TaxFocus

November Issue | Africa Edition No.: 2

It will suffice to say Happy December!

With only a few weeks to go until the end of 2020 and our office closure, we are ready for the festive season and a well-deserved break. We however wanted to take a moment to thank you for a great year of working with the tax department.

Since the firm will have an office shut down for the December break, the November Newsletter will be the last issue for this year.

With the office closure nearing and the December festive season around the corner, we look at the tax in the education sector. We look at the risk areas that the education sector is experiencing. As an organisation, we have a lot of institutional knowledge and experience in this sector. In this publication, we share some of our experiences highlighting misconceptions and impact of changing learning environment due to COVID related restrictions.

We caution our readers not to take every publication as correct and true, even when obtained from an auditing firm. Should SARS have a new or updated policy, it must issue an official publication. Rulings issued by the Commissioner of SARS are specific to the requester/s.

We also take a look at what's new from SARS pertaining to new and updated Legislation, Case Law, Guides and Forms, Published Binding rulings and Interpretation notes as well as any other publication that was issued during the month of November 2020. From the Africa Desk this month its Uganda.

Inside November Issue

We look at the recent ruling of the court of appeal ordering a refund of billions of shillings which was levied illegally. We further look at the concept of VAT deeming. Uganda Joins EITI- we explore how it works and some the benefits of Uganda joining the EITI and the next steps. Lastly, we look at Uganda's response to COVID 19.

We also take a look at what's new from SARS pertaining to new and updated Legislation, Case Law, Guides and Forms, Published Binding rulings and Interpretation notes as well as any other publication that was issued during the month of November 2020.

We will always remind you of dates not to miss. But then again, if you do, we are here to help you waive all applicable penalties and interest – for a fee!

Like most of you, the focus now is to finish up on all current projects and meet our deadlines before the office closure. One cannot have a well-deserved rest with the thought of unfinished work. We therefore look forward to continuing with our newsletter in the New Year and hope to bring you informative developments within the tax space.

Happy Festive Season!

Targeting the Education Sector

There is a huge misconception on the treatment of Value Added Tax (VAT) when it comes to this sector. The misconception being that it is exempted from VAT. The SNG Grant Thornton Tax Department working with Internal Audit, Forensic, Business consulting and other regional leaders with experience in the sector have put together a detailed risk analysis document pertaining to this sector which is obtainable from our website.

For a downloadable version of a detailed write up of this document, please log onto our website on:
www.granthornton.co.za/newsroom

Below we give a brief overview of the challenges faced by this sector:

Educational services are an exempt supply under section 12(h) of the Value-Added Tax Act, 89 of 1991 (the "VAT Act"). The main reason for the exemption of educational services is that many of the institutions providing educational services were government institutions and to some extent financed by the government. When value-added tax (VAT) was introduced in 1991, legislation that specified the boundaries of primary, secondary, and higher education was not in place at the time and it was difficult to distinguish between the various educational spheres. As a result, the Value-Added Tax Committee (VATCOM) appointed by the Minister of Finance recommended at the time that the supply of educational services should be exempt from VAT, like the previous sales tax treatment. The exemption aimed to alleviate the financial burden as well as additional risks and compliance costs associated with VAT accounting and compliance. However, over the years, the activities of institutions providing educational services have changed drastically and a reduced number of institutions are wholly subsidized in terms of government subsidies. To aid government grants and increase income, these institutions have increased their taxable activities considerably.
Furthermore, privately owned, and semi-subsidized institutions are accountable for their own costs and are not provided any or limited support from government.

Numerous educational institutions within South Africa conduct an enterprise with the rendering of taxable supplies in addition to the provision of educational services. Such additional activities, provided the educational institute qualifies for and is VAT registered, are taxed at the standard rate. This in turn has created complications in administering the VAT Act, whereby these service providers are then required to carry out an apportionment calculation of VAT on their mixed supplies. This practice is inefficient and not cost effective. Furthermore, the ease of compliance, which was the basis of implementing the exemption, is diminished, as registration for VAT purposes is unavoidable.

In the 2015 National Budget Speech, the educational services VAT treatment of numerous expenditures was highlighted as a challenge. It was reported that the Davis Tax Committee is currently revising these VAT implications and that its conclusions will aid possible changes.

