

THE POWER OF BEING UNDERSTOOD  
ASSURANCE | TAX | CONSULTING

# UGANDA TAX GUIDE

2025/26

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## PERSONAL TAX

### Resident Individual

An individual is a resident individual for a year of income if that individual has (i) a permanent home in Uganda (ii) is present in Uganda for at least 183 days in any 12-month period that commences or ends during a year of income or during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income (iii) is an employee of GOU posted abroad during the year of income.

#### Resident Individual Income Tax Rates

Taxable Income UGX. per month			Rate %
0	–	235,000	Nil
235,001	–	335,000	10% of the amount by which chargeable income exceeds UGX. 235,000 per month
335,001	–	410,000	UGX. 10,000 plus 20% of the amount by which chargeable income exceeds UGX. 335,000 per month
Over 410,001			(a) UGX. 25,000 plus 30% of the amount by which chargeable income exceeds UGX. 410,000 per month and (b) Where the chargeable income of an individual exceeds UGX. 10,000,000 per month, an additional 10% charged on the amount by which chargeable income exceeds UGX. 10,000,000 per month

#### Non-Resident Individual Income Tax Rates

Taxable Income UGX. per month			Rate %
0	–	335,000	10%
235,001	–	335,000	UGX. 33,500 plus 20% of the amount by which chargeable income exceeds UGX. 335,000 per month
335,001	–	410,000	(a) UGX. 48,500 plus 30% of the amount by which chargeable income exceeds UGX. 410,000 per month and (b) Where the chargeable income of an individual exceeds UGX. 10,000,000 per month, an additional 10% charged on the amount by which chargeable income exceeds UGX. 10,000,000 per month

### Tax Exempt Employment Income

The following employment income, including benefits, is exempt from tax per the ITA for full-time employees and a whole-time service director (holding less than 5% shares and devoting substantially the whole of the time to employment):

- International passage cost (at appointment, termination and annual leave) cost for non-citizen employees recruited outside Uganda solely to serve the employer.
- Reimbursement of an employee's medical expenses including a premium or other amounts paid for medical insurance.
- Life insurance premiums paid by a taxable employer for the benefit of an employee or his or her dependants, provided this is added back on the employers' tax computation (for tax exempt organisations, the benefit is chargeable on the employee).
- Any allowance given for, and which does not exceed the cost actually or likely to be incurred, or reimbursement or discharge of expenditure incurred by the employee on – accommodation and travel expenses or meals and refreshments, while undertaking travel in the course of performing duties of employment.
- The value of any meal or refreshment provided by an employer to an employee in a canteen operated on behalf of the employer solely for the benefit of employees and available to all employees without discrimination.
- Any benefit granted by the employer to the employee during a month that is less than UGX. 10,000.
- A (taxable) employer's contribution for the benefit of the employee or any of his or her dependants made to a retirement fund (established by an Act of Parliament).
- The value of a right or option to acquire shares granted to an employee under an employee share acquisition scheme.
- For an employee in employment for at least 10 years, 25 % gratuity payments shall be considered tax exempt and the remaining 75% shall be subjected to tax.

## Taxable Employment Benefits – all employees

An employee will be taxed on the benefits in kind highlighted below.

### (a) Motor vehicles

$$(20\% \times A \times B/C) - D$$

Where:

- A is the market value of the motor vehicle at the time when first provided, depreciated on a reducing balance basis at a rate of 35% per annum for the subsequent years.
- B is the number of days in the year of income during which the motor vehicle was used or available for use for private purposes for all or a part of the day.
- C is the number of days in the year of income.
- D is any payment made by the employee for the benefit.

### (b) Provision of domestic help

The value of the benefits is the total employment income paid to the domestic assistant in respect of the services rendered to the employee reduced by any payment made by the employee for the benefit.

### (c) Housing

Where a benefit provided by an employer consists of the provision of accommodation or housing, the value of the benefit is the lower of:

- (i) the market rent of the accommodation or housing reduced by any payment made by the employee for the benefit or;
- (ii) 15% of the employment income, including the amount referred to above paid by the employer to the employee for the year of income in which accommodation or housing was provided.

