

Global vision backed by
local knowledge

DOING BUSINESS IN UGANDA

July 2021

Preface

Starting in the late 1980s, the Uganda government has pursued a series of stabilization and pro-market structural reforms. The resultant macroeconomic stability, post-conflict rebound, and investment response generated a sustained period of high growth during 1987–2010. Real gross domestic product (GDP) growth averaged 7% per year in the 1990s and the 2000s, placing Uganda among the 15 fastest growing economies in the World. However, over the past decade, the country witnessed more economic volatility and the growth in gross domestic product (GDP) slowed to an average of just about 5%. With the population increasing at a rate of at least 3% per annum. Through these decades, per capita income growth decelerated from a rate of 3.6% to about 2%.

Uganda's economy has experienced a slowdown in growth due to the severe impact of the COVID-19 (coronavirus) pandemic crisis, a locust invasion and flooding caused by heavy rains. Uganda's real gross domestic product (GDP) in 2021/22 is projected to be between 5.0 and 6.0% compared to 3.0 and 4.0% in 2020/21. Exports, tourism, remittances, foreign direct investment and portfolio flows shrunk during the second half of FY20 due to international trade disruptions and restrictions of movement of people. This has created significant fiscal and external imbalance, and a deceleration in growth in services, primarily in real estate activities and information and communications technology.

The 2020 lockdown measures imposed to curtail the spread of the corona virus have had an adverse impact on economic activity. Preliminary outturn figures for real GDP growth for FY2019/20, recently released by the Uganda Bureau of Statistics (UBOS) indicate that economy expanded by 3.1%, less than the projection of 6.3% at budget time.

Nevertheless, this is much better than projections for most countries in sub-Saharan Africa, many of which will record negative growth in 2020. In addition, a number of key macroeconomic variables, including inflation, exchange rates, and private sector credit performed well despite the COVID pandemic.

Going forward, take off of a huge public investment programme and resumption of private sector economic activity in the post-election era is expected to drive growth. This notwithstanding, the effects of a volatile global economy on demand for Uganda's exports and timing of key infrastructure projects in the country's oil sector could offset any benefits of improved terms of trade due to low oil prices.

Annual Headline inflation reduced to 3.7% in November 2020 from 4.5% the previous month, driven by prices of transport services which increased but at a declining rate, and a drop in prices for liquid fuels, vegetables and fruits. There was an improvement in the level of economic activity as agriculture, industry, wholesale & retail and service sectors posted increases in output and new orders.

Sentiments about doing business in Uganda remained positive, particularly for the agriculture sector.

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Appendix of Acronyms used in the Booklet

| | |
|------------|---|
| "ARIPO" – | African Regional Intellectual Property Organisation |
| "BOP" – | Balance of Payments |
| "CMA" – | Capital Markets Authority |
| "COMESA" – | Common Market for East and Southern Africa |
| "COIN" – | City Operator Identification Number |
| "CEDP" – | Competitiveness and Enterprise Development Project |
| "DTA" – | Double Tax Agreements |
| "EAC" – | East African Community |
| "EFRIS" – | Electronic Fiscal Receipting and Invoicing Solution |
| "FISMS" – | Fixed Income Securities Market Segment |
| "GDP" – | Gross Domestic Product |
| "IBD" – | Industrial Building Deduction |
| "ICPAU" – | Institute of Certified Public Accountants of Uganda |
| "ICT" – | Information Communication and Technology |
| "IFRS" – | International Financial Reporting Standards |
| "KCCA" – | Kampala Capital City Authority |
| "Ms" – | Microsoft |
| "MIMS" – | Main Investments Market Segment |
| "NDPII" – | National Development Plan II " |
| "NSSF" – | National Social Security Fund |
| "PAYE" – | Pay as You Earn |
| "PSFU" – | Public Sector Foundation of Uganda |
| "TIN" – | Taxpayer Identification Number |
| "SADC" – | Southern African Development Community |
| "URSB" – | Uganda Registration Services Bureau |
| "URA" – | Uganda Revenue Authority |
| "USE" – | Uganda Securities Exchange |
| "USh" – | Uganda Shillings |
| "UIA" – | Uganda Investment Authority |
| "USD" – | United States Dollar |
| "VAT" – | Value Added Tax |
| "WIPO" – | World Intellectual Property Organisation |



EXPERIENCE THE POWER OF BEING UNDERSTOOD

At RSM, we deliver **The Power of Being Understood** to our clients, colleagues and the community.

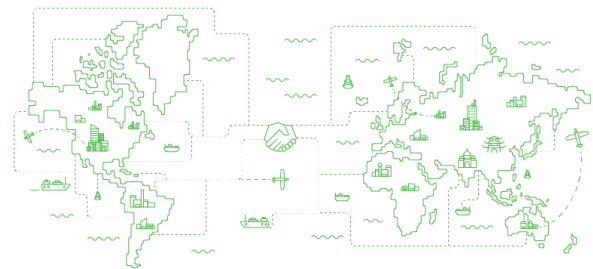
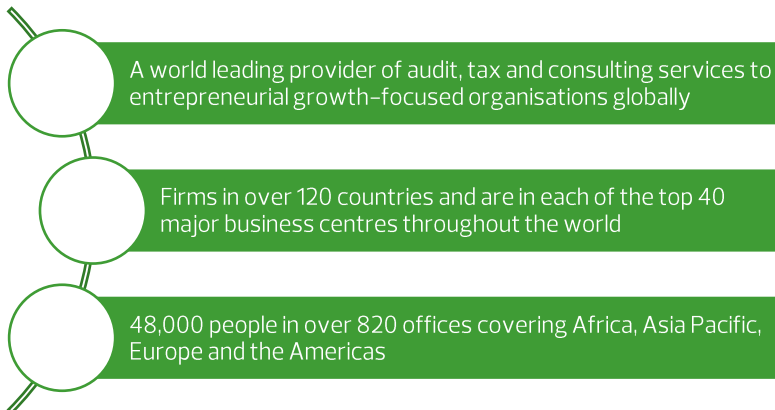
The business world is evolving rapidly. Through advances in technology, communications and infrastructure, business barriers are disappearing and each day, we become ever more global.