Since these developments are on-going and not yet finalised, the Education Institutions must abide by the current VAT legislation. The discussion document highlights certain risk areas that caution this sector. Some of these risks include but are not limited to:

a) Supplies made by Education Institutions

Education Institutions primarily supply educational services which are exempt from VAT in terms of section 12(h). These Institutions have however expanded their services to obtain funding/revenue from other sources. One income stream that has become a material source of revenue for most higher educational institutions is research income in its various forms. Under current legislation tuition fees, accommodation fees and some state-funded research grants have no VAT implications. This therefore implies that all other income received by the Education Institutions is likely to be a taxable supply.

b) VAT on Imported Services

Imported services are particularly relevant in the library environment and typically include subscriptions to international journals and databases.

In addition, institutional membership fees to international bodies, accreditation fees and international software licenses will also fall within the ambit of imported services. This therefore implies that Education Institutions that acquire imported services from a foreign supplier for final consumption must account for VAT at the standard rate to the extent that the services are used or consumed for purposes other than making of taxable supplies.

c) VAT on Electronic Services

The Original Regulations came into effect on 1 June 2014. These have since been updated. The intention of the Updated Regulations which came into effect on 1 April 2019 is to substantially widen the scope of services that qualify as electronic services, so that all services supplied for a consideration (subject to a few exceptions), which are provided by means of an electronic agent, electronic communication or the internet, are electronic services and must be charged with VAT at the standard rate. By virtue of foreign suppliers providing electronic services in South Africa, it is highly possible that they would have created a VAT presence in South Africa and subsequently applied for VAT registration as suppliers of electronic Services. This therefore implies that Education Institutions will not have to account for VAT Output on Imported Services however the normal VAT rules will apply. This therefore means that the institutions can claim VAT on the supplies received from such foreign suppliers.

d) VAT Apportionment

The principle of the VAT system is that VAT incurred on the acquisition of goods and/or services by a vendor in the course or furtherance of making taxable supplies should not be a cost to a vendor unless specifically provided for in legislation. In the instance that a vendor makes both taxable and exempt supplies, it is required to determine the extent to which the goods or services are used, consumed, or supplied while making taxable supplies. In this regard, the determination of the extent to which input tax may be deducted is regulated by the provisions of section 17(1) of the VAT Act. Most Education Institutions primarily provide exempt educational services and are or may be required to register for VAT as they also provide taxable supplies (standard and zero-rated supplies) in addition to the exempt and other non-taxable supplies. As a result, Education Institutions are required to apportion VAT in respect of those expenses that are not acquired wholly to make either taxable or exempt supplies. SARS issued a VAT Class Ruling (VCR) - Binding Class Ruling to Universities South Africa (USAf), formerly known as Higher Education South Africa (HESA) to assist universities in properly classifying their services and calculating the input tax deduction in respect of goods and services acquired for the purpose of making taxable supplies. In terms of the VCR, the recovery rate on overhead expenses is limited to 12.5%. SARS approved a varied input tax method as an alternative apportionment method.

e) Research Activities

Research is also a defined focus area in which Education Institutions are now contracted by private entities for various types of research and consulting services. The VCR focussed on the following type of research activities:

Applied research: means a project which is primarily directed towards a specific practical aim or objective and should result in the application of new knowledge into a process or product, or the transfer of existing knowledge into a new process or product, for the benefit of the donor or for the immediate purpose of commercialising the product.
Basis research: means experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any application or use in view.
Research grants: means any appropriation of funds by an organ of state within the Republic for the purpose of research where the involvement or development of students is a requirement or condition.
The following percentages shall apply to calculate input tax in relation to research activities:

Type of research	Input tax treatment
Basic	None
Applied	50% input tax deductible
Contract (student involvement)	50% input tax deductible
Contract (no student involvement)	100% input tax deductible

f) Change in use adjustment

In the event that capital goods or services are acquired, a vendor is required to estimate the percentage of taxable use in order to deduct input tax as soon as possible after acquisition or importation, despite the fact that the goods or service will be used, consumed or supplied during the subsequent tax periods. Where input tax has been deducted based on an estimate which does not reflect the actual taxable use, an adjustment must be effected. If the input tax deducted exceeds the input tax that should have been deducted, as the taxable use of the goods or service has decreased, an output tax adjustment must be made. Alternatively, where the input tax deducted is less than the input tax which should have been deducted, as the taxable use of the goods has increased an input tax adjustment must be reflected.

g) VAT on exchange transactions/Barter transactions

The VAT Act does not define a barter transaction. According to the VAT guide for vendors (VAT 404), a barter transaction occurs when goods or services are exchanged for other goods and/or services. Payment of the consideration may also be partly in money, and partly in goods and/or services exchanged. According to section 10(4) of the VAT Act, to the extent that payment is not in money, the consideration is the open market value (OMV) of goods and/or services received. In terms of this section, the value of a supply is deemed to be the open market value of that supply where:

- The charge is lower than the open market value of the supply;
- The parties are connected persons; and
- The recipient is not entitled to a full input tax deduction.

h) **Other common VAT Risks**

As VAT is a transactional type of tax, there are a lot of risks that can be identified based on the vendors' activities and transaction. One would need to analyse the risk on a transaction by transaction basis.

