

Raising Prices on Alcohol through Excise Taxes and Pricing policies.

Team: Rogers Kasirye, Rogers Mutaawe, Anna Nabulya and Clare Nabulime

Uganda Youth Development Link (UYDEL)

E- mail kasiryer@yahoo.com

www.uydel.org

Outline

- ❑ Taxation regime
- ❑ Alcohol Map vs Harm issues
- ❑ Observations
- ❑ Discussion
- ❑ Conclusion

Top contributors of Local Excise Duties collections

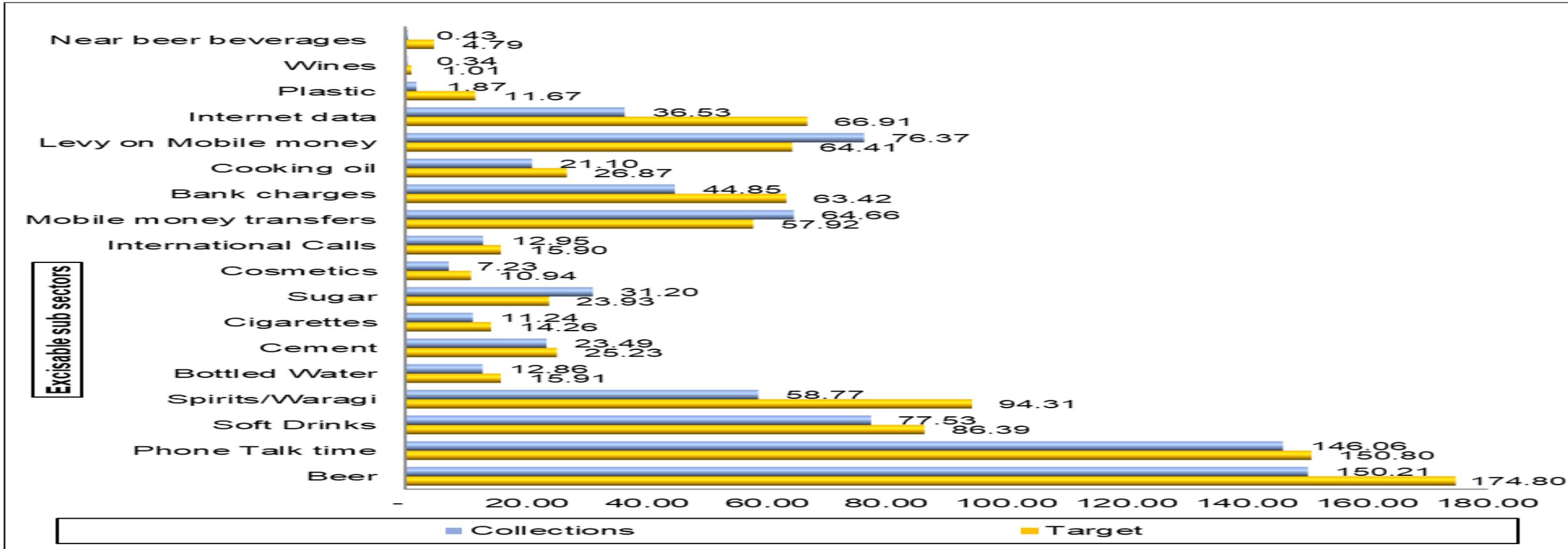
| Taxpayer Name | FY 2018/19 | FY 2019/20 | Growth (%) |
|--|-------------------------|-------------------------|------------|
| | Amount Paid (UGX Bn) | Amount Paid (UGX Bn) | |
| MTN Uganda Limited | 312.24 | 300.82 | -3.66% |
| AIRTEL Uganda Limited | 208.01 | 204.61 | -1.63% |
| NILE Breweries Limited | 189.95 | 170.10 | -10.45% |
| Uganda breweries limited | 135.51 | 139.30 | 2.80% |
| Kakira sugar limited | 58.17 | 50.29 | -13.54% |
| Crown beverages limited | 46.88 | 46.06 | -1.74% |
| Century bottling company | 46.91 | 44.06 | -6.08% |
| Hariss international limited | 29.45 | 27.63 | -6.16% |
| Bidco Uganda limited | 21.12 | 25.69 | 21.67% |
| Leaf tobacco & commodities (u) limited | 14.91 | 21.02 | 40.99% |

