

**ACTS SUPPLEMENT**

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**Act 8**                      *Value Added Tax (Amendment) Act*                      **2017**

**THE VALUE ADDED TAX (AMENDMENT) ACT, 2017**

**ARRANGEMENT OF SECTIONS**

*Section*

1. Commencement.
2. Amendment of the Value Added Tax Act, Cap. 349.
3. Amendment of section 25 of the principal Act.
4. Insertion of new section 65A in the principal Act.
5. Amendment of Second Schedule to the principal Act.

**THE VALUE ADDED TAX (AMENDMENT) ACT, 2017**

**An Act to amend the Value Added Tax Act, Cap. 349 to exempt aid- funded projects; to provide for operations under which VAT is deemed to have been paid in respect of petroleum operations and aid-funded projects; to provide for capping of interest on unpaid tax; to provide for VAT on wheat; to exempt VAT on crop extension services, animal feeds and premixes, deep cycle batteries and composite lanterns, irrigation works, sprinklers and ready to use drip lines, and menstrual cups; and to provide for related matters.**

DATE OF ASSENT: 13th June, 2017.

*Date of Commencement:* 1st July, 2017.

BE IT ENACTED by Parliament as follows:

**1. Commencement.**

This Act shall come into force on 1st July, 2017.

**2. Amendment of the Value Added Tax Act.**

The Value Added Tax Act, Cap. 349 in this Act referred to as the principal Act is amended in section 24 by inserting immediately after subsection (6) the following—

“(7) For purposes of this section, the tax payable on a taxable supply made to a Government ministry, department or agency by a contractor executing an aid-funded project is deemed to have been paid by that ministry, department or agency if the supply is for use solely and exclusively for the aid-funded project.

(8) Under subsection (7), “aid- funded project” means a project financed by a foreign government or a development agency through loans, grants and donations.”

### **3. Amendment of section 25 of the principal Act.**

Section 25 of the principal Act is amended—

(a) by substituting for subsection (2), the following—

“(2) For a contractor, component X of the formula in paragraph 1(b) of the Fourth Schedule, for a tax period does not include the amount of tax that the licensee is deemed to have paid to the contractor under section 24(5) for the period.”

(b) by inserting immediately after subsection (2) the following new subsection—

“(2a) For a supplier, component X of the formula in paragraph 1(b) of the Fourth Schedule, for a tax period does not include the amount of tax that the contractor is deemed to have paid to the supplier under section 24(6) for the period.”;

(c) by inserting immediately after subsection (3) the following—

“(4) For a contractor of a Government ministry, department or agency, component X of the formula in paragraph 1(b) of the Fourth Schedule, for a tax period does not include the amount of tax that the Government ministry, department or agency is deemed to have paid to the contractor under section 24(7) for the period.”

**4. Insertion of new section 65A in the principal Act.**

The principal Act is amended by inserting immediately after section 65 the following—

**“65A. Interest on unpaid tax.**

(1) The interest due and payable on unpaid tax shall not exceed the aggregate of the principal and penal tax.

(2) For the avoidance of doubt, where the interest due and payable as at 30th June, 2017 exceeds the aggregate referred to in subsection (1), the interest in excess of the aggregate shall be waived.”

**5. Amendment of Second Schedule to the principal Act.**

The Second Schedule to the principal Act is amended—

(a) in paragraph 1(a), by inserting immediately after the word “products” the words “except wheat grain;”;

(b) by inserting immediately after paragraph (q) the following—

“(qa) the supply of animal feeds and premixes;”;

(c) by inserting immediately after paragraph (s) the following—

“(sa) the supply of crop extension services;

(sb) the supply of irrigation works, sprinklers and ready to use drip lines;

(sc) the supply of deep cycle batteries, composite lanterns and raw materials for the manufacture of deep cycle batteries and composite lanterns;

(sd) the supply of menstrual cups;

(se) the supply of Agriculture Insurance Premium or Policy;”