The below factors however tend to be some of the contributing factors associated with non-compliance when it comes to VAT. These are, but not limited to:

- Duplicate expenditure
- Inadequate risk assessments/identifiers
- Adequate process not followed
- Late filing of returns and not responding to SARS queries on time
- Poor record keeping
- Lack of VAT knowledge or not utilising skilled personnel
- Claiming input VAT on prohibited expenditure

i) **Employees Tax**

The 2018- 2019 annual report issued by the Auditor General has identified the following key issues that impose a risk relating to human resources on higher educational institutions:

- Payments made to education and training employees without proper approval employees tax risk). The department might not be withholding employees' tax and paying it to SARS on the payments made
- Payment of shift allowance to CET employees.
- Fraudulent payment made to employee
- Outdated Human Resources policies and financial system is responsible for capturing payments to employees.
- Poor controls in relation to leave capturing
- Payments in respect of leave.
- Overall policies and procedures in place to ensure monthly, quarterly, annual financial and performance reports may not be complete and up to date
- Employee records not properly kept no system in place to store large volumes of information received from Tvets
- Recurring findings regarding monthly reconciliation of employee benefits
- Payments to employees not properly authorised (CET employees)
- Backdated payment to employees without enough support
- Validity of leaners funded through community-based skills development initiatives
- Travel claim duplication

The above risks identified may have an impact on the withholding of employee's tax by the institutions of higher learning. The tax law requires:

All employers must withhold tax and pay it over to the tax authorities within 7 days after the end of the month during which the amount was deducted or withheld. They have an obligation to ensure that the correct number of employees` tax is calculated and paid over to SARS within the specified period as stipulated by the Commissioner of SARS.

Other risk areas pertaining to PAYE include but not limited to:

- Third party service providers
- Employee Benefits
- Insurance risk Products
- Bursaries
- Accommodation
- Advances

Incorrect Publication on VAT Apportionment Policies

In a recent publication issued by KPMG on apportionment policies, dated 09 November 2020, KPMG stated that:
"Vendors that apply to use a varied turnover-based method of apportionment need to be aware of SARS' most recent view regarding investment income such as dividends. According to SARS, certain investment activity by vendors related to earning dividends must be included in a varied turnover-based calculation. This investment activity, according to SARS, must be included in the varied turnover-based calculation by applying a yield to fees/dividends earned by the vendor. This yield is determined by calculating the difference between the prime interest rate and the Johannesburg Interbank Average Rate (JIBAR)—that is, 7% minus 3.68% = 3.32%—and applying this percentage as follows:

- If a management fee is earned, then the yield must be applied to the management fee to determine what amount is to be included in the calculation as a deemed dividend (e.g., if the yield is 3.32%, then the calculation is 3.32% x the management fee); or
- If no management fee is earned, but a dividend is received, then the yield must be applied to the dividend received (e.g. 3.32% x dividend received); or
- Lastly, when no management fee nor dividend is received, but another fee is charged, then SARS will apply the yield to such other fee.

The calculated amount must then be included in the apportionment calculation as a non-taxable item", said KPMG".

Well, on 17 November 2020, SARS issued a publication to the members of the South African Institute of Chartered Accountants (SAICA) wherein, it clarified this alleged "new policy" that KPMG published.
SARS highlights and clarifies the following:

