

A truck carrying parts of an oil rig passes through Arua town as residents look on

TSE  
Up at  
7344.94

CAC  
Up at  
5173.40

DAX  
Up at  
12405.14

DOW  
JONES  
UP at  
21390.02

# Govt scraps VAT on oil and gas imports

By David Lumu

Private sector players are pleased with the Government's move to scrap Value Added Tax (VAT) on imported services for oil and gas sector.

According to a report by the policy co-ordination committee for the Presidential investors' round table discussions, the removal of the 18% VAT on imported services in the oil and gas sector has been necessitated by the need to promote local content and attract companies in the country.

The dealers in imported services for business outsourcing have also been exempted from VAT levy.

"VAT on imported services for businesses involved in business process outsourcing and the oil and gas sector has been removed," the report noted.

By removing VAT, government officials say, the investment chain in the oil and gas sector will be enhanced, and job creation will blossom.

The objective of the policy

## BETWEEN THE LINES: Boosting local content

■ The removal of the 18% VAT on imported services in the oil and gas sector has been necessitated by the need to promote local content and to attract companies into the country.

is to promote local content and also act as an incentive to attract companies supplying the imported services to establish in Uganda and create value addition and employment," Government officials noted in their report, which was last week handed to the Prime Minister, Dr. Ruhakana Rugunda.

Government officials, in the report titled, "*Competitiveness and Ease of Doing Business*", have also resolved that manufacturers involved in Agro-processing should be exempted from income tax.

"Manufacturers involved in Agro-processing are exempted from income tax. Commercial farmers engaged in value addition

can now register and claim input VAT," the report states.

Rugunda said the report, which details the Government implementation plan of the proposals by the private sector players, will be discussed on July 4 so that stakeholders, especially government officials iron out the unimplemented issues before the final private sector investment round table with President Yoweri Museveni.

Rugunda said the private sector investment with the President will take place from July 11-13.

Local players say the Government's move to scrap VAT will not only increase activity in the oil sector but also open doors for local

content development in the country's nascent industry.

"It is a big plus for local services providers and international actors in the oil and gas industry. By removing VAT on imports in the oil and gas sector, it means more people will invest in the sector, especially the local players," said Emmanuel Mugarura, the executive director of the Association of Uganda Oil and Gas Service Providers.

In May, President Yoweri Museveni and the President of Tanzania John Magufuli agreed that construction materials for the 1,443km crude export pipeline from Hoima district to Tanga will be exempted from taxes.

According to a communication issued by Museveni and Magufuli shortly after signing the agreement on the joint development of the crude pipeline, at State House in Dar-es-Salaam, the two leaders agreed that VAT should be deemed paid during the three years of the construction phase.