Top 10 contributors of VAT in FY 2019/2020

| | Taxpayer Name | Sector Description | FY 2018/19 Collected Amount (UGX. Bn) | FY 2019/20 Collected Amount (UGX. Bn) | Growth (%) |
|-----------|----------------------|--|--|--|-----------------------|
| 1 | MTN UGANDA LIMITED | J-Information and communication | 158.44 | 175.95 | 11.05% |
| 2 | AIRTEL UGANDA | J-Information and communication | 116.92 | 154.79 | 32.39% |
| 3 | NILE BREWERIES | C-Manufacturing | 93.70 | 91.74 | -2.10% |
| 4 | BUJAGALI ENERGY | D-Electricity, gas, steam and air conditioning | 74.62 | 81.12 | 8.71% |
| 5 | KAKIRA SUGAR LIMITED | C-Manufacturing | 74.47 | 68.00 | -8.69% |
| 6 | UGANDA BREWERIES | C-Manufacturing | 50.92 | 67.06 | 31.68% |
| 7 | TORORO CEMENT LTD | C-Manufacturing | 48.83 | 62.77 | 28.54% |
| 8 | UMEME LIMITED | D-Electricity, gas, steam and air conditioning | 57.53 | 36.37 | - 36.78% |
| 9 | KINYARA SUGAR | C-Manufacturing | 33.63 | 35.34 | 5.08% |
| 10 | ATC UGANDA | L-Real estate activities | 20.25 | 31.10 | 53.60% |