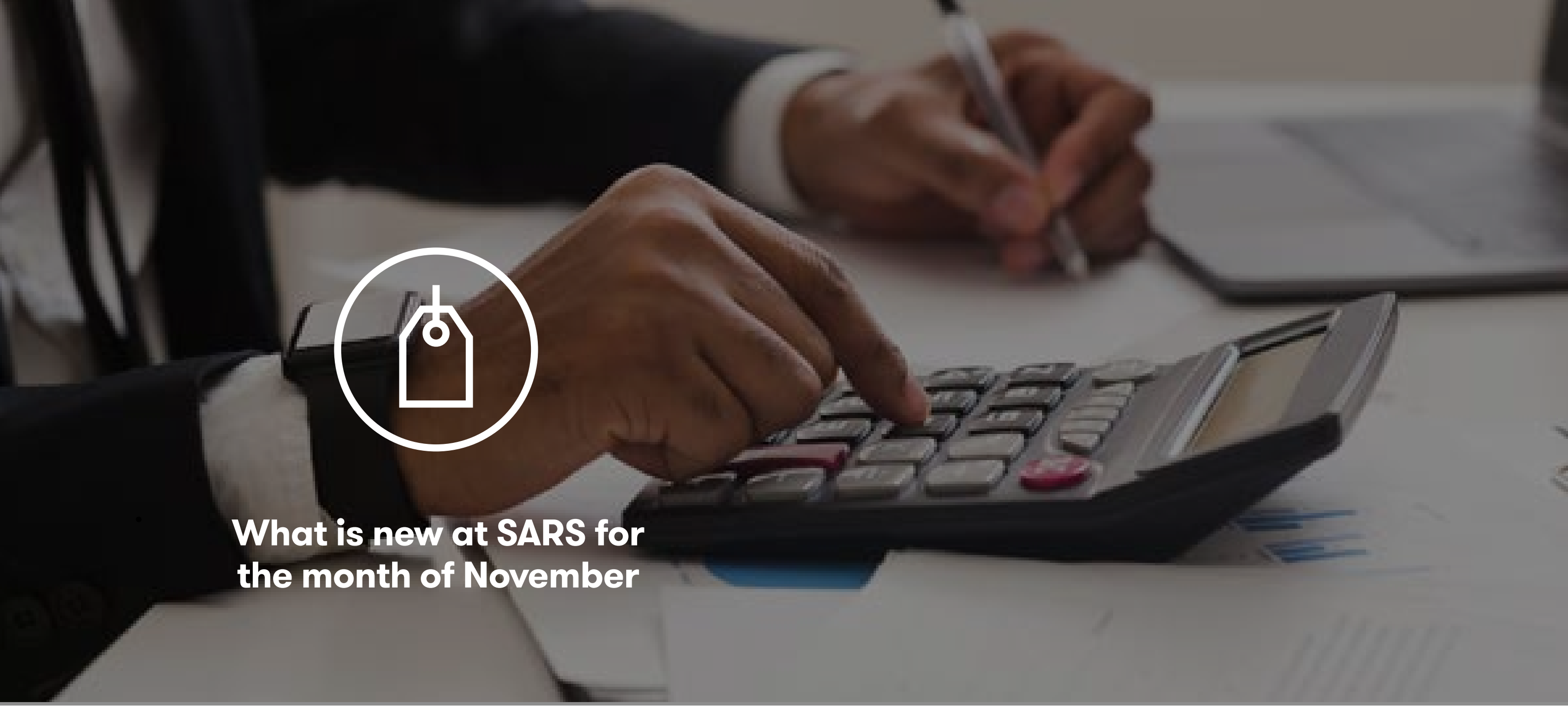
- The publication by KPMG dated 09 November 2020 does not correctly reflect the principles currently applied by SARS when considering the appropriateness of inclusion of the dividend income.
- A ruling is approved to a specific vendor or class of vendors by the Commissioner of class by way of a VAT Ruling under section 41B of the VAT Act. This means that the ruling is not an "official publication" as defined in the Tax Administration Act, 20 of 2011.
- SARS further clarified that to date it has not yet published any further official publications which contains policies or principles adopted relating to VAT apportionment other than the BGR16.
- SARS therefore regards the publication by KPMG as in accurate and misrepresentative. It creates the impression that SARS has adopted a new VAT apportionment policy that purports to be an official policy position in the absence of an official publication.

Apportionment reform
SARS commenced a process to reform VAT Apportionment, earlier this year, where BGR 16 is considered inappropriate. This reform contains a process where both the VAT apportionment and administrative approach as well as current principles and policies being applied are reconsidered. SARS is in the process consulting with relevant policy divisions and engaging with key public stakeholders to obtain feedback and discuss changes that may be proposed.

The Woodmead tax division earlier this year issues a tax article focussing on VAT Apportionments. We urge you to have a look at this article should you wish to understand the current approved apportionment method as well as alternative methods that one can apply for.

