

# Tax dispute over Chibuku beer costs economy Shs10 billion

**Not taxed.** Since the launch, the brand has enjoyed a zero tax levy although there is no provision for this waiver in the excise tax law.

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**KAMPALA.** Beer maker Nile Breweries Limited has dragged Uganda Revenue Authority (URA) to the Tax Appeal Court over the commissioner slapping excise duty taxes on one of their low-cost beer brands in the market.

This comes after URA slapped an excise duty tax on Chibuku, a pan-African brand of opaque sorghum beer for who it described as for the "less affluent alcohol consumers" who can't afford bottled beer and often opt for illicit gins usually sold in tetra packs.

## Exemption

When contacted, Finance minister Matia Kasajja said they gave Chibuku beer tax exemptions to promote the brand and make it sustainable. However, he says, now that the brand is profitable, they are going to charge taxes.

"We gave them exemptions so that they can be able to spread and become profitable. Now that they are profitable, we shall start taxing them," he said.

This, he says, is because of the principle of taxation which is either to promote or discourage goods.

## Levy

URA charges beer whose local raw material content excluding water is



**Development.** Bottles of Chibuku beer on display. Finance minister Matia Kasajja says the beer maker was given tax exemptions at the beginning to promote it. COURTESY PHOTO

at least 75 per cent by weight of its constituents an excise duty of 30 per cent or Shs650 per litre.

Beer produced from barley grown

and malted in Uganda is charged a levy of 30 per cent or Shs950. Malt beer is charged a levy of 60 per cent or Shs1,860 per litre.

However, Chibuku beer which is a milky beer based on a traditional African recipe using maize and or sorghum has never been taxed since its entry in the market six years ago. Experts say Chibuku has enjoyed a zero tax levy despite the fact that there is no provision for this waiver in the excise tax law.

A document that *Daily Monitor* newspaper has seen says the unfair treatment which the beer has enjoyed in the market has brought about unfair competition and loss of tax revenue to the government.

The beer which originates from South Africa is being taxed by other countries but experts wonder why the beer is not taxed in Uganda.

## TAX APPEAL TRIBUNAL

**Purpose.** The tax Appeal Tribunal is a quasi-judicial institution established under the Tax Appeals Tribunals Act, 1997 to settle tax disputes between tax payers and the Uganda Revenue Authority.

"Kenya and Malawi charge Chibuku an excise duty tax of 30 per cent per litre, Tanzania and Zambia charge 40 per cent excise duty tax and South Africa, where the beer originates from charges 7 per cent excise duty tax," the document reads in part.

According to the document, the decision by the ministry of Finance, Planning and Economic Development to waive off taxes on Chibuku beer

has a negative impact on revenue collection, revenue loss by tax paying brands, job security and industry investment.

"The tax waiver is costing the country Shs2b in direct tax collections and close to Shs 8b in loss of revenue due to cannibalisation of other brands," it says.

The document addressed to Parliament is seeking an urgent intervention of the 10th parliament in an issue that it says is costing the country huge losses in revenue.

“Let us wait and see what the court will decide. The issue of contention is whether Chibuku beer is beer liable to excise duty or not.”

MR IAN RUMANYIKA, MANAGER  
CORPORATE AND PUBLIC AFFAIRS AT  
URA

When *Daily Monitor* contacted Ms Sumin Namaganda, the external communications manager at Nile Breweries, she declined to comment on the issue because the case is before court.

"This issue is a subject of a case before the Tax Appeal Tribunal (TAT) and it would be subjudice for any media discussion," she said, referring this newspaper to the Tax Appeal Tribunal for details.

Our repeated calls to the TAT went unanswered.

Mr Ian Rumanyika, the manage public and corporate affairs at URA said they are in court and he is not a loved to comment on the issue.

"Let us wait and see what the court will decide. The issue of contention whether Chibuku beer is beer liable to excise duty or not," he says.

However, observers against the waiver say the low price of Chib (which is only possible as a result of the current 0 per cent excise duty) has eaten into the share of other mal tax paying beers, causing tax to government to the tune of Sh5 per month since its introduction in glass bottles in early 2017.

New accounting rules signal rise in beer charges