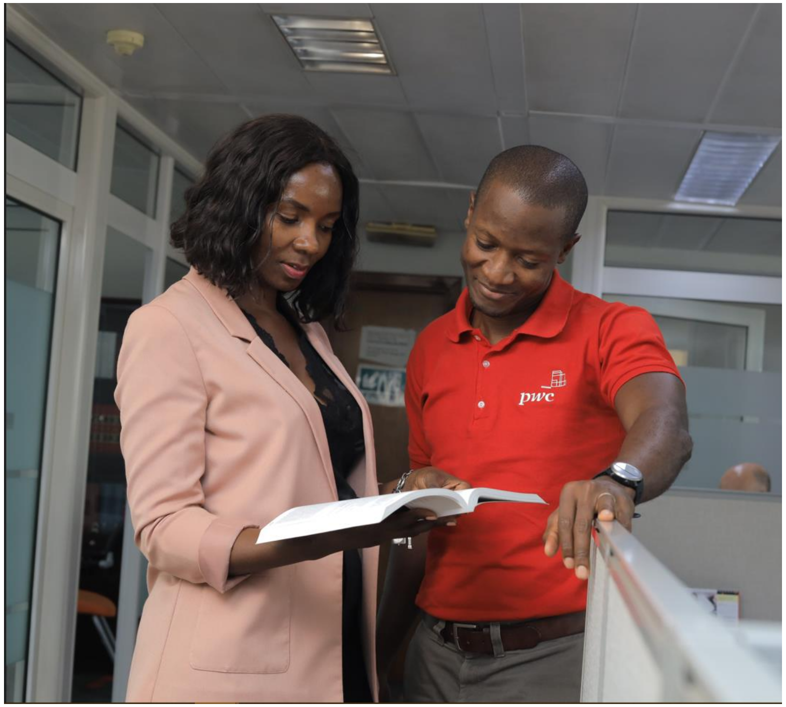
The wording of item 56 relating to security bonds and mortgage deeds has been amended to clarify that (other than in connection with execution of an office) it only applies to such instruments securing a loan or credit facility (as opposed to the due performance of a contract).

Definition of a trust

The description of a trust under item 63 of Schedule 2 liable to duty at a rate of UGX 15,000 has been extended to include transfers from a holder of letters of administration or probate to a beneficiary. The previous exclusion for wills has been removed.

Strategic investment projects

The minimum investment capital for new and existing manufacturers to qualify for the duty exemption for strategic investment projects in item 60A(f) of Schedule 2 has been reduced from USD 50 million to USD 35 million.



Tax Amendments

Administrative Tax Measures

Amendments to the Tax Procedures Code Act (TPCA) are summarised below.

Alignment of tax agent registration to calendar year

The registration of a tax agent will now remain in force for the period from registration until 31 December of the same year. Previously the registration was for a period of 12 months.

Disclosure by construction and extractive industries

The amendment introduces a new requirement for persons in the construction or extractive industries to disclose to the URA the names of persons contacted in the course of the performance of their business. The disclosure is required to be made within seven days from the date of signing the relevant contract, and failure to comply attracts a penalty of UGX 20 million.

New penalties and enforcement measures

There are enhanced penalties or enforcement measures as follows:

- A penalty of Shs 50 million or double the tax (whichever is higher) for failure to activate a tax stamp.
- Ability for the Commissioner to enforce temporary (up to 15 days) closure of a business for failure to comply with the requirements of electronic receipting and invoicing and tax stamps within 15 days of notification.
- Increasing the maximum fine for the offense of making false or misleading statements from Shs 4 million to Shs 110 million.

New offences

The TPCA introduces the following new offenses:

- Failure to affix/activate a tax stamp.
- Printing over or defacing tax stamps
- Forgery of a tax stamp
- Failure to use an electronic receipting or invoicing
- Forgery of electronic receipt or invoice
- Interfering with electronic fiscal device or electronic dispensing control device.
- Failure to file an information return relating to the automatic exchange of information.
- Failure to maintain records for purposes of the automatic exchange of information.
- Omitting or making a false or misleading statement in the information return.

Tax Amendments

Value Added Tax

Imported services used in exempt supplies

The Amendment has repealed the provision enacted in 2021 that exempted imported services used in the provision of exempt supplies. This means that imported services will only be considered to be exempt if they are specifically listed as such in the Second Schedule of the VAT Act. This will have a significant impact on businesses involved in exempt supplies, such as banks.

Cash basis accounting

The ability to account for VAT on a cash basis has been extended to suppliers making supplies of goods or services to the Government. This will provide welcome cashflow relief to such suppliers who may experience delays in receiving Government payments. Based on its plain wording, the concession would appear to apply to any taxpayer who makes any supply to the Government and elects accordingly.

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Public International Organisations

In line with the amendments to the listed institutions for income tax purposes, the First Schedule of the VAT Act has been expanded to include the following as Public International Organisations:

- International Development Law Organisation (IDLO)
- Foreign, Commonwealth, and Development Office (FCDO) (replacing the prior DFID)

Such organisations are entitled to certain VAT reliefs.

Exemption for hospitals

The criteria for the existing exemption for the construction of a new hospital facility has been relaxed slightly by removing the requirement for the facility to be at the level of a national referral hospital.

New exemptions

The following have been added as exempt supplies in the Second Schedule:

- the supply of assistive devices for persons with disability
- the supply of airport user services charged by the CAA
- oxygen for medical use (under the category for dental, medical, and veterinary goods).

At the same time the exemption for menstrual cups has been removed (now zero-rated as below).

Zero-rated supplies

The supply of menstrual cups is now zero-rated (previously exempt).