For a downloadable version of a detailed write up of this article, please log onto our website on **www.granthornton.co.za/newsroom**

The VAT Apportionment alternative method is approved by SARS on a case by case basis and we urge you not to advise clients based on an approved method that was specific to a particular client or industry.



What is new at SARS for the month of November

The below represents what's new at SARS for the month of November from 1 November 2020 – 22 November 2020.

Legislation		
2020/11/05	Acts Administered by the Commissioner	Acts: Disaster Management Tax Relief Administration Act 14 of 2020 Disaster Management Tax Relief Act 13 of 2020
Rulings & Interpretation notes		
2020/11/11	Published Binding Rulings – Binding Class Rulings – BCR 61-80	Binding Class Rulings (BCR) 075 – Settlement of post-retirement medical aid and retirement gratuity benefits
2020/11/18	Interpretation Notes – Numbers 1-20	Interpretation Note 19 (Issue 5) – Year of assessment of natural persons and trusts: Accounts accepted to a date other than the last day of February
2020/11/18	Interpretation Notes – Numbers 81-100	The following interpretation notes (INs) were updated: IN 97 (Issue 2) – Taxation of REITs and controlled companies; IN 90 (Issue 2) – Year of assessment of a company: Accounts accepted to a date other than the last day of a company's financial year
Case Law		
2020/11/03	Van der Merwe v CSARS (A322/2019) [2020] ZAWCHC 140 (30 October 2020)	Whether the rulings or orders made by the Tax Court in respect of the application for condonation and the striking out are appealable, whether the granting of the condonation to SARS was, on the facts, justified, and whether the failure to have the striking out application properly ventilated vitiated the proceedings
2020/11/19	Reed v Minister of Finance and Others (30832/2015) [2017] ZAGPPHC 987 (10 March 2017)	Whether the nature of SARS's investigations at that stage, precluded the taxpayer from making a voluntary disclosure
Guides and Forms		
2020/11/05	Capital Gains Tax (CGT)	Comprehensive Guide to Capital Gains Tax (Issue 9)
2020/11/06	Newsletters	Tax Practitioner Connect Issue 19 (6 November 2020)
2020/11/06	Employers	Updated Guide for Employers in respect of the Unemployment Insurance Fund
2020/11/18	ITR14L - Long term insurance	Updated template which used to support the figures on Forms 1 to 7 of the Income Tax Return for Long Term Insurance Companies (ITR14L)
Publications		
2020/11/04	Status overview of all DTAs and Protocols –	Multilateral Convention to implement tax treaty related measures to prevent base erosion and profit shifting (MLI) Synthesised Texts