### (d) Employee loan benefit in kind

For a loan or loans in total exceeding UGX. 1 million at a rate of interest below the statutory rate, the value of the benefit is the difference between the interest paid during the year of income, if any, and the interest which would have been paid if the loan had been made at the statutory rate for the year of income.

$$\text{Loan benefit} = (R_a - R_b) \times L \times M_a/M_b$$

Where:

- $R_a$  = Statutory rate (Bank of Uganda's discount rate at the commencement of the year of income)
- $R_b$  = Rate as provided by the employer
- $L$  = Loan
- $M_a$  = Months in the year of income
- $M_b$  = Number of months in the year (12 months)

### (e) Waiver of employee obligation

Where an employer waives a debt wholly or partly, the relief granted is the value of the taxable benefit.

### (f) Transfer or use of property or provision of service

Where a benefit provided by an employer consists of the transfer or use of property or the provision of services, the value of the benefit is the market value of the property or services, at the time the benefit is provided, reduced by any payment made by the employee for the benefit.

### (g) Provision of utilities (in respect of the employee's residence)

The value of the benefit is the cost to the employer of providing the utilities reduced by any payment made by the employee for the utility.

## EMPLOYER'S OTHER OBLIGATIONS

### National Social Security Fund (NSSF)

- 15% of gross monthly income, of which 5% is contributed by the employee and the other 10% contributed by employer.
- Payable by 15<sup>th</sup> of following month.

### Local Service Tax (LST)

- LST withheld by employer and remitted to local authorities of residence of the employee within the first four months of Uganda's financial year (by 31<sup>st</sup> October).
- Penalty for late or non-remittance of LST is 50% of the LST payable.



## INCOME TAX – CORPORATIONS

Income tax rates	
All companies other than mining	30%
Education Institutions (Effective 1 <sup>st</sup> July 2014)	30%
Trustees and retirement funds	30%

### Rental income

The Minister shall, by statutory instrument, prescribe estimates of rent based on the rating of the rental property in a specific location. This shall only apply to a person who fails to file a return or whose return is misleading on the face of it and has been contested by the Commissioner. All rental agreements shall be executed and effected in Uganda Shillings.

### Rental tax imposed

Person	Tax rate
Individual (resident)	12% of chargeable income exceeding UGX. 2,820,000 and nil for chargeable income not exceeding UGX. 2,820,000 per annum
Company	30% of chargeable income
Trustee of a trust	30% of chargeable income
Partnership	Individual income tax rates on chargeable income obtained by summing up total rental income and income from other sources

The expenditure and losses incurred by a person, other than an individual or partnership, in the production of rent to be allowed as a deduction for any year of income shall not exceed fifty percent of the rental income; the allowable deduction will be fifty percent of the rental income for that year of income.

### Tax Identification Number (TIN)

Any expenditure on goods or services in one transaction above UGX. 5 million from a supplier who does not have a TIN is disallowed when computing corporate income tax.

TIN includes:

- A national identification number issued by the National Identification Registration Authority (NIRA) under the Registration of Persons Act, in the case of an individual.
- A registration number issued by the Uganda Registration Services Bureau, in the case of a person who is a non-individual.
- A tax identification number issued by a foreign tax authority with whom Uganda has a tax treaty or agreement for the exchange of information.

