

HARMONIZATION OF EXCISE DUTIES IN THE EAC COUNTRIES

1) INTRODUCTION

EABC organized a regional workshop on the harmonization of Excise duties in the EAC countries between 29th and 30th June, 2010 at the East African Hotel in Arusha, Tanzania. Partner States need to harmonize their domestic taxes (focus on Excise duties) following the Integration process and the now commenced Common Market in order to allow for efficiency and free movement of goods and services within the region. (As a standard, in the Common Market stage, domestic taxes ought to be harmonized, **to ease trade and reduce price distortions**). Participants were drawn from Rwanda, Tanzania, Kenya and Uganda¹.

Private Sector Apex bodies coordinated sector players from the various countries, these were drawn from companies mainly manufacturing excisable goods and providing excisable services in the region. These sectors include; Alcoholic Sector, Tobacco/Cigarette Sector, the Soft drinks' sector, the Petroleum Industry, plus the Telecom industry. From Uganda, PSFU and UMA took a lead participatory role together with representatives from; Century Bottling Company, Zain Uganda Ltd, Nile Breweries Uganda Ltd, and BAT Uganda Ltd, who as practitioners presented their industry views.

2) RATIONALE FOR THE MEETING

- ✓ This was a forum through which the Private Sector articulated her views on excise taxes in order to feed them in the EAC Excise bill, which is now in final stages and the Tax Harmonization Project.
- ✓ Bring about harmony and remove potential distortions to trade in a single market.
- ✓ Aimed at enabling the Private Sector to engage Governments in Policy formulation.
- ✓ Develop a regional consensus for fair play and enhance Private Sector competitiveness.
- ✓ Need to maximize synergy and Economies of Scale.

3) KEY CROSS CUTTING ISSUES RAISED FOR CONSIDERATION

- ✓ There's need for a win-win situation between the Private Sector and Policy Makers.

¹ Burundi did not participate in this meeting following their Political elections due for August 2010

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- ✓ Therefore, for harmonization, there is need to work within agreed regional principles such as;
- ✓ defining taxable products uniformly, defining tax base,
- ✓ Replacing ad valorem rates with specific ratings,-harmonization of structures,
- ✓ Define specific tax rates in the national Excise tax Laws and finally define lower and upper Ceiling rates for the national taxation rates.

4) CONCLUSIONS/WAY FORWARD

EABC secretariat suggested that the group at the meeting forms/becomes the Private Sector Working group and ensure a private Sector position on Excise taxes in EAC for harmonization is developed and fed into the EAC Excise bill². It was also agreed that sectoral focal point persons be appointed to further coordinate final positions from all the 5 partner states. Therefore, the following were zeroed on;

- ✓ Mr. Francis Onapito from Nile Breweries- Uganda, for the Alcoholic Sector (Uganda)
- ✓ Mr. Patrick Oyuru from Century Bottling Company, for the Soft drinks Industry (Uganda)
- ✓ Mr. Sadiq Amako from Zain Uganda Limited, for the Telecom Industry (Uganda)
- ✓ Mr. Genesio N. Mugo from Kenya Shell Limited, for the Petroleum Sector (Kenya)
- ✓ Mr. Peter C. Ndegwa from BAT East and Central Africa, for the Tobacco Sector (Kenya)

Private Sector Apex bodies will work with EABC to coordinate all sectors and have all other issues addressed through this team and develop a final EAC private Sector position to be fed in the EAC Excise Bill³.

Feed back to EABC is expected by 12th July 2010 just in time for the working group meeting on Excise taxes in EAC for harmonization on the 17th July 2010 (this will be a Public Private Dialogue) for a final conclusion of the Bill.

² Please refer to the PSFU Policy Unit for details and for soft copy of the EAC Excise Bill

³ Burundi will also be contacted for her concerns to be incorporated as well