The category for educational materials has been expanded to include such supplies manufactured in a partner state of the EAC.

Tax Amendments

Excise Duty

The Excise Duty (Amendment) Bill 2022 proposes the following amendments to the Excise Duty Act. This has not yet been assented to by the President. The table on the following pages summarises the proposed specific category/rate changes, along with comments from the Parliamentary Finance Committee

Definition of fruit juice

The Bill proposes to introduce a definition for fruit juice to mean unfermented liquid extracted from the edible parts of a fresh fruit whether the extracted liquid is diluted or not.

The Finance Committee of Parliament proposed to further amend this definition to exclude '*fruit puree for industrial use that is not ready for final consumption*'. This is aimed at ensuring that there is no double taxation of both fruit pulp raw material and the fruit juice itself.

Definition of un-denatured spirits

The Bill proposes to introduce a definition for un-denatured spirits to mean spirits that are not mixed with any substance to render the spirit unfit for human consumption, including neutral spirits or alcoholic beverages made from neutral spirits that are fit for human consumption.

Definition of vegetable juice

The Bill further proposes to introduce a definition of vegetable juice to mean unfermented liquid extracted from the editable part of a vegetable whether the extracted liquid is diluted or not.

Tax Amendments

Excise Duty

Paragraph	Excisable Good or Service	Duty rate 2021/22	Duty rate 2022/23	Comments
2(d)	Opaque Beer	20% or Shs.230 per litre, whichever is higher	12% or Shs.150 per litre, whichever is higher	Proposal to reduce the rate further to 10% or Shs. 100 per litre, whichever is higher
3(a)	Un-denatured spirits of alcoholic strength by volume of 80% or more made from locally produced raw materials	60% or Shs. 1,500 per litre whichever is higher;	60% or Shs. 1500 per litre whichever is higher;	Approved
3(b)	Un-denatured spirits of alcoholic strength by volume of 80% or more made from imported raw materials	100% or Shs. 2500 per litre whichever is higher;	100% or Shs. 2500 per litre whichever is higher;	Approved
3(c)(i)	Locally produced of alcoholic strength by volume of less than 80%; or		80% or Shs. 1700 per litre whichever is higher;	Approved
3(c)(ii)	Spirits that are imported of alcoholic strength by volume of less than 80%.		100% or Shs. 2500 per litre whichever is higher;	Approved
3(d)	Un-denatured spirits made from locally produced raw materials that are used in the production of disinfectants and sanitizers for the prevention of the spread of COVID-19 of alcoholic content by volume not less than 70%.		NIL	Approved

Tax Amendments

Excise Duty

Paragraph	Excisable Good or Service	Duty rate 2021/22	Duty rate 2022/23	Comments
5(b)	Fruit juice and vegetable juice, except juice made from at least 30% pulp or at least 30% juice by weight or volume of the total composition of the drink from fruits and vegetables locally grown	12% or Shs. 250 per litre whichever is higher;	12% or Shs. 250 per litre whichever is higher;	Approved
5(d)	Any other non-alcoholic beverage locally produced made out of fermented sugary tea solution with a combination of yeast and bacteria	12% or Shs. 250 per litre whichever is higher;	12% or Shs. 150 per litre whichever is higher;	Approved to promote local industry in production of beverages under this category such as alcoholic kombucha
11	Sacks and bags of polymers of ethylene and other plastics under HS codes 3923.21.00 and 3923.29.00 except vacuum packaging bags for food, juices, tea and coffee sacks and bags for direct use in the manufacture of sanitary pads;		40% or Shs. 4,000 per kilogram whichever is higher	Proposal by committee to delete this amendment in order to promote production of plastic products

Tax Amendments

Excise Duty

Paragraph	Excisable Good or Service	Duty rate 2021/22	Duty rate 2022/23	Comments
13(g)	Incoming calls except calls from Republic of Kenya, United Republic of Tanzania, the Republic of Rwanda and the Republic of South Sudan	USD 0.09 per minute	USD 0.09 per minute	Approved (addition of Tanzania)
25 (b)	Any other fermented beverages including cider, perry, mead or near beer produced from locally grown or produced raw materials;	30% or Shs. 550 per kilogram whichever is higher	30% or Shs. 550 per kilogram whichever is higher	Approved
26	Construction materials of a manufacturer, other than a manufacturer referred to in item 21, whose investment capital is, at least USD 35 million in case of a foreigner or USD 5 million in the case of a citizen;	Nil	Nil	Approved

Tax Amendments

Customs duties

Changes to the Common External Tariff (CET) rates and the East African Community Customs Management Act 2004

Fourth band rate under CET to be 35%

Partner States of the EAC have agreed on the maximum The rate for products classified under the 4th band of the revised Common External Tariff to be 35%.

The proposed maximum EAC CET rate of 35% is set to boost intra-EAC trade by USD 18.9 million if adopted by the EAC Partner States.

Under the current EAC CET structure, the maximum tariff is 25% while the other bands are 0% and 10% with a number of "sensitive" products attracting higher tariffs ranging from 35% to 100%.

The products under the 4th band include: animal products such as fish, meats, and dairy, agro-processing Products including tea and coffee, horticultural products, Luxurious goods such as human hair, wigs, cosmetics, perfumes and beverages, refined edible oils, salt, cement, Paints, soaps, tanks, packaging items, wood products, Leather products, ceramics, furniture, iron and steel products, sugar, and confectionery such as chewing gum, biscuits, chocolates, tomato sauces, sausages, and peanut butter.

The effective date for implementation of the revised EAC CET is expected to be 1 July 2022.

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Contact us

Contacts

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