### Exemption from Income Tax

- A body established by law for the purpose of regulating the conduct of professionals.
- Income of a listed institution.
- Income derived from the exportation of finished goods where at least 80% of the total production is exported.
- Income of a Savings and Credit Cooperative Society – to 30<sup>th</sup> June 2027.
- Income derived from or by a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap 84.
- Income derived from the disposal of government securities on the secondary market.
- Income of a person derived from letting or leasing facilities whose investment capital is at least USD 50 million for a non-citizen and USD 10 million for a citizen in an industrial park or free zone for a period of 10 years from the date of commencement of the construction or in the case of an existing developer, from the date on which the existing developer makes an additional investment equivalent to USD 50 million for a non-citizen and USD 10 million for a citizen.
- Income of an operator in an industrial park or free zone or other business outside the industrial park for 10 years from the date of commencement of business whose investment capital is at least USD 10 million for a non-citizen or USD 300 thousand for a citizen or USD 150 thousand for a citizen whose investment is placed upcountry who uses at least seventy percent of locally sourced raw materials and employs seventy percent of its employees being citizens earning an aggregate wage of at least seventy percent of the wage bill and:
  - Processes agricultural goods;
  - Manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobile, and household appliances;
  - Manufactures furniture, pulp, paper, printing and publishing of instructional materials;
  - Establishes or operates vocational or technical institutes;

- Carries out business in logistics and warehousing, information technology or commercial farming;
- Manufactures tyres, footwear, mattresses or toothpaste.
- Income derived from a business established by a citizen after 1st July 2025, for a period of three years, where the:
  - Business is registered with invested capital not exceeding five hundred million shillings;
  - Citizen or their associate has not previously benefited from the exemption; or
  - Citizen files a tax return, including a business information return referred to in Section 147

A citizen is defined as:

- a) A natural person who is a citizen of a partner state of the East African Community i.e., Uganda, Kenya, Rwanda, Burundi, Tanzania and South Sudan or;
- b) A company or a body of persons incorporated under the laws of a Partner state of the East African Community, in which at least 51% of its shares are held by a person who is a citizen of a Partner State of the East African Community. Effective 1<sup>st</sup> July 2018, the interest expense deductible by a taxpayer who is a member of a group, other than a financial institution or a person carrying on insurance business shall be capped to 30% of the tax earnings before interest, tax, depreciation & amortisation. Any excess may be carried forward for not more than 3 years and shall be treated as having been incurred in the following year of income.

Blanket exemption from income tax for taxpayers engaged in agro-processing as specified in paragraph z of section 21(1) of the income tax act was repealed with effect from 1<sup>st</sup> July 2021. Going forward, the exemption has been narrowed down to specific sections in the sector and will only be applicable if certain conditions such as investment threshold and utilization of locally sourced raw materials, employment of citizens and their earnings are met.

## CAPITAL ALLOWANCES

Wear and Tear Allowances (calculated on cost)	Rate & method
Computers and data handling equipment	40% Reducing balance
Plant and machinery used in farming, manufacturing and mining	30% Reducing balance
Automobiles; buses, minibuses, goods vehicles, construction and earth moving equipment, specialised trucks, tractors, trailers and trailer-mounted containers, rail cars, locomotives and equipment; vessels, barges, tugs and similar water transportation equipment; aircraft; specialised public utility plant, equipment and machinery; office furniture, fixtures and equipment; and any depreciable asset not included in another class	20% Reducing balance

### Vehicle Depreciation Ceiling

UGX. 60 million for vehicles other than commercial vehicles

### Industrial Buildings

Where a person has incurred capital expenditure in any year of income, on the construction of an industrial building and the building is used by the person during the year of income in the production of income included in gross income, the person is allowed a deduction for the depreciation of the building during the year of income as calculated as follows:

$A \times B \times C / D$

Where:

- A is 5%
- B is the capital expenditure incurred in the construction of the building
- C is the number of days in the year of income during which the asset was used or was available for use in the production of income included in the gross income; and
- D is the number of days in the year of income

Industrial building means any building which is wholly or partly used, or held ready for use, by a person in manufacturing, research and development into improved or new methods of manufacture, mining operations, an approved hotel business, an approved hospital or approved commercial building. An approved commercial building is an industrial building which is primarily used by the owner or let out for rent for the purposes of carrying on a business, trade or profession, an office, as warehouse or commercial storage facility or as a workshop. For the avoidance of doubt, an approved commercial building does not include a building let out or used for residential accommodation.