In this fast-paced environment, you need an adviser that thinks ahead and rapidly responds to your changing needs. At RSM, we build strong relationships based on a deep **understanding** of what matters most to our clients.

It is our strong **collaborative approach** that differentiates us. We will strive to truly understand you, your strategies and your aspirations and endeavour to be considered the adviser of choice to your business. By sharing the **ideas and insights** of our most senior professionals, we bring our expert local and global knowledge and resources to your environment, so you feel understood and empowered to move forward with confidence.

This is the **POWER OF BEING UNDERSTOOD**. This is the RSM experience and our commitment to you.

RSM INTERNATIONAL



WHAT DOES RSM STAND FOR?

- In 1964, an association, what we now know as RSM International, born
- Three companies form an alliance LHBD – Lasser, Harmood Banner and Dunwoody
- In 1993, the network was renamed RSM International in a meeting between Lawrence Robson (Robson Rhodes), Edouard Salustro (Salustro Reydel) and Ira McGladrey (McGladrey)
- October 2015 – Unified global name, brand and network under the name RSM

Our purpose and values



PURPOSE

- At RSM, we deliver The Power of Being Understood to our clients, colleagues and the community



DISTINGUISHING BELIEFS

- Collaboration
- Understanding
- Ideas and Insight



OUR PROMISE

- Get it right first time
- Guaranteed delivery on time and scope
- Leadership accessibility

Core Values



RSM IN EASTERN AFRICA

4 OFFICES

10 PARTNERS/DIRECTORS

192 MINDS



OUR SERVICES

AUDIT & ASSURANCE

- Statutory audits including listed companies
- International Financial Reporting Standards (IFRS) guidance
- Audits and reviews of donor-funded projects

TAX SERVICES

- Corporate and personal tax compliance and consulting
- Corporate restructuring
- Health checks
- International tax and transfer pricing
- Tax policy advisory
- Managing revenue authority and tax dispute resolutions

MANAGEMENT CONSULTING

- Corporate strategy
- Governance
- Business reviews
- Family businesses and succession planning
- Documenting policies and procedures
- Review of management information systems
- Design and implementation of accounting systems
- Preparation of accounting manuals

RISK ADVISORY

- Internal audits
- Investigation and forensic accounting services
- Information technology and systems audits

OUTSOURCING

- Bookkeeping
- Management accounts
- Payroll services
- Grant management
- Budgeting and cash flow forecasting

TRANSACTION ADVISORY

- Mergers and acquisitions
- Due diligence
- Valuations
- Transaction support and legal contract reviews
- Litigation support
- Corporate restructuring and turnaround

KEY INDUSTRY EXPERIENCE



Technical Capabilities, Awards & Achievements

- The firm's full IFRS and IFRS for SMEs Specimen Financial Statements were adopted by ICPAK as the basis of its Illustrative Financial Statements. The firm was also involved in the development of the ICPAK audit manual and model audit file.
- Ashif served on the International Audit and Assurance Standards Board (IAASB) during the Clarity Project during which all the ISAs were either re-drafted and/or revised.

Simon was responsible for developing RSM International's IFRS for SMEs Illustrative Consolidated Financial Statements. He is also a member of ICPAK's Professional Standards



1.0 GENERAL

INTRODUCTION

Uganda is located along the equator and borders Kenya to the East, Tanzania and Rwanda in the South, Democratic Republic of Congo to the West and South Sudan in the North. Its young and rapidly growing population, extremely productive agricultural lands, nascent oil sector, and strategic location in the heart of East and Central Africa, provide it with great opportunities and leverage to participate as a strategic partner in the regional and international economic and political engagements.

Uganda's location provides it with an opportunity to be a member of a number of regional trade blocs such as East African Community, COMESA, SADC and African Union providing it with a wider market and associated membership benefits. Similarly, Uganda's location makes it a regional hub for industrial production, trade and transit, and air transport particularly for the eastern DRC, South Sudan, Rwanda, Burundi and Central African Republic.

As of July 2020, Uganda is divided into 135 districts and the capital city of Kampala, which are grouped into four administrative regions. The districts are further subdivided into Counties, Sub-counties and Parishes. The role of these local governments is to implement and monitor government programmes at the respective levels. Overtime, the administrative units have been sub-divided with the aim of easing administration and improving the delivery of services. Urban areas as special administration units have been increasing over time.

In May 2019, the Cabinet of Uganda approved the creation of 15 cities, in a phased manner, over the course of the next one to three years, as illustrated in the table below. Seven of the 15 cities started operations on 1 July 2020 as approved by the Parliament of Uganda in an effort to decongest the capital, Kampala City.

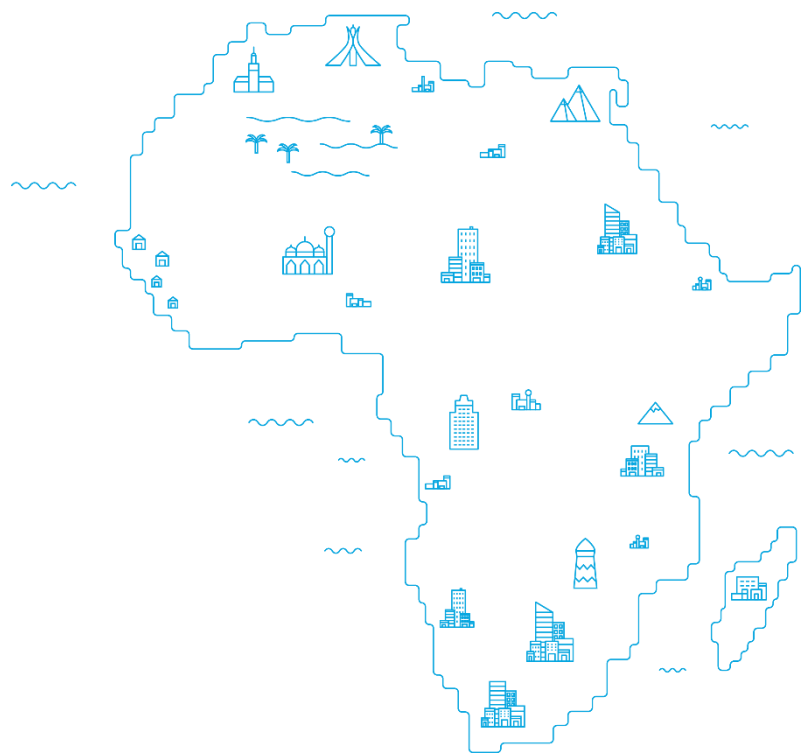
| List of current and future cities In Uganda | | | |
|---|-------------|----------|-----------------|
| Rank | City | Region | Effective Date |
| 1 | Kampala | Central | 09 October 1962 |
| 2 | Fort Portal | Western | 01 July 2020 |
| 3 | Arua | Northern | 01 July 2020 |
| 4 | Gulu | Northern | 01 July 2020 |
| 5 | Jinja | Eastern | 01 July 2020 |
| 6 | Mbarara | Western | 01 July 2020 |
| 7 | Mbale | Eastern | 01 July 2020 |
| 8 | Masaka | Central | 01 July 2020 |
| 9 | Hoima | Western | 01 July 2021 |
| 10 | Entebbe | Central | 01 July 2022 |
| 11 | Lira | Northern | 01 July 2022 |
| 12 | Kabale | Western | 01 July 2023 |
| 13 | Moroto | Northern | 01 July 2023 |
| 14 | Nakasongola | Central | 01 July 2023 |
| 15 | Wakiso | Central | 01 July 2023 |
| 16 | Soroti | Eastern | 01 July 2023 |

