

Our Ref UCDA/ADM/08
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Uganda Coffee Development Authority

Office of the Managing Director

The Hon. Minister of Finance, Planning and Economic Development
P.O. Box 8147
KAMPALA

Dear Sir,

IMPLICATION AND IMPLEMENTATION OF TAX AMENDMENT ACT 2015 SECTION 22 AMENDED IN SUBSECTION (2)

Uganda Coffee Federation (UCF) is a multi-coffee stakeholders association whose main objective is to Protect, Promote and Safeguard the interest of the persons engaged in the coffee trade and industry (whether Growers, Processors, Agents, Brokers, Traders, Roasters, or Exporters) and persons connected with the industry in Uganda.

Concerns have been raised relating to the above amendment and its implication especially to the coffee farmers who are the major stakeholders in the coffee industry.

We as the Regulatory Body of the Coffee sub-sector share the stakeholders concern and through your office we request you to consider their requests by exempting the coffee farmers from the TIN Registration requirement because of the rural conditions under which they operate.

In event that it is not possible, to extend the exemption, I would recommend to defer its implementation until the stakeholders have been sensitized and registered; short of which would tremendously affect coffee production and trade and subsequently disrupt the Government Programme of Prosperity for All/Operation Wealth Creation.

Yours faithfully,

Henry Ngabirano
MANAGING DIRECTOR



10 July 2015

The Hon. Minister of Finance, Planning and Economic Development,
P.O. Box 8147,
KAMPALA.

Through

The Managing Director,
Uganda Coffee Development Authority,
P.O. Box 7267,
KAMPALA.

Dear Sir,

Re: IMPLICATION AND IMPLEMENTATION OF TAX AMENDMENT ACT 2015 SECTION 22 AMENDED IN SUBSECTION (2)

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UCF appreciates the Government's need to collect taxes for growth and development of our country, however, this concern arises from the Tax Amendment Act 2015 Section 22 (Expenses of deriving Incomes) of the Principal Act is amended in subsection (2) by inserting immediately after paragraph (l) the following—"(m)any expenditure above five million shillings in one transaction on goods and services from a supplier who does not have a taxpayer identification number"

On consultation with URA on the amendment, the following interpretation was given i.e. any taxpayer receiving goods and services above Shs5M in one transaction will be required to provide a TIN of the supplier before they can claim that value as a deductible purchase or expense on the taxable income for that year.

IMPORTANT FACTS

- (i) Coffee is a strategic crop being promoted by the Government as a main vehicle to eradicate poverty, it is estimated that 1.7Million households are involved in coffee production. Therefore introduction of a tax regime will be counterproductive for the coffee subsector in achieving prosperity for all;

- (ii) Coffee exports contribute to about 20% -30% of Uganda's foreign earnings making it the number one commodity export, any disruption in the trade will have far reaching implications;
- (iii) Coffee is a seasonal crop harvested twice a year – the main crop and a fly crop therefore a farmer sells coffee only twice a year;
- (iv) The threshold of 5Million as per the Income Tax Amendment is equal to:
 - Production of one acre of coffee (400trees/acre x 2.5kgs per tree at UGX 5000 per kg of Fair Average Quality Coffee (Kase). The coffee subsector is almost entirely dependent on smallholder farmers, 90% of whose average farm size ranges between less than 0.5 – 2.5hectares.
 - Alternatively, if you take other farming outputs like cattle the threshold is equivalent to the sale of 3 heads of cattle thereby requiring a farmer to be registered before such transaction.
- (v) The industry has been promoting bulk marketing given its benefits of ensuring quality, efficient logistics and better prices. The groups exist informally, are not registered and deal on cash basis. In this respect it is difficult to register single individuals.

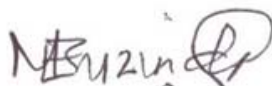
IMPLICATIONS

- (i) The farmer who is required to have a TIN is largely rural based, mostly illiterate/ semi illiterate with no email address which is a requirement for TIN registration;
- (ii) The farmer normally sells coffee twice a year as coffee is a seasonal crop as compared to traders of other commodities who are in business throughout the year. Therefore the threshold is too low given the number of transactions the coffee farmer will enter into as compared to the traders like shop keepers or matatu operator (taxi);
- (iii) Most farmers are rural based and URA has no offices within these localities to facilitate registration, further there is nothing that compels them to register like the need for a trading licence, making it more difficult to implement the requirement;
- (iv) The fear of tax by most communities is a reality, therefore it will lead to devising means of avoiding tax by making small transactions thereby increasing the cost of doing business. Thus massive sensitisation is required before enforcement;
- (v) The punitive action of disallowing the purchase/expense geared towards the buyer (who in most cases is tax registered and compliant) yet he/she has no mandate or capacity to enforce tax registration is counterproductive;
- (vi) The cost of doing business is evidently going to increase as it will be a requirement to submit additional supporting documentation of purchases/expenses to establish compliance by the tax authority on assessment;
- (vii) The effective date of this amendment is 1st July 2015 yet no sensitisation has been carried out either by Government or its agencies.

The Coffee industry is requesting you, Honourable Minister to consider the following:

- Exempting coffee farmers from the requirement;
- If exemption is not approved then the implementation should be deferred until farmers have been sensitized and registered by URA in order to allow the smooth flow of trade;
- Government should invest in a mass media campaign to educate the farmers about this amendment countrywide;
- URA must be ready to go to the rural areas for the sensitisation and registration exercises;
- Prosperity for All and Operation Wealth Creation targets 20Million per household and that should be considered as the threshold for TIN registration.

Yours Sincerely,
Uganda Coffee Federation



Fred Luzinda- Mukasa

PRESIDENT

c.c

Hon. Minister of Agriculture, Animal Industry and Fisheries
 Hon. Minister of Trade, Industry and Cooperatives
 Chairman, Sessional Committee of Agriculture, Parliament of Uganda
 USAID FtF – Enabling Environment in Agriculture Activity
 Agribusiness Initiative (aBi) Trust
 Private Sector Foundation Uganda
 National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE)
 Uganda Coffee Farmers Alliance (UCFA)
 Uganda Quality Coffee Traders and Processors Association (UQCTPA)
 Members of Uganda Coffee Federation