Note that effective 1<sup>st</sup> July 2023, a deduction for initial allowance shall not be applicable

### Start-up Costs

A person who has incurred expenditure during the start-up phase or in the initial public offering at the stock market shall be allowed a deduction of 25% of the amount of expenditure in the year of income in which the expenditure was incurred and in the following 3 years of income in which the business is carried on by the person (effective 1<sup>st</sup> July 2014, the start-up costs are limited to non-recurring preliminary costs associated with starting up a business).

### Carry forward losses

Effective 1 July 2023, a taxpayer that has been in loss making position for seven years can only carry forward 50% of the losses.

## TRANSFER PRICING

In Uganda, related parties are required to develop an appropriate transfer pricing policy based on one of the following methods for transactions:

- Comparable uncontrolled price method
- Cost plus method
- Resale price method
- Profit split method
- Transactional net margin method
- Any other method prescribed by the Commissioner

The TP policy is required for transactions with both local and non-resident related party transactions exceeding UGX. 500 million. The TP policy should be in place prior to the due date of filing the income tax return for that year. Failure to provide the TP policy with 30 days after request by the Commissioner is liable to a penal tax equivalent to fifty million Uganda shillings.

## PERMANENT ESTABLISHMENT

A permanent establishment means a fixed place of business through which the business of the enterprise is wholly or partly carried and includes –

- a) A place of business;
- b) A branch;
- c) An office;
- d) A factory;
- e) A workshop;
- f) A warehouse, in relation to a person providing storage facilities to others;
- g) A mine, an oiled or gas well, a quarry or any other place of exploration for or extraction of natural resources;
- h) A farm, plantation or other place where agricultural, forestry plantation or related activities are carried on;
- i) A sales outlet;
- j) A building site or a construction, installation or assembly project, or supervisory activities in connection with the site project or activity that lasts for at least ninety days in any twelve months period;
- k) The furnishing of services, including consultancy services, by a person through employees or other personnel engaged by the person for such purposes provided that such activities continue in Uganda for a period of, or a periods amounting in aggregate to, 183 days in any twelve month period that commences during the year of income; or
- l) substantial equipment or machinery that is operated, or is available for operation, in Uganda for a period of, or periods amounting in aggregate to, ninety days or more in any twelve month period that commences or ends during the year of income.

The duration of activities referred to under (j), (k) and (l) shall be determined by aggregating the period during which activities are carried on in Uganda by associates, provided that the activities of such associate in Uganda are connected; and where they are two or more associates the period referred shall be counted only once for the purpose of determining the duration of activities.

Where a person is acting in Uganda on behalf of another person, that principal shall be deemed to have a permanent establishment in Uganda in respect of any activities which the agent undertakes on behalf of the principal, if such agent–

- a) habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the principal, and these contracts are–
  - i. in the name of the principal;

- ii. for the transfer of the ownership of, or for the granting of the right to use, property owned by the principal or that the principal has the right to use; or
- iii. for the provision of services by the principal, unless the activities of the agent are limited to those mentioned which, if exercised through a fixed place of business other than a fixed place of business to which, which would not make this fixed place of business a permanent establishment.
- b) does not habitually conclude contracts nor plays the principal role leading to the conclusion of such contracts, but habitually maintains in Uganda a stock of goods or merchandise from which the agent regularly delivers goods or merchandise on behalf of the principal;
- c) does not habitually conclude contracts nor plays the principal role leading to the conclusion of such contracts, but habitually manufactures or processes in Uganda for the principal, goods or merchandise belonging to the principal; or
- d) does not habitually conclude contracts nor plays the principal role leading to the conclusion of such contracts, but habitually secures orders in Uganda wholly or almost wholly for the principal or associates.

## CAPITAL GAINS TAX

- No specific capital gains tax legislation.
- Effective 1st July 2014, 30% chargeable on gains arising from the disposal of commercial building.
- With effect from 1<sup>st</sup> July 2021, there is indexation in the calculation of capital gains tax in order to account for inflation. When calculating capital gains tax, the taxpayer factors in inflation that influences the asset value. However, indexation does not apply to an asset that is sold within 12 months from the date of purchase.
- With effect from 1<sup>st</sup> July 2021, capital gains arising from the sale of investment interest of a registered venture capital fund will not be included as part of determining chargeable income if at least fifty percent of the proceeds on sale is reinvested within the year of income.