2020/11/04	Automatic Exchange of Information (AEOI) (FATCA and CRS)	From 1 January 2021 the OECD will implement the following upgrades: CRS user Guide Version 3.0, XML Schema Version 2.0, CRS Status Message XML Schema Version 2.0, XML Status Schema Version 2.0. The SARS AEOI implementation is aligned to this as clarified in the Clarification Notes for AEOI (FATCA and CRS). Or see the Automatic Exchange of Information webpage for more info.
2020/11/05	Customs weekly list of unentered goods	Updated Customs weekly list of unentered goods
2020/11/09	Letter to trade	Discontinuation of CN2 at Beitbridge border post
2020/11/10	Customs weekly list of unentered goods	Updated Customs weekly list of unentered goods
2020/11/10	Country-by-Country (CbC) Financial Data reporting	The Organisation for Economic Cooperation and Development (OECD) User Guide for Tax Administrations introduced in June 2019 outlines areas of improvement, which SARS and all participating administrations require you to adhere to. These system upgrades will bring consistency in the Country-by-Country (CbC) reporting, and enhance compliance across the OECD countries. Read more.
2020/11/10	African Continental Free Trade Agreement (AfCFTA)	Frequently Asked Questions (FAQs) on AfCFTA
2020/11/11	FAQs for Employers on COVID-19 relief: Q: How to reflect the COVID-19 Tax Relief deferred payments on the EMP501?	A: For the months where the deferred payment is applicable (April to August 2020), capture the full 100% PAYE liability, regardless of relief. The payment must include the full payment made plus the relief granted. ETI Utilised must not be included. For the months where the COVID-19 instalments are payable (September 2020 to February 2021), declare the full 100% PAYE liability. Instalments must not be included. The payment must include only the payment towards the monthly liability (return value) and not include the instalment value. Note: Please make sure that the EMP501 reflects the full 100% liability is. See the rest of the FAQs for Employers.
2020/11/11	Media Release	SARS wins court case involving illegal fuel imports
2020/11/11	Preparation of Legislation – Discussion Papers	Discussion Paper – Advance Pricing Agreements
2020/11/12	Tariff Amendments 2020	The tariff amendment notice, scheduled for publication in the Government Gazette, relates to the amendment to Imposition of Provisional Payment in the form of Safeguard duty against the increased imports of bolts with hexagon heads of iron or steel: Preliminary investigation – ITAC Report 636
2020/11/12	Public Notices	Public notice published in terms of section 25(7) of the Tax Administration Act, 2011, extending the deadline to file Country-by-Country Report returns by persons as specified in the notice
2020/11/12	Media Release	Time running out for online tax return filers
2020/11/12	Media Release	SARS will discontinue the use of cheques
2020/11/13	Tariff Amendments 2020	Publication details for tariff amendment notice R1222, as published in Government Gazette 43901 of 13 November 2020, are now available
2020/11/16	Carbon Tax	Updated Carbon Tax Policy - Provision has been made for the Renewable Energy Premium.
2020/11/17	Preparation of Legislation – Bills	The National Assembly passed the following Bills, as amended by the Standing Committee on Finance, on 17 November 2020: 2020/11/22; Taxation Laws Amendment Bill [B27B—2020]; Rates and Monetary Amounts and Amendment of Revenue Laws Bill [B26A—2020]; Rates and Monetary Amounts and Amendment of Revenue Laws Bill [B26B—2020]
2020/11/19	New Scam	Tax clearance
2020/11/20	Preparation of Legislation – Draft Documents for Public Comment	Draft amendments to rules under sections 49 – Insertion of rules in respect of the Economic Partnership Agreement between the Southern African Customs Union Member States and Mozambique, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part .Due date for public comment 4 December 2020
2020/11/20	Preparation of Legislation – Draft Documents for Public Comment	DA 185.4B4 - Licensing Client Type 4B4 – Special storage warehouse; Draft amendments to Schedule No. 4 - Goods for Head of States; Draft amendments to rules under sections 21 – Special shops for diplomats
2020/11/20	Public Notices	Public notice 1236 published in terms of section 25(7) of the Tax Administration Act, 2011, extending the deadline to file Country-by-Country Report returns by persons as specified in the notice

Important dates- November 2020

Take note of the following important dates. Note that SARS levies penalties and interest for late submission of returns and/or payments.

Due date for submission	What to submit
07-12-2020	PAYE submissions and Payments
24-12-2020	VAT manual submission and Payments
30-12-2020	Excise Duty payments
31-12-2020	VAT electronic submissions and Payments
31-12-2020	CIT Provisional Tax Payments

From the Africa Desk

Practice makes a man perfect, but practice can never make a law perfect.

What has come as an impediment to the Uganda Revenue Authority (URA), is the ruling of the Court of appeal ordering to refund billions of shillings which was illegally levied from 13,946 nonregistered traders who imported goods for past eleven years. In a unanimous decision delivered on November 9, 2020, by three judges of the Court of Appeal, it was ruled that there is no law which authorised URA to collect on a levy that they had termed as "Domestic VAT" on imports into Uganda at the rate 15%. This has been the practice by the URA for many years.

URA was collecting 15% VAT on imports of a value of above minimum threshold from the nonregistered traders, in addition to the standard rated VAT (18%) as per the VAT Act, resulting in importers paying 33% of VAT on the imported value of the goods.

Plaintiff claimed that URA acted unlawfully in charging both standard rated VAT and domestic VAT at the same time. Parliament never passed any law of permitting or authorizing the collection of this domestic VAT of 15%. URA had no legal basis for charging both domestic VAT and Domestic VAT on imports brought into the country.

Respondent (URA) claimed that the mechanism of VAT set in the manner that the final tax payable is calculated as the tax collected by the taxpayer reduced by the tax credit allowed to him. Since non-registered importers do not file tax returns, there was no way output tax could be ascertained. As a solution to these challenges, the Commissioner General invoked the provisions of section 32 to make an additional assessment of tax payable by adding a mark-up of 15% to the import value, payable to cater for the value added in between the point of importation and final sale of the product.