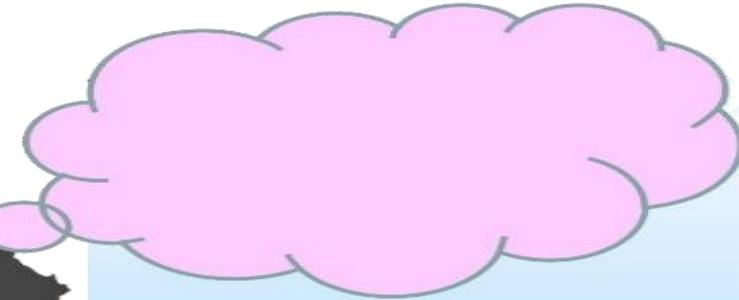
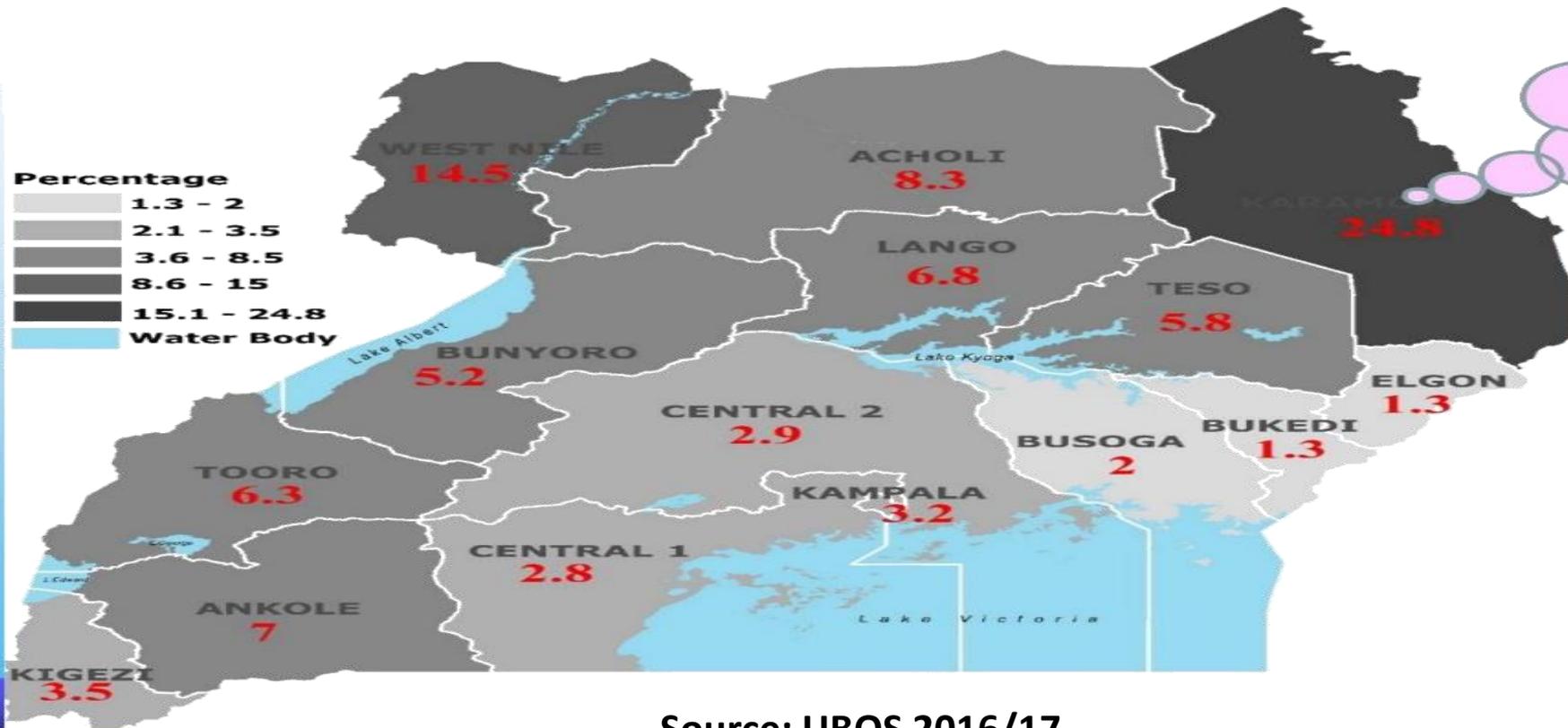
Source: URA Annual Performance Report 2019/2020

Local Excise Duty Performance for period July to December 2021



Source: Half Year Revenue Performance report July to December 2021

Poverty Vis Avis alcohol consumption and the Uganda Drinking Map.