## MOTOR VEHICLE ADVANCE TAX

The rate of advance tax under Section 123A is:

- (a) for goods vehicles; UGX. 50,000 per tonne per year; and
- (b) for passenger service transport vehicle; UGX. 20,000 per seat per year.

## PAYMENT OF TAXES

### Non-Individual

The 1st and 2nd Provisional income tax payment for non-individuals are due by the 6<sup>th</sup> and 12<sup>th</sup> months of the tax year respectively.

The amount of each instalment of provisional tax is calculated as follows:

$$(50\% \times A) - B$$

where:

- A = estimated tax payable for the year of income
- B = amount of tax withheld prior to the due date of payment of instalment tax in that year of income

### Individual

Instalment tax for individuals is payable in four instalments on or before the last day of the 3<sup>rd</sup>, 6<sup>th</sup>, 9<sup>th</sup> and 12<sup>th</sup> months of the year of income.

The amount of each instalment of provisional tax for a year of income is calculated as follows:

$$(25\% \times A) - B$$

where:

- A = estimated tax payable for the year of income
- B = amount of tax withheld prior to the due date of payment of instalment tax in that year of income

## SELF ASSESSMENT RETURN (SAR)

Self-assessment returns for corporations, individuals and partnerships should be filed by the last day of the sixth month after the end of the tax year.



## STANDARDS LEVY & CUSTOMS AND EXCISE

### CUSTOMS DUTY

- Customs duties chargeable under the East African Community.
- Customs Management Act for imports outside the EAC region:
 

Raw materials and certain machinery	–	0%
Semi-finished goods	–	10%
Finished goods	–	25%
Textiles & garments, iron & steel, furniture, meat & dairy	–	35%
- Member countries have powers to levy additional anti-dumping or countervailing duty rates in addition to the normal duty rates.
- Goods imported from COMESA have preferential rates.

### INFRASTRUCTURE LEVY & IMPORT DECLARATION FEE

The infrastructure levy shall be at the rate of one point five percent (1.5%) of the customs value of the goods and shall be paid by the importer of such goods at the time of entering the goods into the country for home use however not inclusive.

The import declaration fee shall be at the rate of one percent (1%) of the customs value of the goods and shall be paid by the importer of the goods at the time of entering the goods into the country for home use.

The infrastructure levy and important declaration fee shall not apply to;

- a) Goods and products prescribed in the Fifth Schedule to the East African Community Customs Management Act, 2004;
- b) Plant and machinery as prescribed under chapters 84 and 85 of the East African Community Common External Trade harmonised commodity description and coding system; and
- c) Goods under a special operating framework with the Government of Uganda, specified in the approved measures on import duty rates in the East African Community Common External Tariff (EAC CET).

### EXCISE DUTY

#### Definition of Citizen

The term 'Citizen' is defined as a technical term to mean;

- An individual who is a citizen of a Partner State of the EAC i.e. Uganda, Kenya, Rwanda, Burundi, Tanzania and South Sudan or;
- An entity incorporated under the laws of a Partner State of the East African Community, in which at least 51% of its shares are held by a person who is a citizen of a Partner State of the East African Community.

#### Registration of manufacturers, importers and providers of excisable supplies

All manufacturers, importers and providers of excisable goods and services except retailers are required to apply for registration with the URA. These taxpayers are also be required to register the premises from which the excisable goods or services are supplied. The application is subject to the Commissioner's approval based on certain criteria and a certificate of registration is issued thereon. This registration is valid for 12 months.

#### Interest on unpaid excise duty arising from the provision of excisable services

Interest of 2% per month compounded is now chargeable on any unpaid excise duty arising from the provision of excisable services. Previously, this was limited to unpaid excise duty arising from the manufacture or importation of excisable goods.