The Ruling:

The judges were not on board with these arguments of URA and ruled; "A reading of the provisions of law shows that VAT can only be collected at a rate of 18%. It does not provide for collection of Domestic VAT at a rate of 15%. There appears to be no statutory instrument issued by the Minister and approved by Parliament specifying the rate of domestic VAT. The mere fact that a tax may become due in the future on imported goods made available in the domestic market does not allow URA to levy the tax when it is not yet due. VAT on taxable supply is levied when the taxable supply is made at applicable rate of 18% and not 15%" The court also held there was no basis upon which URA could estimate a mark-up, which applied generally to all importers. The message was loud and clear that the laxity of the Revenue Authority or the convenience of government and auditors cannot be used to facilitate breach of law.

Practical Impact of the ruling:

Although, the court has ordered URA to refund all the taxes collected as Domestic VAT in past eleven years, administratively it would be very difficult (if not impossible) to honor the ruling. When the refund amounts are looked at on individual basis, it might not make much sense for an individual importer to apply the same for various reasons. In most cases the nonregistered importers are those traders who would be having taxable turnover less than Ugx 150mn yearly turnover. There is a remote possibility of these traders would be maintaining the records in a manner that can satisfy the rigorous audit process URA would conduct to affect the refunds.

However, there is not a second though around the fact that the ruling will give a reason for smirk to small importers in the country.

VAT Deeming, what is it and who is it for?

In July 2015, 2016 and 2017 the Government of Uganda gradually rolled out the concept of VAT deeming. It was initially targeted at supplies made by contractors to licensees of mining and or petroleum operations in Uganda in 2015. In 2016 the regime was extended to supplies made to contractors of aid funded projects and further extended in 2017 to cover Government ministries, departments or agencies involved in the execution of aid funded projects.

To fully understand the concept of VAT deeming in Uganda, it is important to ascertain who exactly is eligible for the same:

1. A petroleum licensee is a person granted a mining right or a person with whom the Government has entered into a petroleum agreement with.
2. An Aid funded project is any project financed by a foreign government or development agency, through loans grants and donations.

VAT deeming applies from a domestic tax and customs perspective as follows:

Domestics taxes: All taxable supplies made by suppliers to contractors of aid funded projects and suppliers to contractors of petroleum licensees will have the VAT charged and filed in a VAT return but not actually paid.

Customs: Taxes are exempted on the importation of all machinery, spares, and inputs for direct use in Oil, Gas and Geothermal Exploration. Furthermore, all imports related an aid funded projects will be exempted from all taxes on importation.

Whilst already codified in law, there is a procedure the eligible taxpayers must undergo to ensure that VAT deeming is applied to their project as follows:

1. Submission of Contract for supplies either to aid funded project or supplies to petroleum licensee to the URA (both customs and domestic taxes department) along with the Bills of Quantities required for the project.
2. Each local purchase or import consignment will need to be approved by the URA either by granting you a Customs Processing Code (CPC) that allows you to import with taxes or a letter to your local supplier allowing them to deem the VAT on your local purchase.

There are however a few exceptions listed where the VAT deeming does not apply.

Uganda joins Extractive Industry Transparency Initiative (EITI)

In August 2020, Uganda was officially welcomed into the Extractive Industry Transparency Initiative (EITI) group of countries by Helen Clark, the EITI Board Chair and former Prime Minister of New Zealand. Uganda becomes the 54th country to become an EITI member, and the 26th in Africa, joining other natural resource countries including Zambia and Ghana.

EITI is the global standard for the good governance of oil, gas, and mineral resources. The EITI Standard requires the disclosure of information along the extractive industry value chain, from the point of extraction, to contracts and licenses, production, revenue collection and allocation, social and economic spending, until the eventual point of public benefit. This information is then widely disseminated to inform public debate and generate recommendations which are then followed up for the benefit, improvement, and development of the national extractive sector.

What are the benefits of Uganda joining EITI?
As an EITI member, Uganda will adhere to and implement the EITI Standard which promotes a more open and accountable form of extractive sector management. Membership of EITI will improve the investment climate and strengthen tax collection. It will build trust among sector stakeholders by facilitating honest and frank discussions on the problems and challenges within the sector. It will also strengthen revenue management and accountability.

How does EITI work?
The MSG has prepared a two-year costed work plan which it intends to roll out as part of EITI implementation. This work plan defines the activities that the MSG will undertake to prepare, publish, and disseminate Uganda's first EITI report. The MSG is supported in its work by a National Secretariat, which is responsible for the operational activities of the Uganda Extractive Industries Transparency Initiative (UGEITI).
Next steps
The Multi Stakeholder Group (MSG), a 23-person Committee that was tasked with the oversight of EITI implementation in Uganda, now has 18 months to publish information on the sector in a national report, and then submit to a 'validation' of these disclosures by the International EITI Board. Once this validation is approved, Uganda will then become a full member of EITI, and continue working to ensure that this membership is maintained.