Source: UBOS 2016/17

GENDER BASED VIOLENCE

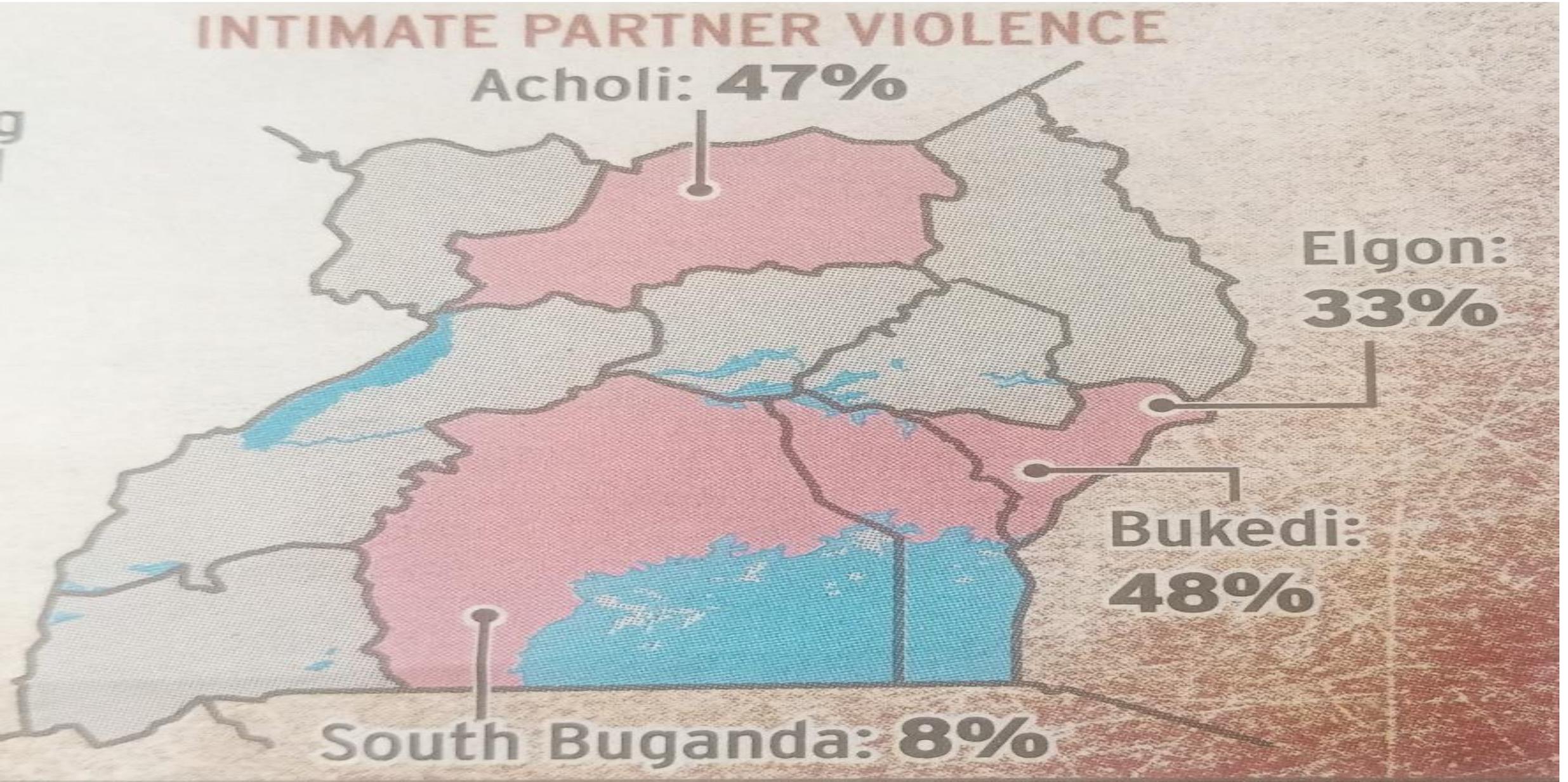
INTIMATE PARTNER VIOLENCE

Acholi: **47%**

Elgon: **33%**

Bukedi: **48%**

South Buganda: **8%**



Pattern and observations Taxation in Uganda 1

- Alcohol industry contributes significantly to total national revenue collected per Tax category (appear in the top five tax contributors per tax type above).
- A sign of **increased alcohol consumption every** year in Uganda.
- Current **alcohol consumption was high among the males** at 17 percent compared to the females at seven percent (UBOS, 2019).
- Alcohol **revenue targets for Local Excise Tax collection are higher than other excisable products** because they rely on its significant contribution to the tax revenue.

Pattern and observations Taxation in Uganda 2

- URA introduced **digital stamps and electronic fiscal devices for eight products** (cigarettes, beers, sodas, water, wines, spirits, sugar and cement) which has expanded of tracing and tracking products which has grown the revenue contributions from the VAT and LED tax heads.
- Efforts towards **curbing illicit trade** and eliminating uneven playfields for taxpayers.

Loss of revenue Vs Revenue growth

Price of alcohol still at the same price: as Early as the financial year 2018\19 Uganda government amended the Tax Act and section 21(1) was introduced providing for corporate income tax exemptions for firms, which operate in priority sectors, and meet a qualifying investment threshold;

Those **sourcing 70% raw materials and those who accounting** for at least 70% of Ugandan citizen.

A lot of **revenue is lost in revenue exemption.**

Government to **deal away with alcohol** harm arising out of alcohol.

