

Taxman

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URA RELAXES WAREHOUSING RESTRICTIONS ON OLD MOTOR VEHICLES



BY FLORENCE NAMUGANZA

The Uganda Revenue Authority (URA) has reviewed its earlier directive to remove motor vehicles dating nine years old or more from the warehousing regime to adopting a one-year reduction approach on warehousing regime for these motor vehicles.

With the new measure, which takes effect on 1st July 2022, motor vehicles older than 13 years shall pay taxes while at the first ports of entry into the East African Community (EAC).

URA's Commissioner General John Rujoki Musinguzi, said this last Friday during an engagement with used car dealers at the authority's headquarters in Nakawa.

Mr. Musinguzi also resolved to reduce the warehousing period of motor vehicles aged nine to 12yrs, to only six months without extension. The current practice allows an importer to warehouse such vehicles up to nine months.

He further told the car dealers, that URA recognised the effect of the current global inflation, which is still affecting businesses in all sectors, the approach to adopt changes in the warehousing regime ought to be reviewed.

“Considering the current economic landscape and the geo-politics that has caused creeping inflation in the country, it is imperative that URA adopts a more gradual but progressive approach to the restriction of warehousing of used Motor Vehicles,” Mr. Musinguzi said.

In a notice issued on 1st April, 2022, the tax authority directed all importers of cars dating nine years old or more to undergo Customs clearance and pay taxes at the port of entry into the EAC before such vehicles are allowed into Uganda. This was to take effect on 1st July, 2022 for private motor vehicles excluding commercial ones.

Consequently, on 5th May, 2022, the importers, under their umbrella body, Used Car Dealers Association of Uganda, petitioned the URA Commissioner General expressing dissatisfaction with the directive.

In the petition, used car dealers were concerned about the directive’s impact on the re-export business. They noted that 5,000 vehicles are re-exported to South Sudan, Democratic Republic of Congo and Burundi. Marvin Ayebale, the association spokesperson, said 83% of the re-exported motor vehicles fall in nine to 15-year category. He added that if the URA directive is adopted, a close to UGX 120-billion-shilling business faces a threat since vehicles intended for re-export would have to be cleared at the ports.



Marvin Ayebale presenting at the meeting

The vehicle dealers also sighted the COVID-19 pandemic and the current inflation occurring globally as one of the hindrances which may not favour clearing the motor vehicles at the points of entry. The car dealers stressed that the business was greatly affected and measures that require more capital at hand put the fraternity at risk.

The used car dealers welcomed the new resolution on warehousing without extension and said it was a more accommodative measure as opposed to earlier directive that was entirely abolishing warehousing.



Musinguzi having a light moment with used car dealers after the meeting

The URA's initial directive on motor vehicles dating nine years or more was meant to avert revenue loss which was caused by warehousing of motor vehicles for a period up to nine months. Government revenue was being held by delayed warehousing of such motor vehicles.

Such engagements are in URA's new approach of being a business enabler by adopting to listen more to the concerns of taxpayers and come up with solutions that better their lives.



KACITA's Issa Ssekitto (in red shirt) attending the meeting



Florence Namuganza