



Plot 43, Nakasero Road  
P.O. Box 7683 Kampala, Uganda  
Tel: +256 312 263 850  
psfu@psfuganda.org.ug  
www.psfuganda.org

**Private Sector Position on the Proposal to Amend the Excise Duty Act to  
Introduce ad valorem of Ugx 75 per liter of Mineral Water**

**Submitted to**

**Parliamentary Committee on Finance, Planning and Economic Development**

**By**

**Private Sector Foundation Uganda (PSFU)**

**11<sup>th</sup> May 2023**

## **Background**

Hon. Chairman of the Committee on Finance Planning and Economic Development, the private sector wishes to thank you and your committee for the engagements we had with you on the FY 2023/24 tax Bills that were brought to your attention by the Ministry of Finance, Planning and Economic Development (MoFPED).

Hon. Chair, we wish to bring to your attention the fact that during our engagement with you and the entire Committee where we presented a paper the matter in question was not either part of the tax proposals in the Excise Duty (Amendment) Bill of 2023 presented to your committee by the MoFPED.

The proposal that has come to our attention as indicated in the committee report, the Committee recommends that “the proposal to introduce ad valorem rate of Shs 75 per litre on Mineral water, bottled water and other purposely for drinking be maintained” in the Minority Report and “10% or Shs 75 per litre whichever is higher” in the majority report.

Thus, this was neither discussed with the private sector nor civil society. Hon. Chairman, the intention is appreciated but the material impact is double taxation on manufacturers who have invested heavily and it makes the market non-competitive and unfair. That is, it increases the costs of Mineral water which will further promote illicit water on the market.

Furthermore, the new proposal to introduce a fixed rate of Shs 75 on water impacts the large packs of water and makes the investment and business of water by large manufacturers uncompetitive. For example, the new fixed rate implies that we will have to double the amount of excise duty that we pay on the jumbo / 20 litre water bottles.

The resultant effect is that the market will be overrun by illicit poor-quality market entrants and will reduce the taxes such as VAT and Corporate Income Tax collected from the water industry immensely owing to the decline in sales as people may opt for the cheaper / unsafe water options. The impact of this tax discourages investment in quality water production and the resultant tax revenue

## **Recommendation**

1. PSFU thus recommends that we stay on the existing tax regime.
2. However, in case there is a need to stay with the Ad Val then it should be 10% or Ushs 35 whichever is higher as opposed to the recommendation of the Committee.

## **Conclusion**

We once again thank you for always consulting with us and considering our proposals. We look forward to further engagement on the same whenever called upon.

Sincerely,

Stephen Asimwe

**CHIEF EXECUTIVE OFFICER**

**CC:** Speaker, Parliament of the Republic of Uganda  
Clerk to Parliament of the Republic of Uganda  
Minister of Finance, Planning and Economic Development

*Business growth is our business*