Re-aligning Alcohol Taxation Regime in Uganda Vs East Africa

- Excise taxes on alcohol in Kenya are too high by a wide margin as compared to other East African countries and are being updated and enforced.
- Excise tax rate in Uganda and Tanzania are too low to counterbalance the estimated net costs of misuse (Parry, 2003).
- Rwanda collects 16% out of 8.376 billion dollars and Tanzania collects 47.43 billion USD In Kenya 20% out of 70,529 billion dollars.
- Uganda collects 13% out of 25.53 billion USD far lower than most sub-Saharan African countries (Therefore a lot of revenue is lost as a result of low percentage of taxes.
- There is need to investigate why Uganda pays lower taxes?

Re-aligning Alcohol Taxation Regime in Uganda Vs East Africa

- There is need to **align the tax regime** to other East African countries. Kenya and Rwanda have less problems related to alcohol compared to Uganda).
- Uganda **alcohol consumption is still high but the revenue is not commensurate with the levels of consumptions** and a lot of illicit alcohol still produced but untaxed (Swahn et al., 2018)
- This **local brew needs to be brought into the tax curve** and increase its revenue. Untaxed illicit brew and many producers are outside the tax base.
- Likewise, 56% of the population does not drink. Many young people may be living alcohol free.
- **Economic versus health benefits.**

Taxes on alcohol but a shocking advert

During the 2019/2020 the budget increased taxes on alcohol but a shocking advert in one of the leading newspapers said that that the price of alcohol was still at the same price **(taxation of alcohol is yet to be felt and bring the net results to increase revenue)**.

With the new Financial Year 2022/2023 factories producing the low-cost opaque beer will **enjoy a tax relief intended to attract more local manufacturers into the alcohol production** industry.

The proposal to reduce the excise duty rate on opaque beer **would encourage the reopening of companies that had closed as a consequence of the higher tax as manufacturers** of opaque beer will pay only 12 per cent or Shs150 per litre of the beer produced as compared to the current 20 per cent or Shs230 per litre. (Parliament of Uganda report 18th May 2022).

Government completely should eliminate these exemptions to the alcohol industry given the Alcohol burden created by alcohol and **Mixture/hybrid of taxations**

Immediate Measures

- a. **Tax alcohol inside the bottle** (content) more tax (lethal and high addictive).
- b. Limited impact of taxation may need serious review from time .

a. **Packaging**

- Declare a total ban/eliminate alcohol in small bottles.
- Only permit plastic bottles with a minimum of 250 mils.
- Provide the national standards governing packaging drinks.

c) **Ban the display and free distribution**

- Of alcohol and related products at public and social events.
- Use of children in all trade activities related to alcohol.

d) Alcohol **coordination body**

Action points

- **Increase number of people who don't drink from 56%.**
Reduce those who drink and stand at 36% (Mbona et al, 2022).
- Abstinence
- **Raise drinking age to 21 years**
- Review the tax regime and alcohol and advertising
- **Declaration of such production and process of harmful products** be included and discussed regularly to see how to expand the taxes
- **Eliminate such products irrespective of consumption area** and their process (production for market or for consumption).