Uganda is sunny most of the year with temperatures rarely rising above 29 degrees (84 degrees Fahrenheit). The average annual temperature is about 26 degrees Celsius (78° Fahrenheit). The rainy season is from March till May and September till November. Light rain season falls in November and December. Dry seasons are from December to February and June to August.

The country has loamy soils with varying proportions of sand and clay. In addition, it has varying vegetation with tropical rain forest vegetation in the South and savannah woodlands and semi-arid vegetation in the North.

Uganda has a diverse culture. It encompasses religion, tribe, traditions and beliefs, value systems and language among others. Uganda's population is made up of different ethnic groups with unique customs and norms. These play a major role in shaping the behaviour and ways of life of the people in the country. Lately, some of the traditional values have changed due to the integration of the people as a result of migration and/or intermarriages. Some cultural groupings are headed by traditional kings or chiefs who are not politically elected but have an indirect role in community governance and moral build up. Language is one of the uniting factors in any society. In Uganda, while English is the official language, there are a number of other languages spoken. However, Swahili is being promoted in the spirit of regional integration within the East African Community (EAC). Uganda's constitution allows freedom of worship. There are various religious groupings in the country.

Uganda's education system follows a four-tier system. The first tier comprises seven (7) years of primary education, followed by four (4) years of Ordinary Level secondary education, two (2) years of Advanced Level secondary education and the final tier is three (3) to five (5) years of University and Tertiary education. Each level is nationally examined and certificates awarded. The Government introduced Universal Primary Education (UPE) in 1997 to offer free education at the primary level and later, in 2007, Universal Secondary Education (USE) was introduced. University and Tertiary education are offered by both public and private institutions. There also exists informal education in Uganda that aims to serve those persons who did not receive or only partially received formal education. Under the informal system, a range of practical/hands-on skills are imparted. The Informal system includes the Functional Adult Literacy (FAL) programme in the Ministry of Gender, Labour, and Social Development and Adult Basic Education for Karamoja (ABEK) among others.



POPULATION

According to the 2014 National Census report, Uganda has undertaken five population Censuses in the post-independence period. The most recent, the National Population and Housing Census 2014 was undertaken under the theme 'Counting for Planning and Improved Service Delivery'.

The total population of Uganda was 34.6 million persons in 2014, this represents an increase of 10.4 million persons from the 2002 census. This is as represented in the table below. No other census has been conducted to date. In 2014, Wakiso was the most populous district with close to two million persons while Kalangala district was the least populous with less than sixty thousand persons.

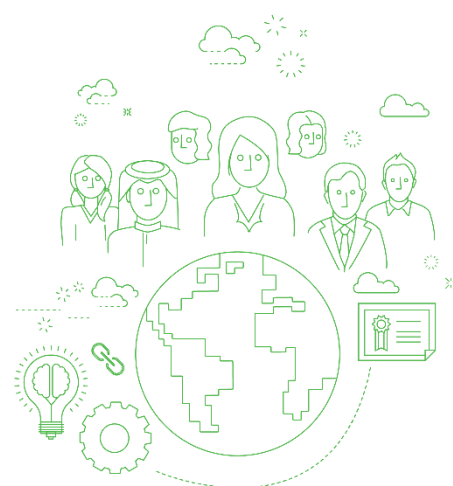
The age distribution is a reflection of the past fertility and mortality behaviour of the population. In the absence of high migration or drastic changes in births and deaths, the young population is expected to be more than the older population. The younger population constitutes a high percentage of both males and females and the age has relatively followed a declining trend with age.

| Census year | Male | Female | Total | Average annual increase (000's) | Average annual growth rate (%) |
|-------------|------------|------------|------------|---------------------------------|--------------------------------|
| 1911 | 1,116,903 | 1,349,422 | 2,466,325 | - | - |
| 1921 | 1,320,286 | 1,534,322 | 2,854,608 | 39 | 1.5 |
| 1931 | 1,707,437 | 1,834,844 | 3,542,281 | 68 | 2.2 |
| 1948 | 2,481,394 | 2,477,126 | 4,958,520 | 83 | 2.0 |
| 1959 | 3,236,902 | 3,212,656 | 6,449,558 | 143 | 2.5 |
| 1969 | 4,812,447 | 4,722,604 | 9,535,051 | 300 | 3.9 |
| 1980 | 6,259,837 | 6,376,342 | 12,636,179 | 262 | 2.7 |
| 1991 | 8,185,747 | 8,485,558 | 16,671,305 | 367 | 2.5 |
| 2002 | 11,824,273 | 12,403,024 | 24,227,297 | 647 | 3.2 |
| 2014 | 17,060,832 | 17,573,818 | 34,634,650 | 882 | 3.0 |

Religion is a system of thought, feeling, and action that is shared by a group of individuals. Uganda is characterized by a diversity of religious beliefs and practices. According to the 2014 census, Catholics are the largest religious denomination constituting close to 40 percent of the population followed by Anglicans with 32 percent and Moslems with about 14 percent. Together these denominations account for more than 80 percent of the total population.

