FOREX RATES

CURRENCY	BUY	SELL
Dollar.	3655	3685
Euro.	4340	4540
Pound.	4940	5180
Kenya sh.	30.0	34
TZ sh.	1.42	1.65
Dhiram.	500	1035
S. A. Rand.	200	250
Japanese yen.	17.55	37.25
Rwandese francs	2.8	4
Dollar small&old.	3550.	3685

COMPILED BY HARRIET BIRUNGI
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VIRUS CRISIS PUSHES TOTAL INTO MASSIVE ANNUAL LOSS

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PHOTO BY SHAMIM SAAD

Deputy executive director Advocates Coalition for Development and Environment Onesmus Mugyenyi, Regina Navuga and James Muhindo interacting after a press briefing on illicit financial flows risk factors in Uganda's oil and gas sector at Skyz Hotel in Kampala on Tuesday last week

TAX HAVENS ATTRACTING LOCAL COMPANIES – CSOS

By Ali Twaha

The use of tax havens by multinational corporations is increasingly attracting the attention of local companies, tax professionals have said.

There is growing concern from tax experts that local firms are choosing to domicile their investments in tax havens (Mauritius and Netherlands) due to its low tax regimes and tax treaties, a situation that will further undermine efforts to boost domestic resource mobilisation.

Illicit Financial Flows (IFFs) is becoming a real challenge to resource mobilisation for financing development in Uganda, experts say.

IFFs refers to the movement of money and value from one country to another that is illegitimately earned, transferred, and utilised.

Civil society organisations (CSOs) have over the years raised the alarm as the country is being cheated out of billions in tax revenues.

In Uganda, according to CSOs, the evolvement of local companies to take advantage of exiting international tax loopholes presents a huge risk to expanding the tax net.

"Nearly all the flower firms that we have here are registered in the Netherlands. They went there because Uganda and the Netherlands have a Double Taxation Agreement (DTA)," Henry Bazira, a member of the Tax Justice Alliance, said.

"The Uganda Registration Services Bureau knows some of these companies. Because they have created complex company structures, many firms are domiciled in the Netherlands," he added.

DTA are treaties between two or more countries to avoid international double taxation of income and property.

The main purpose of the DTA is to divide the right of taxation between the contracting countries to avoid differences and to ensure that taxpayers have equal rights and security.

Uganda has about nine treaties currently in effect. The DTA partner states include the Netherlands, Mauritius, Norway, South Africa, United Kingdom, Italy, Zambia, India and Denmark.

Experts say profits made by several companies are officially hidden away in offshore tax havens, such as Mauritius and The Netherlands, where most companies only exist on paper.

"Uganda is estimated to be losing about sh2 trillion per year and it is feared that the situation could get worse with the commencement of commercial oil production," James Muhindo, the co-

Henry Bazira

BETWEEN THE LINES

As part of the imitative, oil companies have also been encouraged to provide public information about their tax strategies and business practices.

ordinator, Civil Society Coalition on Oil and Gas, said.

For instance, revenues lost through IFFs are equivalent to the sum of money that Members of Parliament wanted the government to borrow domestically this fiscal year.

The government borrows through the issuance of securities, such as treasury bills, which are short-term debt instruments. In the 2020/21 fiscal year, the government indicated that it would borrow sh4.3 trillion domestically to finance its operations.

According to the Privates Sector Investment Survey 2018 from Bank of Uganda, in terms of sources of foreign direct investment (FDI), the Netherlands, Mauritius and Bermuda, among others, were the largest sources, accounting for 89.5% of total the FDI stocks received by Uganda in 2017.

The Netherlands led the pack, with FDI stock increasing to sh15.3 trillion in 2017, from sh14.3 trillion in 2016, followed by Mauritius at sh1.7 trillion, up from sh1.4 trillion the previous year.

According to tax professionals, the growing number of investments from DTA partner states is aimed at paying as little taxes as possible in the country.

"They are investing elsewhere for three key reasons; to avoid taxation, reduce tax obligations and hide the owners of the company so that you are not able to follow up about the true owners," Bazira said.

UGANDA-NETHERLAND DTA

The outbreak of COVID-19 collapsed ongoing talks between the Uganda and the Netherlands. One of the sticky provisions being advocated for by CSOs is for the Government to insist on the revision of the current withholding tax rates on payment of dividends to at least 10%.

They argue that the rate should apply uniformly, irrespective of the level of ownership in the Ugandan paying entity.

"For each of these treaties, the Government should insist on the inclusion of the anti-treaty abuse provisions to the effect that multinational companies cannot benefit from the agreement where the principal purpose of the transaction is to avoid paying taxes," Muhindo said.

According to Regina Navuga, the programme officer at Southern and Eastern Africa Trade, Information and Negotiations Institute, the negotiations are set to commence.

"The Netherlands has written to Uganda, they want to start negotiations on the DTA using online platforms. So, we have to put pressure on the Government so that they do not just negotiate, but ensure we benefit," she said.

CSOs are also calling on oil companies to comply with and embrace the principles relating to responsible tax and business practices, such as those developed by the United Nations and the Organisation for Economic Co-operation and Development.

As part of the imitative, oil companies have also been encouraged to provide public information about their tax strategies and business practices.

MONEY MARKETS TIGHTEN AS CORPORATES PREPARE MID-MONTH TAXES

By Vision Reporter

The shilling opened the week on a strong footing at the 3660/3670 level in a day of quiet trading on Monday with balanced demand and supply.

According to a report from Absa trading, the outlook is for range-bound trading within 3650–3700 in the short term, with possible offshore inflows targeting the bond auction next week.

Money markets were relatively tight on Monday in comparison to the previous week as corporates prepare to remit mid-month taxes with overnight at an average of 7.28%.

Bank of Uganda will hold a sh245b treasury bill auction today that is likely to be well -subscribed.

OTHER CURRENCIES

In the regional market, the Kenya shilling continues to buoy within the 109.30–110.30 level with healthy agricultural inflows as players await demand from the oil sector during the upcoming import cycle.

The dollar steadied against major currencies on Monday as traders await more data on the US economy and continued progress in fighting the COVID-19 pandemic, after the payrolls data came out lower than had been expected last week.

The GBP/USD pair fell to 1.3679 on Monday, but managed to bounce back and close the day backstage at 1.3758 level.

The UK currency strength against the dollar is supported by the latest Bank of England monetary policy decision to hold rates at 0.10%.

Brexit conclusions with the EU have also been called for refinement by the UK as certain trade agreements have negatively impacted COVID-19 supplies.

The euro remained range-bound on Monday, trading at a high of $1.2063 and ending the session at $1.2049.

Brent crude was at $60.02 a barrel, while US benchmark West Texas Intermediate was at $57.53 a barrel.

Oil prices rose on Monday to their highest in just over a year, boosted by supply cuts among key producers and hopes for further economic stimulus measures in the US that are likely to boost demand. Gold traded near $1,841.