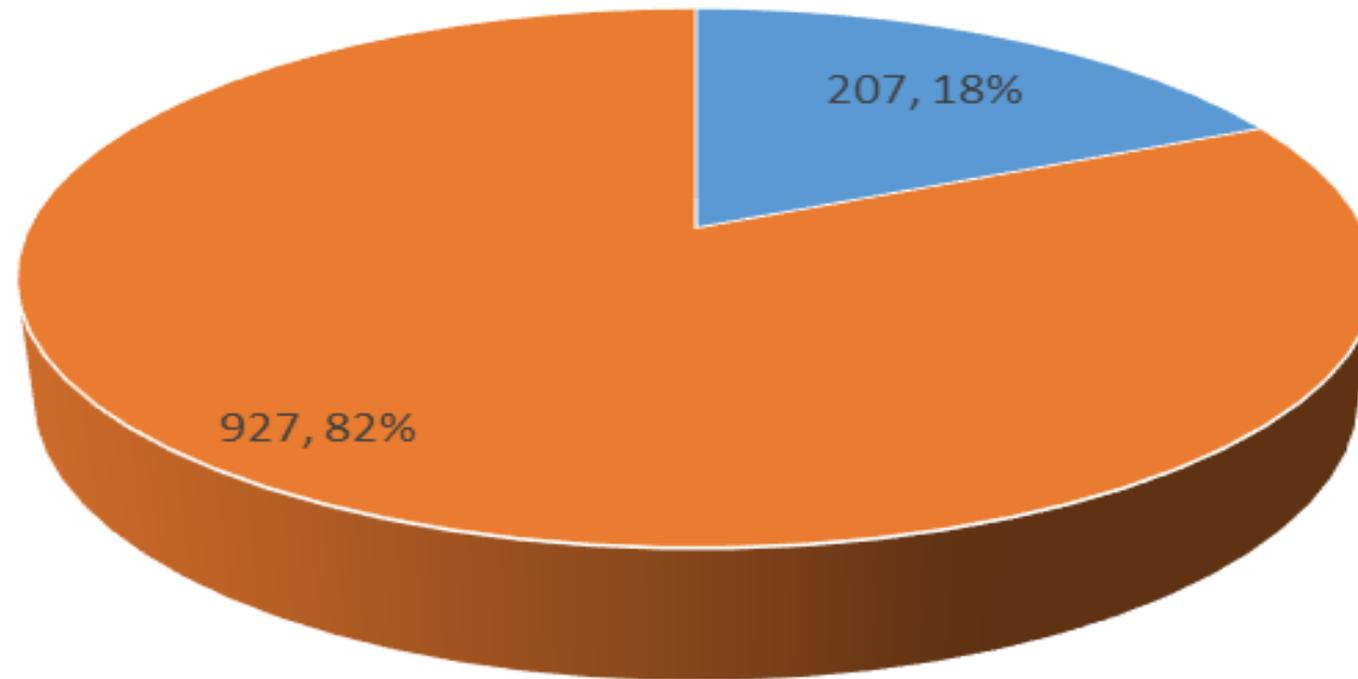
Harnessing the full potential of alcohol taxation, Potential and Window of Opportunity

- Increase tax on alcohol, Deal away with alcohol tax exemptions
- Deal with conflict of interests.
- Deal with unethical alcohol marketing, packaging and selling points.
- Enforce alcohol breathalysers
- Economic costs of Alcohol harm is real and must be addresses
- Untapped potential of alcohol taxation for investment in health and development.
- Alcohol poisoning of interest in enforcement.

Alcohol marketing



CHART SHOWING ALCOHOL COMPANY REPRESENTATIVE EVER OFFERED YOUNG PEOPLE A FREE DRINK OF ALCOHOL



■ Yes ■ No

Swahn et al, 2017

Tax alcohol inside the bottle





UBL defies closure of bars to post 33% revenue growth

Monday, August 02, 2021



An employee inspects beer bottles in a production line at Uganda Breweries Limited. The revenue growth, which stood at 33 per cent, was mainly supported by flagship brands in both beer and spirits divisions, which all recorded double-digit growth. PHOTO / FILE

By MARTIN LUTHER OKETCH

Despite a difficult business environment due to Covid-19, Uganda Breweries Limited (UBL) has registered growth in revenue for the year ended June.

The revenue growth, which stood at 33 per cent, was mainly supported by flagship brands in both beer and spirits divisions, which all recorded double-digit growth.

STATE OF **ALCOHOL** IN UGANDA

NGO PERSPECTIVE

**Harnessing the full potential of alcohol
taxation, as a Window of Opportunity
and reducing harm to others**

October, 2022



Uganda Youth Development Link
Sir Apollo Kaggwa Road, BIFRO House
Email: kasiryer@yahoo.com
T: 0772470190/0414530353
Email: uydel@uydel.org
www.uydel.org

ALCOHOL

HARM PREVENTION PROJECT

OVERALL PROJECT GOAL:

To contribute to the reduction of alcohol use related harm and sale to young people in targeted communities through supporting the development of enforceable evidence based bylaws in four Divisions of Wakiso District by 2021.