Ugandans constitute 98.5 percent of the total population. Most of the non-Ugandan population are citizens of neighbouring countries, who collectively constitute 88.7 percent of the non-Ugandan population.

Ugandans are classified by ethnic groups as listed in the Constitution of the Republic of Uganda. The Baganda are the majority accounting for close to 17 percent of the population followed by the Banyankole with about 10 percent.



2.1 UGANDA'S BUSINESS INFRASTRUCTURE

Uganda's business infrastructure is made up of the following sectors;

The **Agricultural sector** includes; Fisheries, Animal Husbandry, Dairy, and Crop sub-sectors;

The **Industrial sector** includes; Manufacturing, Mining, Construction, and Electricity Supply sub-sectors;

The **Services sector** is made up of Wholesale and Retail trade, Telecommunications, Hotels and Restaurants, Transport and Communications and Tourism sub sectors.

2.1.1 AGRICULTURE

Uganda is among the leading producers of coffee, bananas and oil seed crops (sesame/simsim, soybean, sunflower, etc.). It is also a major producer of other crops like tea, sugar cane, organic cotton, tobacco, cereals, fresh fruit & vegetables, nuts, edible oils, flowers, poultry, and fresh water fish.

Below are the opportunities for investment:

1. Commercial farming in both crops and animal industries, as well as aquaculture;
2. Value addition (Agro-industries –Agro-food industries;
3. Manufacturing of inputs (fertilizers, pesticides etc.);
4. Cold storage facilities and logistics;
5. Farm machinery, manufacturing and assembly;
6. Packaging; and
7. Irrigation Schemes.

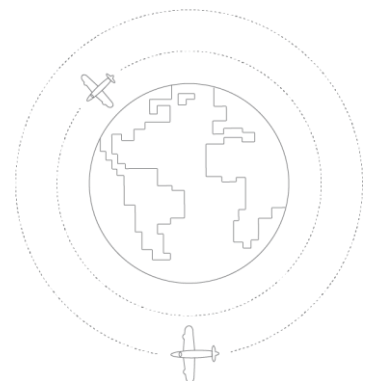
The country has been zoned into specific production areas and in order to ease logistics and supply of Agricultural products / source of raw materials, all these areas are well linked to a good national road grid network.

2.1.2 TOURISM

The distinctive attraction of Uganda as a tourist destination arises from the variety of its game stock (including the rare tree climbing lions of Ishasha, White Rhinoceros, Gorillas, elephants and its unspoiled scenic beauty including forests, hills and mountain rivers and lakes. 51% of the world's population of mountain gorillas lives in Uganda. Uganda will lose \$1.6 billion a year in earnings from tourism as visitors stay away due to the impact of the corona virus pandemic that is currently affecting every part of the world since March 2020.

Uganda offers a wide range of bird species, being home to 11% of the world's bird's species (a total of 1,060 bird species).

The opportunities in tourism range from constructing high quality accommodation facilities, operating tours and travel circuits (bicycle tours, air balloon travel, marine – Lake Victoria and river rafting on the River Nile) to the development of specialized eco and community tourism systems, as well as faith-based tourism (pilgrimage to Namugongo – Uganda Martyrs, Mahatma Gandhi Statute and Bishop Hannington landing site on the Nile River).



2.1.3 MINING

Over 80% of the country has been surveyed for mineral quantities and locations. New geo-data shows that Uganda has large under-exploited mineral deposits of gold, oil, high grade tin, tungsten/wolfram, salt, beryllium, cobalt, kaolin, iron-ore, glass sand, vermiculite, phosphates (agricultural fertilizer), uranium and rare earth elements.

There are also significant quantities of clay and gypsum. Gold occurs in many areas of the country, including Busia in the east, Buhweju and Kigezi in the west, Mubende – Kiboga in the central region and significant occurrences in Karamoja in the north east.

Investment opportunities exist in mining and mineral processing. Uganda provides special incentives to the mining sector with some capital expenditures being tax-deductible in full.

The Uganda Mining Act of 2003 and Mining Regulation 2004 grant five types of mining rights, these include;

1. Prospecting Licence;
2. Exploration Licence;
3. Retention Licence;
4. Mining Lease;
5. Location Licence;
6. Mineral dealers Licence.

2.1.4 OIL AND GAS

The discovery of extractable quantities of oil and gas in the Lake Albert region has enhanced the sector's joie de vivre. According to the Petroleum Exploration and Production Department, 21 oil and/or gas discoveries have been made in the country to date. Petroleum laws are in place and a communication desk to disseminate information related to the oil and gas sector was created within the Ministry of Energy and Mineral Development.

2.1.5 RENEWABLE ENERGY

Uganda is richly endowed with abundant energy resources, which are fairly distributed throughout the country. These include hydropower, biomass, solar, geothermal, peat and fossil fuels. The energy resource potential of the country includes an estimated 2,000 MW of hydro power, 450 MW of geothermal, 1,650 MW of biomass cogeneration, 460 million tons of biomass standing stock with a sustainable annual yield of 50 million tons, an average of 5.1kWh/m² of solar energy, and about 250 Mtoe of peat (800 MW).

In addition, petroleum in an estimated amount of 6.5 billion barrels, of which 1.4 billion barrels are recoverable, has been discovered in the western part of the country.

The overall renewable energy power generation potential is estimated to be 5,300 MW.

The goal of the Uganda Renewable Energy policy is to increase the use of modern renewable energy.

2.1.6 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

Uganda's Information and Communication Technology (ICT) sector is one of the most vibrant within the region and the fastest growing sector in the economy. This vibrancy hinges largely on the good legal and regulatory frameworks. The supportive investment climate therein has exposed numerous opportunities in ICT innovation services leading to maximum utilization of the existing youthful human resource base as quite suitable for the ICT work.

The newly developed and highly qualitative ICT infrastructure is also ready to accommodate future investments. Uganda is now connected to three marine fibre optic cables running around the African eastern coast in the Indian Ocean.

Industry opportunities are within Agriculture, Health, Tourism, Banks insurance and public administration.

