


Patrick Mayanja
Selling ground nuts
 **Uganda**

Patrick wants to increase his stock of ground nuts and at the same time smoothen the production process so that he can more efficiently produce a lot more products. This will greatly increase the sells and profitability of the business.

Patrick Mayanja – Business ID 273

Patrick wants to increase his stock of ground nuts and smoothen the production process so that he can more efficiently produce a lot more products. For the mentioned reason, he applies for a loan of 500 EUR on MYC4 to be repaid in 9 months.

He obtains a loan with an average interest rate of 5.32%. Therefore it will result in the following schedule of payments for the borrower, who has to pay 9 monthly installments of 59.34 EUR.

Below it is displayed the repayment plan in Euro (assuming fixed EUR/UGX exchange rate).

Mette (a Danish investor) decides to invest in Patrick's idea. Let's assume Mette invests 100 EUR at 6.00% interest rate and the total interest commissions from MYC4, providers and lenders amount to 12.00%.

#	Date	Principle	Interest	Monthly total	Outstanding balance	Exchange rate
1	27.12.2007	52.64	6.70	59.34	447.36	1.00
2	27.01.2008	53.35	6.00	59.34	394.01	
3	27.02.2008	54.06	5.28	59.34	339.94	
4	27.03.2008	54.79	4.56	59.34	285.16	
5	27.04.2008	55.52	3.82	59.34	229.63	
6	27.05.2008	56.27	3.08	59.34	173.37	
7	27.06.2008	57.02	2.32	59.34	116.35	
8	27.07.2008	57.79	1.56	59.34	58.56	
9	27.08.2008	58.56	0.78	59.34	0.00	

1st repayment

Prior to withholding tax calculation, Mette should receive 10.53 EUR from principal and 0.46 EUR from interest for a total amount of 10.99 EUR.

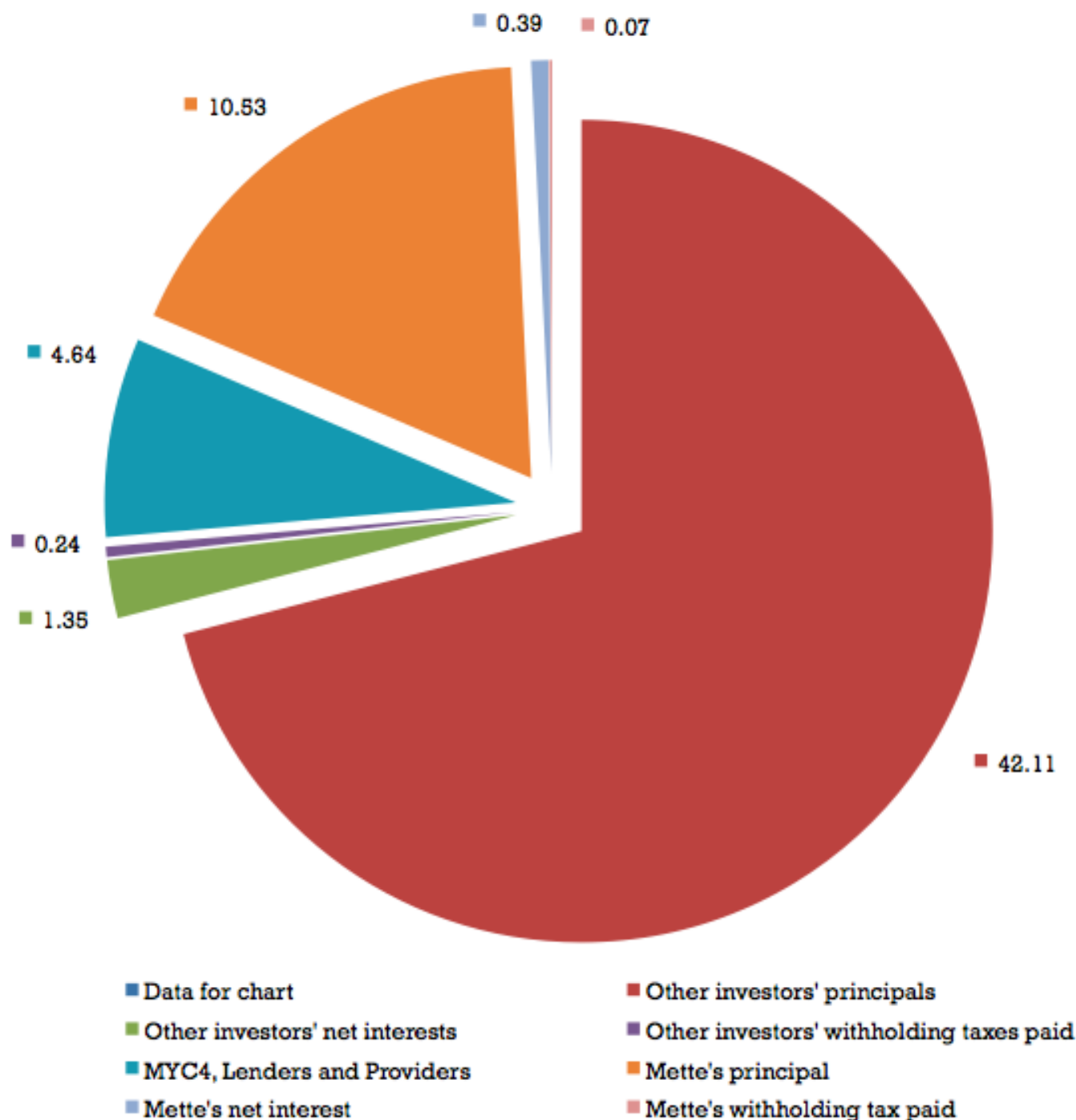
Note that the amount of principal received is always the portion of principal invested by Mette: $100 \text{ EUR} / 500 \text{ EUR} = 20.00 \%$ of the due principal. The part of interest is divided between investors, providers, lenders and MyC4 and it does not represent the 20.00% of Mette's bid.

From the interest amount earned of 0.46 EUR, a 15% withholding tax is deducted in Uganda from the amount of interest earned.

Withholding tax

Withholding tax = $0.46 \times (0.15) = 0.069$ or 0.07 EUR Mette will receive on her account $10.99 - 0.07 = 10.92$ EUR.

Distribution of the first repayment: 59.34 EUR



Other repayments

As Patrick goes along with the repayments, Mette will receive higher payments and pay fewer taxes.

Here is the example of what happens at the last repayment:

Withholding tax

Prior to withholding tax calculation, Mette should receive 11.71 € from principal and 0.05 € from interest for a total of 11.76 €.

From the above amount of 0.05 €, a 15% withholding tax is deducted in Uganda from the amount of interest earned.

Withholding tax = $0.05 \times (0.15) = 0.0075 \text{ €}$ or 0.01 €

Mette will receive on her account $11.76 - 0.01 = 11.75 \text{ €}$

Distribution of the last repayment