The four targeted Divisions are:-

Nansana Division
Gombe Division
Mende Division
Kakiri Town Council



Uganda Youth Development Link (UYDEL)

Sir. Apollo Kaggwa Road, Bifro House (Opp. DFCU Bank).

P. O. Box 12659, Kampala - Uganda (EA).

Phone: +256 (0)414 - 530 353

E-mail: uydel@uydel.org

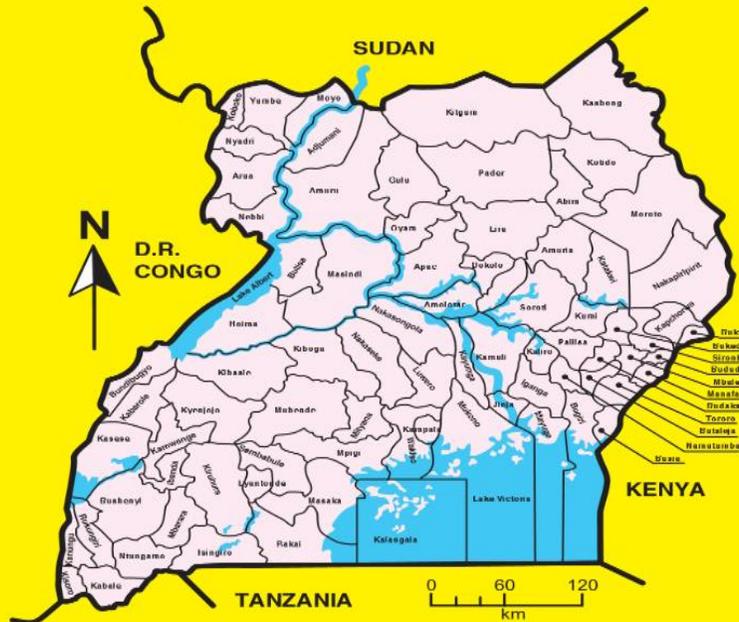
Website: www.uydel.org



IOGT-NTO MOVEMENT SWEDEN

**Stay alive,
Say No to Alcohol
Keep Minors Away!**

MAP OF UGANDA



Prepared by:
Uganda Youth Development Link
Sir Apollo Kagwa Road, Bifro House (Opp. MBI),
P.O. Box 12659, Kampala - Uganda
Tel.: +256 (0)414 - 530 353 (Off.)
Website: www.uydel.org