Domestic opportunities have been identified in the areas of:

1. Digitalization of services;
2. Healthcare services for the ageing;
3. Productivity solutions;
4. Web applications;
5. Software development;
6. Warehousing;
7. Network integrations.

There has been significant growth in e-business transactions amongst Ugandans and between Ugandan companies and overseas companies. The increased use of ICTs is playing a big role in economic development. Efforts by government towards e-government, e-education, the rural transformation policy, financing frameworks and distance learning (global and local) are paving the way for more IT innovation to improve service delivery and commercial activities.

There are eight mobile phone operators, over 20 internet service providers, over 5 VSAT international gateways, 199 approved radio stations, 17 licensed television stations, 1 major national postal service provider and 26 minor licence holders comprising mainly courier operations (domestic, regional and international)

2.1.7 MANUFACTURING

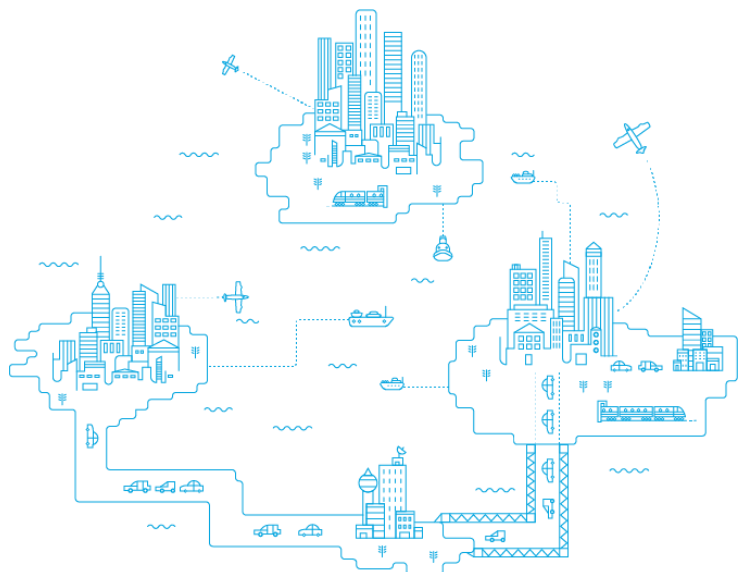
Uganda's manufacturing sector presents various opportunities in virtually all areas ranging from beverages, leather, tobacco-based processing, paper, textiles and garments, pharmaceuticals, fabrication, ceramics, glass, fertilizers, plastic / PVC, assembly of electronic goods, Hi-tech and medical products.

2.2.8 INFRASTRUCTURE

Although significant efforts have been made to develop and rehabilitate the existing physical and non-physical infrastructure, potential investment opportunities exist in all national grids.

These include;

1. Airports and Aerodromes;
2. Railways Roads and bridges;
3. Urban Transport;
4. Power Generation;
5. Power Transmission
6. Power Distribution;
7. Water and Sewage;
8. Irrigation Schemes.



2.2 VISION 2040

Uganda Vision 2040 provides development paths and strategies to operationalize Uganda's Vision statement which is "A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years" as approved by Cabinet in 2007. It aims at transforming Uganda from a predominantly peasant and low income country to a competitive upper middle income country.

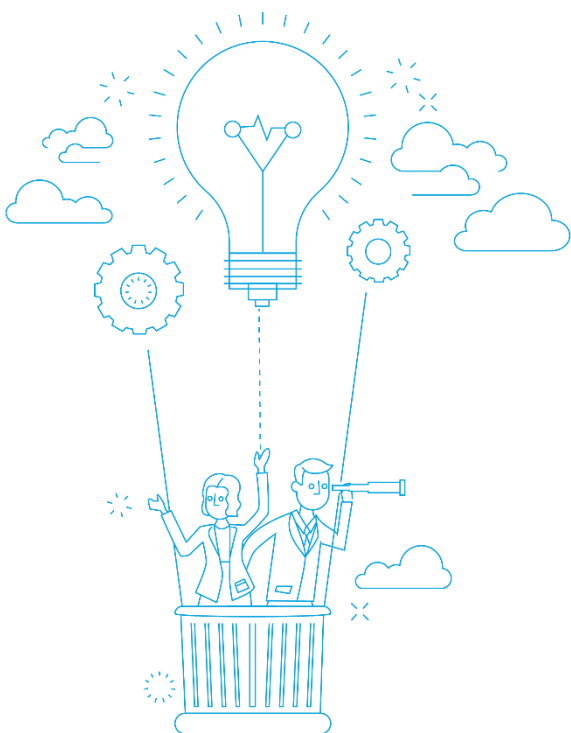
The Vision 2040 is conceptualized around strengthening the fundamentals of the economy to harness the abundant opportunities around the country. The identified opportunities include: oil and gas, tourism, minerals, ICT business, abundant labour force, geographical location and trade, water resources, industrialisation, and agriculture among others that are to date considerably under-exploited.

Projections indicate that Uganda will graduate into a lower middle income country by 2017, progressing to an upper middle income category by 2032 and attaining its target of USD 9500 in 2040. Projections further indicate that Uganda will be a first world country in the next fifty years. To achieve this transformation, the average real GDP growth rate will have to be consistent at about 8.2 per cent per annum translating into total GDP of about USD 580.5bn with a projected population of 61.3 million in 2040.

The Vision implementation will be spearheaded by H.E The President but remains a responsibility of every citizen in government, private sector, civil society, political organisations and any other institutions. As already noted, it will be implemented in line with the comprehensive National Development Planning Framework. Interventions will be sequenced and detailed in the 5-year national development plans and annual budgets.

The financing of this Vision will be mainly by the government, CSOs, development partners and the private sector. Government will mobilise resources using conventional and innovative non-conventional means of financing. These will include; tax and non-tax revenues, revenue from oil and gas, Public Private Partnerships, concessional loans and grants, borrowing from domestic and international markets.

The revenue from oil and gas will be used to kick start major infrastructure development projects to enhance the country's competitiveness. The domestic and international borrowing shall include; domestic and sovereign infrastructure bonds, venture and investment funds.