Uganda's Response to COVID-19

With an adverse impact on the economy, the Country through the Ministry of Finance Planning and Economic Development was expected to provide a response to the adverse effects of the pandemic during the budget speech that was delivered on June 11, 2020. The theme for the 2020/21 National budget is "Stimulating the economy to safeguard livelihoods, jobs, businesses, and industrial recovery" which is in line with that of the East Africa Community (EAC) partner states. It also corresponds directly with the third National Development Plan (NDPIII) 2020/21 to 2024/25: "Sustainable industrialization for inclusive growth, employment and sustainable wealth creation". Delivered under rather unique circumstances, the budget speech was watched by the public eagerly anticipating for proposals on how to tackle the financial impact of COVID-19 pandemic. The stimulus packages announced was geared at boosting the economy. Amongst the others like boosting the Social infrastructure, restoring the household incomes & safeguarding the jobs and Revamping of the Business community, Parliament also announced a Tax stimulus package. Some of the key proposals under the tax stimulus package included.

- Deferral of Corporate Income Tax for sectors that are significantly impacted by the pandemic. The identified sectors are education, tourism, manufacturing and Horticulture or floriculture. The tax liabilities due between April 1, 2020 to June 30, 2020 are to be deferred until 30th September 2020. No interest or penalty shall accumulate on the outstanding amount of tax during the period.
- Deferral of Employment taxes liability that is due between April 1, 2020 to June 30, 2020 without interest until September 30, 2020.
- Waiver of outstanding interest and penalties on Tax arrears as on June 30, 2020 for all the taxpayers in the country

Tax and Fun

Sure, you did not expect those two words in the same sentence?

At SNG Grant Thornton Tax we have a very serious job to do and we do not take it lightly. But we can see the funny side of things as we strive to meet our revenue targets.

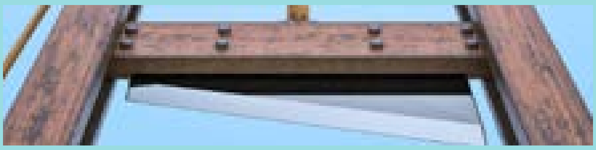
So here are some strange facts odd bit of Tax Knowledge you might never have known if we did not highlight it here.

Jock tax – This is a tax on athletes who play in different cities and states. Did you know this first started in 1991 after California started taxing the earnings of Chicago Bulls players? It was in the 1991 NBA Finals when the LA Lakers played the Chicago Bulls in the Finals that year (which the Bulls won in 5 games). Illinois retaliated and soon nearly every state added their own version of this tax because they love money!

Hipsters beware! Peter the Great in Russia once taxed beards. There was also a tax on souls, hats, boots, beehives, basements, chimneys, food, clothing, birth, marriage, and burial.

According to the UK's Tax Avoidance Schemes Regulations 2006, "it is illegal not to tell the taxman anything you don't want him to know, though you don't have to tell him anything you don't mind him knowing." What!?

You don't like taxes. I don't like taxes. But the French really don't like taxes. In 1789, the start of the French Revolution, tax collectors were sent to the guillotine? Poor folks were just doing their jobs… it's not like they enjoyed collecting!



In Texas, Christmas tree decoration services are subject to a tax only if the decorator provides the decorations and ornaments. In addition, there is a tax on holiday-themed pictures that are meant to be placed on windows.

In New Mexico, people over 100 years old are tax-exempt, but only if they are not dependents.

In Colorado, essential food items are tax-free, but straws and cup lids are subject to sales tax because they are considered to be nonessential food items.

During the 1st century AD, Roman emperor Vaspasian placed a tax on urine. The buyer(s) of the urine paid the tax. The urine from public urinals was sold as an essential ingredient for several chemical processes e.g. it was used in tanning, and by launderers as a source of ammonia to clean and whiten woollen togas etc. Therefore, those who obtained valuable urine from collectors were charged a tax.

In Canada, makers of children's breakfast cereal are granted a tax exempt status if their cereals contain free toys. However, this exemption is limited to toys that are not "beer, liquor, or wine." If Canada has a cereal available for children which does include these free toys, it would be surprising!

Careers

Please visit our website www.grantthornton.co.za for available positions within the Tax Division.

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