#### Tax stamp

- A person dealing in goods, whether locally manufactured or imported shall affix a tax stamp on any goods locally manufactured or imported as may be prescribed by the Minister.

#### Penal tax relating to tax stamps

- A taxpayer who fails to affix a tax stamp on goods prescribed is liable to pay a penal tax equivalent to double the tax due on goods or UGX. 50 million, whichever is higher.
- A person who prints over or defaces a tax stamp affixed on prescribed goods prescribed is liable to pay a penal tax equivalent to double the tax due on the goods or UGX. 20 million, whichever is higher.
- A person found in possession of prescribed goods on which a tax stamp is not affixed, is liable to pay a penal tax equivalent to double the tax due on the goods or UGX. 50 million, whichever is higher.
- A person who attempts to acquire or who acquires or sells a tax stamp without the authority of the Commissioner commits an offence and is liable on conviction, to a penalty equivalent to double the tax due on the goods or UGX. 10 million whichever is higher.

## WITHHOLDING TAX RATES

Withholding Tax Rates	Resident	Non-Resident
Dividends*	15%	15%
Interest payments	15%	15%
Professional fees	6%	15%
Interest payments on government securities	20%	20%
Payment of reinsurance premiums	–	15%
Payment of royalty, rent, natural resource payment, management charge to a non-resident person	–	15%
Non-resident – entertainer, sport person, theatrical, musical or other non-resident	–	15%
Non-resident – ship operator, charterer, air transport operator	–	2%
Purchase of an asset from a non-resident	–	10%
Purchase of a business or a business asset from a resident	6%	10%
Winnings from sports and pool betting	15%	15%
Non-resident transmitting messages by cable, radio, optical fibre, or satellite communication or providing internet connectivity services	–	5%
Purchase of land other than land which is a business asset by a resident person from a resident person	0.5%	–
Commission paid to insurance and advertising agents	10%	15%
Commission paid to payment service provider		
Non-resident services contract- taxpayer is required to notify the Commissioner in writing of entering an agreement with a non-resident service provider of the nature of the agreement, likely duration of agreement, name and postal address of the non-resident and total amount estimated to be payable under the agreement to the non-resident person	–	Commissioner may require the taxpayer to withhold tax from any payment to non-resident service provider at a rate he may specify

\*The WHT rate applicable for dividend payments from companies listed on the Uganda stock exchange to individuals under Section 118 is 10%.

**Payment Date:** 15<sup>th</sup> of the following month after it becomes payable.

**Double Taxation Agreements (DTAs):** Lower rates may apply where DTAs are in force. Currently, Uganda has DTAs with Denmark, India, Norway, Mauritius, Netherlands, South Africa, United Kingdom, Italy & Zambia. EAC and Egypt treaties are awaiting ratification by parliament.

## SET-OFF OF TAX

Credit is allowed for any foreign income tax paid by a taxpayer in respect of foreign sourced income included in the gross income of the taxpayer. The amount of foreign tax credit shall not exceed the Ugandan income tax payable on the taxpayer's foreign source income for that year.

## STAMP DUTY

Capital duty on nominal share capital or increase of it of any company incorporated in Uganda with limited liability – of the total value	0.5%
Where the increase is by a Capital Markets regulated private equity or venture capital firm	Nil
Professional licence or certificate	UGX. 100,000
Promissory note	UGX. 15,000
Lease – of the total value	1%
Transfer – of the total value	1.5%
Transfer – of shares in an incorporated company listed on the stock exchange, arising from the trading of those shares on the stock exchange	0.5%

Exchange of property – of the total value	2%
Execution of bank guarantees, insurance performance bonds, indemnity bonds and all similar debt instruments	UGX. 100,000
Agreement relating to deposit of title –deeds, pawn pledge of the total value	Nil
Agricultural Insurance Policy	Nil
Security bond or Mortgage deed–executed by way of security for the due execution of an office, or to account for money or other property received by virtue of security bond or mortgage deed executed by surety to secure a loan or credit facility of entry total value	Nil
Trust –concerning any property made by any writing including a transfer from a holder of letters of administration or probate to a beneficiary	15,000/=

### Exemptions

Instruments executed by or on behalf of Government or Company, for the purposes of implementing investment projects in industrial parks and free zones, whose investors have an investment capital of at least USD 50 million are exempted from stamp duty.