2.3 RELATIONSHIP BETWEEN GOVERNMENT AND BUSINESS

The Government of Uganda proposed to undertake a number of initiatives to create an enabling business environment and minimize the cost of doing business in order to attract more domestic and international investments. This move was a reflection of the commitment to improve the country's performance in the global Doing Business (DB) Report and the World Economic Forum's Global Competitiveness. Thus, current and potential investors may rely on the global competitiveness and Doing Business reports as an indication of the country's receptivity to business and such reports can influence investment decisions.

In an effort to make it easy to start a business and acquire a business licence from a single point, the Uganda Registration Services Bureau (URSB) was tasked by government to coordinate with all licensing regulatory agencies in the implementation of business licensing reforms, in this case implementation of the e-licensing portal.

The licensing regulatory agencies are tasked with: designating a focal person to work with the URSB and making sure that online licensing information is up-to-date; and assisting the URSB to respond to inquiries from users concerning their licences.

The e-licensing portal, which is housed at the URSB is a central repository for all business licences in the country which makes it possible for potential investors anywhere around the globe to easily get information on any licence they would need to operate from whichever part of Uganda in any sector. The e-registry would delineate legally required licences in all sectors of the economy thus increasing transparency/ease of access to licensing information and the likelihood of compliance by the private sector. Subsequently, it would be enhanced to serve as a virtual transactional platform for all business licences through which a licence shall be issued and renewed.

Some achievements have so far been realized and more continues to be done so as to have a fully functional licensing portal and a licensing reform embraced by each and every one for the better of the doing business in the country.



URSB has managed to strengthen synergies with licensing regulatory agencies thus making it easy to obtain business licensing information and laws governing the different licensing regimes. Key among the implementing partner agencies are Kampala Capital City Authority (KCCA), Capital Markets Authority (CMA), Ministry of Trade Industry and Cooperatives, Uganda Revenue Authority (URA), Uganda Investment Authority, Ministry of Lands, Housing and Urban Development, Directorate of Citizenship and Immigration Authority, to mention but a few.

The electronic licensing portal has also registered a steady growth in numbers of people viewing the licences across the globe. These numbers have been growing since google analytics was installed on the portal on 1st July 2014. Under the World Bank

supported Competitiveness and Enterprise Development Project (CEDP), the current informational e-licensing portal will be transformed into a fully transactional e-licensing portal that will facilitate online applications and payments with support for back-office processing from all the regulators.

Some of the other reforms to be implemented include establishment of a one stop centre that will aid in streamlining business registration and licensing procedures and the establishment of a Regulatory Impact Analysis (RIA) framework to ensure that regulations are efficient and effective in a changing and complex world.

2.4 JUDICIARY

The mandate of the Judiciary as enshrined in Article 126(1) of the constitution of the Republic of Uganda states that "Judicial power is derived from the people and shall be exercised by the courts established under this constitution in the name of the people and in conformity with law and with the values, norms and aspiration of the people". In addition, Article 128(1) states that; "In the exercise of judicial power, the courts shall be independent and shall not be subject to the control or direction of any person or authority".

Headed by the Chief Justice, the Judiciary is administered under a two-tier system; judicial; headed by the Chief Registrar and assisted by Registrars and Chief Magistrates in their respective Jurisdictions; and the Finance and Administration; headed by the Secretary to the Judiciary and assisted by the Under Secretary.

The current court structure consists of the Supreme Court at the top, a Court of Appeal/ Constitutional Court, the High Court and the Magistrates Court. There are also Local Council Courts.

Overall, the Management Structure of the Judiciary is continuously evolving to better mechanisms for administering Justice in Uganda.



3. TYPES OF BUSINESS ENTITIES

3.1 TYPES OF BUSINESS ENTITIES AND THEIR FORMATION PROCEDURES

In Uganda, an investor may establish or participate in a business venture in a number of ways.

The principal types of business enterprises in Uganda are;

1. Public Limited Company
2. Private Limited company (companies limited by shares, including single member companies, and companies limited by guarantee)
3. Branches of foreign companies
4. Non-Governmental Organisations (NGO)
5. Partnerships

3.2 REGISTERING A COMPANY

The Bureau is mandated under the Uganda Registration Services Bureau Act Cap. 210 to register all business entities in Uganda which are required by Law to be registered.

Registration process

Name reservation

1. Fill in the application form with all the necessary information (application form is online).
2. The submit application button will only become active after filling all the mandatory fields marked with an asterisk (*)
3. Upon completion of filing the application form, submit the form for processing. An email will be sent to your email address with a ticket number for follow up.
4. After a day of submission, go with the ticket number to any URSB outlet and pick the reservation slip.

Registration of a local company limited by shares

One needs to register the following documents with the Registrar of Companies:

1. Company registration form S.18
2. Memorandum and Articles
3. Other company forms A1 (statement of Nominal Capital)

Registration of a local company limited by guarantee

One needs to register the following documents with the Registrar of Companies:

1. Company registration form S.18
2. Memorandum and Articles
3. Other company forms A1 (statement of Nominal Capital)

When one has all of the documents ready, obtain assessment forms from the URSB offices or perform a self-assessment and pay registration fees and stamp duty to the Uganda Revenue Authority. Upon registration, the Registrar will issue a certificate of incorporation within two working days.

After the Company has been registered, the following forms must be filed.

- Form 20: Particular of Directors and Secretaries within 14 days.
- Form 18: Notice of situation of Registered office and postal address within 14 days
- Form 10: Return of allotment within 60 days
- Annual Returns: to be filed after a year.

Registration of a foreign company

A foreign company is a company which is incorporated in another country. If such a Company wishes to carry out business in Uganda, it must be registered.

To register a foreign Company, the following documents are required;

- Certified copies of Memorandum and Articles/ Charter/ Constitution and Certificate from the country of origin duly witnessed.
 - Registration forms;
1. Form 24 – Particular of Directors and Secretary.
 2. Form 13 – Statement of all subsisting charges.
 3. Form 25 – Authorised representative in Uganda.
 4. Form 26 – Address and Principal office in Uganda.

