



Uganda Revenue Authority  
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## LOCAL EXCISE DUTY

The Local Excise Duty is a duty governed by the East African Excise Management Act Cap 28 of 1970 as amended; the East African Regulations; Statutes and various amendments to the Finance Act. The Tax is based on the substantive law prior to consolidation.

Local Excise Duty is imposed on locally produced goods mainly of luxurious nature and some imports.

Excisable goods means any goods manufactured in Uganda of which an excise duty rate is imposed. Such goods are beer, spirits, cigarettes, soft drinks, wine, airtime and sugar. These are specified in Schedule 2 of the Excise Tariff Act 2005, Cap 338.

### REQUIREMENT OF AN EXCISABLE FIRM

#### 1. Registration of a new taxpayer

- The intending manufacturer of excisable goods or provider of excisable services should apply in writing to the Commissioner Domestic taxes
- The excise officer should then make an appointment with the taxpayer to go inspect the premises
- The officer then provides the taxpayer with Form E1 – the application form, to be filled in duplicate. On returning of the filled form, the taxpayer is given a BPAF for 20,000/= as license fee
- On confirmation of payment a License is issued , signed by the Commissioner Domestic Taxes

#### 2. The License

- ❖ Any person manufacturing Excisable goods must be licensed (Sec 8 EAEMA)
- ❖ **The license is valid for one year only.**
- ❖ The license expires at the end of every year and renewable at the beginning of the year after an application is made.
- ❖ A separate license is required of each company with many sites and a separate license for each class of excisable product.

- ❖ The application for a license to manufacture excisable goods is made on Form E1. the applicant is required to attach a plan of the factory in which it is proposed to manufacture excisable goods
- ❖ An inspection of the factory to be licensed
  - should have a trading license
  - should have a certificate from the Uganda National Bureau of Standards
  - should have a TIN, Income Tax file no. and VAT registration
  - should have Articles of Memorandum
  - should have secure stores for raw materials, finished goods
- ❖ Approval of the license is granted on Form E2 after payment of the license fee of 20,000/-

The licensing authority may revoke, suspend or refuse to renew a license;

- When an offence has been committed, e.g conviction of any offence involving dishonesty, fraud or bankruptcy
- When the excisable goods in the factory are likely to be adversely affected
- When the factory is so designed, equipped, or sited to render difficult supervision there of for Excise purposes.

### 3. The Excise stockroom

A stock room is a storeroom, which is designed for the purpose of holding excisable goods before duty is paid. However, imported excisable goods e.g Smirnoff whose duty is paid at the point of entry should not be stored in this room.

The excise stock room should clearly be marked “EXCISE STOCK ROOM”

The plan of each building(s), room(s), place(s) in which it is proposed to manufacture and store the excisable goods must be furnished to the office.

### 4. Records

All excisable firms are required by law to maintain records pertaining to raw materials, production, finished goods and movement of finished goods. E.g;

- Goods Received Note(s)
- Material register
- Material requisition note
- Production record / Brewing book
  - Material utilization
  - Product / Joint-product / Bi-product
  - Normal loss
  - Abnormal loss
- Finished goods
  - Excise stock room register
- Orders
- Tax invoices
- Delivery note

Return in-wards  
 Credit notes  
 Debit notes  
 Decants & Destruction records  
 Etc

**ACCOUNTABILITY OF EXCISE DUTY**

Point of tax

The point of tax is the point at which Tax is due and payable.

Sec 53 states that Local Excise on excisable goods apart from spirits and beer shall be due and payable when the goods liable to such duty are delivered from the Excise stock room of the licensee.

Sec 43 states that the duty is to be charged on beers on delivery from the licensed premises.

However Section 47 provides that the point of tax is when the beer has been bottled, or packed for sale by the brewer.

In practice beer is charged on delivery from the excise stock room.

Two points of tax:

XXXXXXXXXXXXXXXXXXXXXXXXX	SCENARIO 1	SCENARIO 2
XXXXXXXXXXXXXXXXXXXXXXXXX	Beer is bottled or packed at manufacturer's premises	Beer is moved in bulk to be packed elsewhere
Point of tax	Delivery from the excise stock room	Where beer is bottled or packed

*Rate of tax*

Non- malt and malt (imported) beer at 60%

Non- malt (local) beer at 20%

Excise Duty is charged at 20% in respect of the manufacture in Uganda of beer whose local raw material content excluding water is at least 75% by weight of its constituents.