Instruments executed in the implementation of investment projects in industrial parks or free zones, whose operators have a minimum investment capital of at least USD 10 million (for foreigners) and USD 2 million (for Citizens are exempted from stamp duty. The investors should have a capacity to use 50% of raw materials sourced locally and employ a minimum of 100 citizens.

A manufacturer whose investment capital is USD 50 million or more and who has capacity to use at least seventy percent of the locally produced raw materials, and employs at least seventy percent citizens with an aggregate wage of at least seventy percent of the total wage bill and meets the conditions prescribed in the stamp duty act is exempted from stamp duty on the execution of the following documents:

- i. Debenture; whether a mortgage debenture or not; being of marketable security – of total value;
- ii. Further charge; any instrument imposing a further charge on a mortgaged property – of total value;
- iii. Lease of land – of total value;
- iv. Increase of share capital;
- v. Transfer of land; and
- vi. An agreement to provide services on conducting a feasibility study or developing a design for construction.

## VALUE ADDED TAX

### Rates

Standard rate (including on sale and rental of non-residential premises)	18%
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**Registration threshold** – UGX. 37.5 million per three consecutive months or 150 million turnover p.a.

**Due date** – 15<sup>th</sup> of the following month.

**Time of supply** – the earliest of the date on which the goods or services are –

- first applied to own use;
- supplied by way of gift, on the date on which ownership changed or completion of service;
- delivered or made available in the case of goods or are performed in the case of services; or
- a tax invoice is issued.

**For supplies to government.**

- At the time when government makes payment for the goods or services i.e., cash basis.

**Input VAT** – A claim of a VAT credit shall not be allowed in the case of;

- a supply or import of a passenger automobile, and repair and maintenance of that automobile (*including spare parts*) unless one is in the business of buying and selling automobiles and / automobile spare parts; or
- a supply of entertainment unless one is in the business of providing entertainment or, if the supply is in respect of meals or refreshments to one's employees in the premises operated by them or on their behalf solely for the benefit of their employees.
- Costs incurred by a taxable person in respect of electronic services.

**Credit for input VAT** – Effective 1<sup>st</sup> July 2021, a taxable person under this section shall apply for input tax credit within six months from the date of the invoice.

**VAT on imported services** – the tax payable on a supply of imported services (*other than a service that would ordinary be exempted from VAT in Uganda*) is to be paid by the person receiving the supply. It is payable, at the standard rate of 18% on taxable services by the importer. Tax paid on such service is not available for claim as input VAT credit. Effective, 1<sup>st</sup> July 2022, import of a service is an exempt import if the service would be exempt had it been supplied in Uganda.

**VAT refunds** – where input VAT exceeds output VAT by five million shillings, the taxpayer can claim a refund for the excess tax paid (application to be made within three year from the tax period in which tax was overpaid).

Effective 1<sup>st</sup> July 2021, there is a tax refund of 5% of the VAT amount to consumers who purchase goods or services from a taxable person and is issued with an electronic receipt or invoice worth UGX. 5 million within a consecutive period of 30 days.

**Capping of interest on overpayment and late refunds** – the amount of interest due and payable by the URA under VAT to a taxpayer as a result of overpayments, late refunds, and or the deliberate forceful recovery of tax believed to be outstanding by the URA is capped to the amount of the principal tax.

**Cash basis accounting for computing VAT payable.** Only tax payers that meet the criterion of section 26 (1) of the VAT Act are able to use cash basis accounting, subject to approval from the commissioner general.