3.3 NON- GOVERNMENTAL ORGANISATIONS (NGO)

The National Bureau for NGOs (NGO Bureau) is a semi- autonomous body under the Ministry of Internal Affairs established by the NGO Act 2016. The Act mandates it to register, regulate, coordinate, inspect, Monitor and oversee all NGO operation in the Country. (www.mia.go.ug)

Registration of NGOs

Registration of indigenous, regional, continental, foreign and international NGOs;

Registration of NGOs incorporated within Uganda

An application for registration of an NGO shall be in Form A and accompanied by:

1. A certified copy of a certificate of incorporation;
2. A copy of the Organization's governing documents;
3. A chart showing the governance structure;
4. Proof of payment of the prescribed fee;
5. Source of funding of the activities of the organization;
6. A copies of valid identification document for at least two founder members
7. Minutes and resolutions of the members authorizing the organization to register with the Bureau;
8. A statement complying with section 45 of the Act (staffing);
9. A recommendation from –
 - a. DNMC where the headquarters are located;
 - b. A line ministry or a Government department or agency;
10. The application for registration of an organization shall be signed by at least two founder members.

Registration of NGOs incorporated outside Uganda

Any NGO incorporated outside Uganda shall apply for registration in Form N and the application shall be accompanied by:

1. Proof of payment of prescribed fees;
2. A certified copy of certificate of incorporation from the country of origin;
3. A certified copy of its constitution, or charter, or memorandum of association, or any other documents governing the NGO;
4. A certified copy of resolution authorizing registration in Uganda;
5. a certificate of good conduct of the signatories to the resolution in 3 above or at least two board members of the NGO;
6. A curriculum vitae of at least two board members of the NGO;
7. A recommendation from their government or missions accredited to Uganda;
8. A recommendation from the ministry of foreign affairs in Uganda;
9. A chart showing its organizational structure as stipulated in its governing documents;
10. A copy of valid identification document for at least two board members;
11. A work plan and budget or strategic plan for the organization;
12. A statement complying with section 45 of the Act (staffing);
13. A recommendation from; DNMC where its headquarters will be located; and the responsible ministry or ministries or government or department or agency.

Issuance of certificate of registration

Where an NGO has complied with the requirements for registration, the Bureau shall issue a certificate of registration to the organization. The certificate of registration shall be in Form B prescribed in the schedule and shall indicate the name, registration number and the date of registration of the organization.

3.4 REGISTRATION OF PARTNERSHIPS

1. Register a business name
2. Prepare a Partnership Deed
3. Present a partnership Deed together with a payment slip.
4. Collect Statement of particulars processed document within one day.

3.5 REGISTERING A BRANCH IN UGANDA

Branches are companies incorporated outside Uganda that are registered in Uganda.

The requirements/ procedures are:

1. Submit all requisite forms (certified copy of charter, statutes or memorandum and articles of the company or constitution).
2. Complete Form 24 (list of directors and secretary), Form 13 (statement of charges), Form 25 (names and postal address of person resident in Uganda authorised to accept service on behalf of the company) and Form 26 (the full address of the registered or principal office of the company).
3. Payment of fees
4. Issue of registration certificate thereafter.

3.6 TAXPAYER IDENTIFICATION NUMBER

The Taxpayer Identification Number (TIN) is a unique number issued by the Uganda Revenue Authority to a person who derives an amount subject to tax. It is not optional. A person who derives an amount subject to tax must register and obtain a TIN from the URA. The TIN identifies the tax payer in any transaction with the URA e.g. when it comes to paying government taxes, import and export taxes, Value Added Taxes (VAT), Company taxes, operational taxes, and many more.

Taxpayers apply to the Commissioner to have a TIN as per provision of Section 5 of the Tax Procedures Code Act, 2014.

The TIN application is processed through the Uganda Revenue Authority web [portal](http://www.ura.go.ug). (www.ura.go.ug).

Every employed person, and any person involved in any income generating activity where income tax, VAT or other taxes are due, must have a TIN.

A TIN is also a mandatory requirement in the registration/transfer of a motor vehicle or land.

It is a mandatory requirement for every form, notice, return or other document either from a taxpayer or from the Commissioner General to have a TIN.

WHAT YOU NEED TO KNOW/HAVE BEFORE YOU APPLY FOR A TIN?

You will need a computer with an internet connection, MS Excel Office program installed on your computer, a working email address, a printer and a referee (a person who has an active TIN).

For an Individual TIN the following are required:

1. Two copies of the following; Passport, Employee's ID, voter's card, national ID, work permit, visas, driving permit
2. Email address
3. Mother's name
4. Phone contacts
5. Referee who has a TIN

For Non-Individual (Companies):

1. Company Form 7,
2. Certificate of incorporation (from URSB);
3. Contact person;
4. Company email address, phone number;
5. Bank account details;
6. Company director's TIN.

HOW TO PAY AND HOW LONG WILL IT TAKE?

URA provides TINs in accordance with the Domestic Tax Departmental Performance Standards at no cost. But if one decides to use a third party, one should pay the tax agent.

3.7 HOW TO OBTAIN AN INVESTMENT LICENCE

1. **By law, all foreign investors** need to obtain an Investment Licence from [Uganda Investment Authority](#) (UIA). However, according to the current investment code, **domestic investors** are not obliged to do so.
2. One can apply for an Investment Licence online from [UIA](#). (<http://www.ugandainvest.go.ug/>).
3. Foreign investors require a minimum of **US\$100,000** in planned investment in order to secure an Investment Licence from the Uganda Investment Authority, whereas for local investments, the minimum planned investment requirement is **US\$50,000**.
4. Local investors, however, may proceed with their investment without licensing with the Uganda Investment Authority. The licence is crucial to foreign investors as it is the instrument that legalizes their investment in Uganda. Traders do not require a licence from UIA but must demonstrate operating capital of US\$100,000 before trading licences and entry permits are issued by local authorities.