(see attached for complete list for rates per product)

**VALUE FOR EXCISE DUTY PURPOSES**

Raw material costs XX

Direct labour costs	XX	
Manufacturing costs	XX	
Prime costs	<u>XX</u>	
Production over heads	XX	
Non-production costs	XX	
Other expenses	<u>XX</u>	bank charges interest & all other charges incidental to factory prodn & sales.
	XX	
Add Profit margin	<u>XX</u>	
Total cost	XX	
Add Excise Duty	XX	
TOTAL UNIT COST	XX	
Add VAT at 18%	XX	
UNIT SALES PRICE	<u>XX</u>	

*Derivation of domestic taxes from a crate of beer*

		Shs
Unit sales price		27,100
Less VAT at 18%	$\left[ \frac{27,100 \times 18}{118} \right]$	<u>4,134</u>
Inclusive of Excise Duty at 60%		22,966
Less Excise Duty at 60%	$\left[ \frac{22,966 \times 60}{160} \right]$	<u>8,612</u>
Total cost		<u>14,354</u> =====

**Payment of Excise Duty**

The licensee must declare the excise account/ return for a month, and pay the duty there on, not later than the twenty- first day of the month following the month on which the duty became due. The declaration is made on a form E9B-2 for goods and Form E9B-2 for airtime.

A transcript, in duplicate of the manufactures stock movement report, must be lodged before the 21<sup>st</sup>. This is declared on a form Appendix B.

In practice, the licensee is required to furnish the department with the 'stock movement' report indicating the production and sales transactions by the 5<sup>th</sup> of every month following the month of production.

#### *Recovery of the Duty*

The Duty, which has not been paid by the time it became due, may be recovered in one of the following ways:

The Commissioner will demand the Duty

The Duty will be demanded by calling upon the surety to the bond to pay the amount due where the bond is in place

By levying proceedings

By issuing a warrant of distress up on the property if the duty is not paid on demand

*However,*

The Commissioner will release the property to the licensee if he/she pays the amount due. Otherwise the property will be sold and the proceeds realized will cover the out standing duty and any expenses there on.

## **TAXPAYER RIGHTS**

### *Remission, Rebate & Refund of Duty*

Remission of duty is an allowance granted to license or a deduction made from his account of the whole or part of the duty, which has become due or payable. A claim for remission of duty is made in duplicate and should be accompanied by documentary evidence of the cases of the need to remit the tax.

#### *Conditions of Remission*

- The licensee is entitled to a remission by law
- Where goods in question were destroyed accidentally by fire or any other unavoidable cause, while in any building, room, place which has been entered with accordance with the law, and is in the factory in which they were produced.
- Decants or expired, spoilt e.t.c. goods which have been destroyed with the permission of the Commissioner General and under the supervision of a proper officer.
- Exported Goods with proper documents.

In general remission is given when the tax will never be recovered due to the above mentioned.

### *Rebate*

A rebate is defined as in a remission above except that is on duty already paid.

### *Refund*

A refund is made to the licensee for tax paid in error or tax paid for goods, which would have either qualified for a remission or rebate.

### *Duty Drawback*

Duty Drawback is allowed on excise duty and import commission used as a raw material by manufacturers specified in the first schedule, on the production of the goods and the fulfillment of such conditions as may be prescribed by the CG.

### *Green beer*

Green Beer imported in tankers from a neighboring country e.g. Kenya on which Excise duty has been paid at the point of entry. The green beer will be produced into a final beer and bottled. The duty payable there on will be less than the duty paid at the point of import.

## **ADMINISTRATIVE INSTRUCTIONS**

Like any other tax, the administration of Excise Duty is under the Commissioner General.

The CG may authorize any officer to exercise any of the powers conferred by the law to the CG subject to such limitations as the CG may think.

By responsibility, Excise Duty is under the Commissioner Department of Domestic Taxes.

The unit is headed by AC LTO.

The CDT is responsible the supervision, control, assessment, audit, verification, and accountability of Local Excise Duty and VAT of all excisable firms.

## **DUTIES OF LOCAL EXCISE OFFICER**

- Registration, controlling, supervision, audit, collection and research on all excisable firms.
- Monitoring receiving monthly productions and returns.
- Control visits e.g. spot visits

## **PREVENTION OF EVASION: POWERS OF OFFICERS**

*In the course of their duties, Excise Officers have the following powers:*

1. Powers to enter and patrol any premises other than dwelling house or any other building, including moving vessels and aircraft.
2. Powers to enter and search any premises, which have been duly entered. The officer may examine any book(s), take copies of such books, may seize any book(s) or thing, may cause containers or sealed envelopes to be opened.
3. Powers to stop vehicles.
4. Powers to search a person or his baggage. A female shall search a female.
5. Powers to arrest using reasonable force.
6. Further powers to search premises– day or night

Even though the officer is not liable for legal proceedings for any action taken in good faith, the Commissioner General is liable to make good any damage caused if the search is not successful.

7. A search warrant is required for dwelling places and unentered premises.
8. Powers to require production of books/records, the officer may take copies or may seize and detain them for use as evidence.
9. On production of such books/ records, the officer may take copies or may seize and detain them for use as evidence.
10. Powers to call for assistance. The officer may call on any other person, including police for assistance.
11. Powers to require production of books/records for a period of 5 years previously.