- a) A taxable person whose annual value of whose taxable supplies does not exceed five hundred million shillings or
- b) A supplier who supplies goods and services to Government

## TAX PENALTIES AND INTEREST

Offence	Penalty/Fine
Penal tax for understating provisional tax estimates	20% of (D–C) where; (D) is Tax on 90% of the final chargeable income ( <i>final taxable profit</i> ) (C) is Tax on the estimated chargeable income ( <i>provisional taxable profit</i> )
Interest on unpaid tax	2% per month
Making false or misleading statements	A fine not exceeding UGX. 50 million or imprisonment not exceeding 10 years or both on conviction if a tax payer knowingly or recklessly makes false or misleading statements or omitting from a statement to a tax officer, a matter or thing
Failure to apply for registration	Double the amount of tax payable during the period commencing on the last day of the application period until the person files an application for registration with the Commissioner
Failure to provide information	UGX. 20 million
Failure to maintain proper records	Double the amount of tax payable for the period to which the failure relates
Default in furnishing a tax return	A fine not exceeding UGX. 2 million or imprisonment not exceeding 6 years or both on conviction for knowingly and/or recklessly failing to maintain proper records
A person who, upon request by the Commissioner, fails to provide records in respect of transfer pricing within 30 days after the request	Liable to a penal tax equivalent to UGX. 50 million
A taxpayer who fails to affix or activate a tax stamp on goods prescribed	A fine not exceeding UGX.30 million or imprisonment not exceeding ten years or both
A person who prints over or defaces a tax stamp affixed on goods prescribed	A fine not exceeding UGX.30 million or imprisonment not exceeding ten years or both
A person who forges or found in possession of a forged tax stamp	A fine not exceeding UGX.30 million or imprisonment not exceeding ten years or both

Offence	Penalty/Fine
A taxpayer who does not issue an electronic invoice, an electronic receipt or employ an electronic fiscal device	Double the tax due on the goods or services
A person who fails to file an information return for purposes of automatic exchange of information	A fine not exceeding UGX 5 million for each day of default or to imprisonment for the term not exceeding ten years or both
A person who makes a false or misleading statement in the automatic exchange of information return	A fine not exceeding UGX 50 million for each day of default or to imprisonment for the term not exceeding ten years or both
Using a false TIN	A fine not exceeding UGX. 3 million or imprisonment not exceeding 6 years or both or conviction
Specific VAT Penalties	
Interest on unpaid tax	2% per month compounded
Penalty for default in furnishing a VAT return	UGX. 200,000

### Interest paid

- If the interest that is due and payable as at 30<sup>th</sup> June 2018 exceeds the aggregate of the principle tax and penal tax, the excess interest shall be waived.
- Where a person has committed an offence under a tax law, other than under section 66 of the tax procedures code act (offences in relation to tax officers) and that person voluntarily discloses the commission of the offence to the Commissioner, at any time prior to the commencement of court proceedings, the Commissioner may enter into an agreement with the offender to compound the offence if the offender agrees to pay the outstanding unpaid tax and that person shall not be required to pay any interest or fine due.

## OTHER

### Levy on Unprocessed Materials

With effect from 1<sup>st</sup> July, 2021, there is a levy charged on unprocessed minerals, at the rate of ten per cent of the value of the unprocessed minerals which is exported out of Uganda.

The levy referred to in subsection (1) shall be paid by the exporter to the Uganda Revenue Authority at the time when the unprocessed minerals is exported out of Uganda.

### Tax Agent

A person who is not registered as a tax agent who acts as a tax agent commits an offence and is liable on conviction to fine not exceeding twenty-four currency points or to imprisonment not exceeding one year or both.

Registration of a tax agent remain in force from the date of issue of the certificate of registration to 31<sup>st</sup> December of the year of issue.

### Destruction of goods

A taxpayer that intends to claim a deduction or credit for the goods destroyed as result of

- Damage of trading stock;
- Expiry of trading stock;
- Damage of manufactured stock;
- Expiry of manufactured stock; or
- Obsolete stock

shall inform the commissioner in writing before destroying the goods.



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