With support from



IOGT-NTD Movement
Centre for Substance Abuse Prevention

State of Alcohol Abuse in Uganda



**Uganda Youth
Development Link**

June 2008

**Stay alive,
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MAP OF UGANDA



THE ROAD MAP TO Alcohol

POLICY & REGULATION IN UGANDA



NGO Perspective

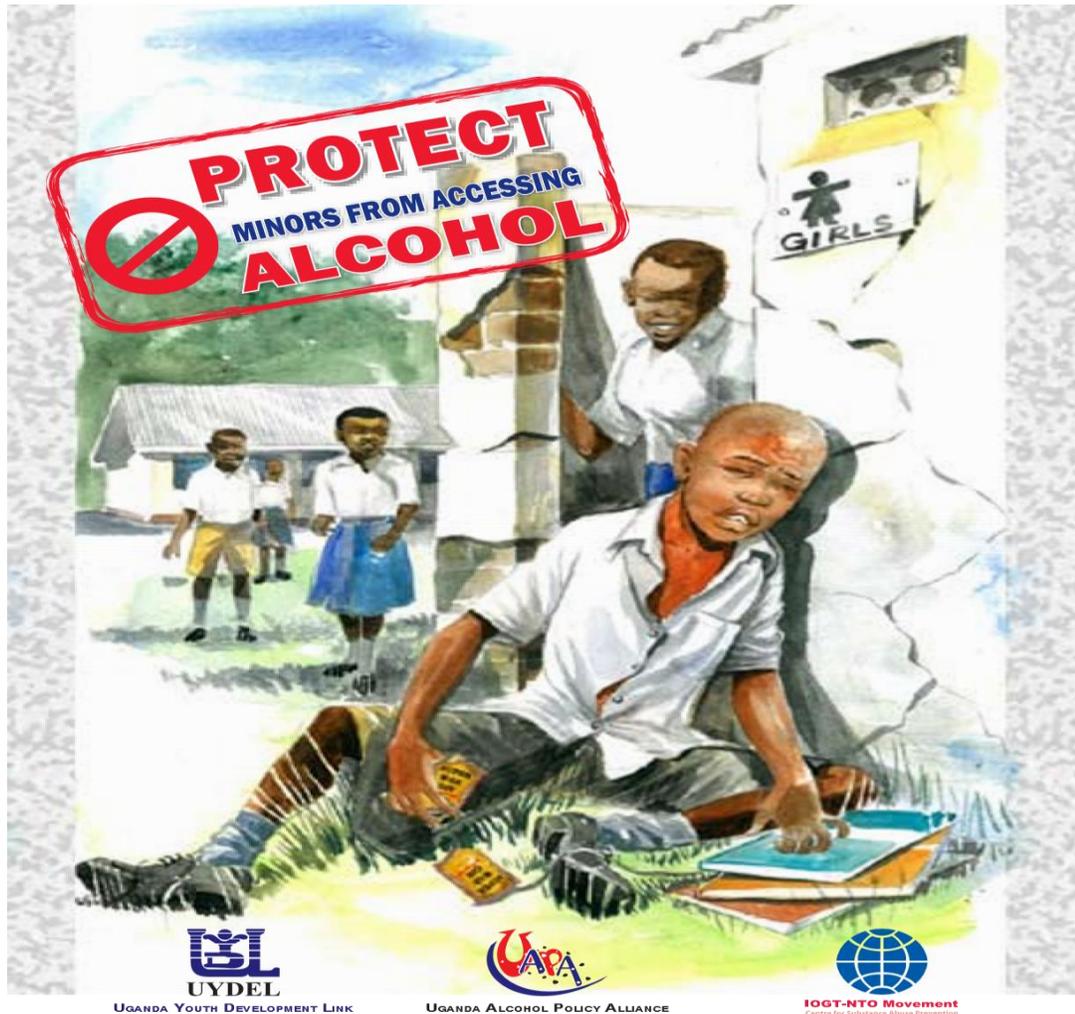


Prepared by:
Uganda Youth Development Link
Sir Apollo Kagawa Road, Bifro House (Opp. MBI).
P. O. Box 12659, Kampala - Uganda
Tel.: +256 (0)414 - 530 353 (Off.)
E-mail: uydel2009@yahoo.com
Website: www.uydel.org

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IOGT-NTO Movement
Centre for Substance Abuse Prevention



PROTECT
MINORS FROM ACCESSING
ALCOHOL



UGANDA YOUTH DEVELOPMENT LINK



UGANDA ALCOHOL POLICY ALLIANCE



IOGT-NTO Movement
Centre for Substance Abuse Prevention

Sir. Apollo Kagwa Road, Bifro House (Opposite MBI), P. O. Box 12659, Kampala, Uganda - East Africa.

Office Tel : +256 (0)414 - 530 353

E-mail: ugandaalcoholpolicyalliance@gmail.com / uydel@uydel.org

www.uydel.org

STATE OF ALCOHOL

AND
SUBSTANCE ABUSE IN UGANDA:
Policy and Practices



Second Edition - 2013

Thank You

**IOGT.NTO.
MOVEMENT**



- ❑ Special Thanks goes Monica Swahn, Dr Basangwa
- ❑ and Dr Kigozi(RIP)