Required documents for an Investment Licence

1. Legal status (Copy of Certificate of Incorporation and Articles & Memorandum of Association from Uganda Registration Services Bureau).
2. A brief Business Proposal on the project (not more than 5 pages).
3. Evidence of availability of funds for the project, (which could be a Bank statement for the company/Directors).
4. Land status for the Project (*Attach a copy of the land title or a tenancy agreement to confirm location of the project*).
5. Passport photo copy of foreign directors; and
6. Filled in Application Form for an Investment Licence (Form UIA)

3.8 HOW TO OBTAIN THE APPLICATION FORMS FOR THE TRADING LICENCE

Agency: Kampala Capital City Authority

1. The entrepreneur applies for a trade licence at the Municipal Authority/Council Authority where the company premises are located.
2. The trading licence is a general business licence required for all companies, including service companies.
3. Download and print the standard forms online through the [City Operator Identification Number \(COIN\) system](#). Once online, you complete the standard form A, and submit it to the Municipality or City Council, along with the relevant company documents, including the Memorandum and Articles of Association, the names of the directors, the Certificate of Incorporation, and the lease agreement. You will then be issued a payment slip to take to the Bank.
4. Receive inspection of the business premises by the licensing officer and obtain an assessment form.
5. The division of the city authority in the jurisdiction where the business premises are located carries out inspections after you have applied for the trading licence, then issues the Trading Licences. Upon inspection of the company premises, the city authority issues the assessment forms for the fees payable, which vary with the location of the office. These fees are regulated by the Trade Licensing (Amendment of Schedule) Instrument, 2011.

[Register with National Social Security Fund \(NSSF\)](#)

The [National Social Security Fund](#) (NSSF) is governed by the National Social Security Fund Act 1985. The NSSF is a compulsory saving scheme for private-sector employees between the age of 16–35 years, non-governmental organizations, and government parastatal bodies that are not covered by the government pension scheme. Under the Act, all employers with more than 5 employees are obliged to pay an NSSF contribution of 15% of the total wages of each employee, of which 5% can be deducted from the employee's wages. This registration procedure takes 1–7 days.

[Make a Company Seal](#)

Company seal is mandatory. Section 117 (b) of the Companies Act 2012 provides that every Company shall have its name engraved in legible letters on its seal which shall take the form of an embossed metal die.

3.9 AUDIT REQUIREMENTS

Section 167 of the Companies Act, 2012 requires that every company appoint an auditor to hold office at every annual general meeting. The first auditor may be appointed by a resolution of the directors at any time before the first Annual General Meeting. The auditors shall hold office until the conclusion of that meeting.

3.10 COMPANY SECRETARY

While every company is required to have a secretary, a single member company is not obliged to have one. The secretary of a public company must be an advocate, a certified public accountant, a chartered secretary or a person who by virtue of his/her holding or having held any other position or his/her being a member of any other body appears to the directors to be capable of discharging those functions.

3.11 ANNUAL STATUTORY FILING

A company having a share capital is required to file an annual return once at least in every year containing specified information with respect to the registered office of the company, registers of members and debenture holders, shares and debentures indebtedness, past and present members and directors and secretary.



3.12 OTHER RETURNS

Companies incorporated under the Companies Act are required to file forms with the URSB on a change of directors, change of registered office/principal place of business and changes in nominal and paid-up capital among other things. All forms are subject to payment of a nominal filing fee and have to be filed within a stipulated time after the change.

4. TAXATION

4.1 OVERVIEW OF THE UGANDA TAX SYSTEM

Articles 152 (I) of the Uganda Constitution provides that “No tax shall be imposed except under the authority of an Act of Parliament”. Therefore, the Uganda Revenue Authority Act was put in place to provide the administrative framework in which taxes under various Acts are collected.

The Uganda Revenue Authority administers the tax laws (Acts) on behalf of the Ministry of Finance, Planning and Economic Development under the following legislation regulating taxes:

- (i) East Africa Community Customs Union Common External Tariff, 2017
- (ii) East African Customs Management Act
- (iii) Excise Duty Act, 2014
- (iv) Income Tax Act, 1997
- (v) Stamp Duty Act, 2014
- (vi) Traffic and Road Safety Act, 1998
- (vii) Value Added Tax Act, 1996
- (viii) The Finance Act, 2013
- (ix) Local Government (Amendment) No.2 Act, 2008
- (x) Tax Procedures Code Act, 2014

4.2 THE STRUCTURE OF THE UGANDAN TAX SYSTEM

4.2.1 TAXATION OF COMPANIES

INCOME TAX

This is imposed on a person's taxable income at specific rates. A person includes an individual, company, partnership, trustee, Government and sub divisions of Government. Income tax is charged on every person who has a chargeable income for each year of income. Chargeable income is derived from three main types of income, namely; Business, Employment and Property.

Residency for tax purposes is defined in relation to individual, partnership and Company as follows:

A resident individual is a person who has a permanent home in Uganda or is present in Uganda: for a period of 183 days or more in any twelve (12) months period that commences or ends during the year of income; or during the year of income and in each of the two preceding years of income, for periods averaging 122 days in each such year of income; or is an employee or official of the government of Uganda posted abroad during the year of income.

A resident company is one which:

- (a) Is incorporated in Uganda under the laws of Uganda;
- (b) Is managed or controlled in Uganda at any time during the year of income; or
- (c) Undertakes a majority of its operations in Uganda during the year of income.

A resident partnership is one where any of the partners was a resident person in Uganda during the year of income.

Year of Income means the period of twelve months ending on **30th June**, and includes a substituted year of income and a transitional year of income.

A substituted year of income is a period of 12 months ending on a date other than 30th June.

A transitional year of income is a period of less than 12 months that falls between the person's previous accounting date and a new accounting date. This results from a change in a person's accounting date

RATE OF TAX APPLICABLE TO COMPANIES

The current rate of income tax applicable to companies is 30% as prescribed under part 2 of the 3rd Schedule of the Income tax act. The chargeable income for both resident and non-resident companies is taxed at this rate.

OBLIGATIONS OF COMPANIES

Companies have the following obligations to fulfil;

PROVISIONAL INCOME TAX RETURN

Companies are required to submit and pay provisional tax before or by the last day of the 6th and 12th months of the year.

FINAL INCOME TAX RETURN

Companies are required to submit their income tax returns before or by the last day of the sixth month after the end of the year of income.

NOTE: All companies are required to submit income tax returns as per the provisions of section 16 of the Tax Procedures Code Act, 2014

RECORD KEEPING

Companies, are required to keep records pertaining to their business transactions for at least five years after the end of the year of income for income tax purposes and 6 years for VAT.

SOURCES OF INCOME

Business income

Business is defined in the Income Tax Act to include vocation or adventure in any trade, profession, vocation or adventure in the nature of trade. This does not include employment.

Employment income

According to Sec 2 (aa) and 19 of the Income Tax Act, Employment income includes: Wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, the amount of any travelling, entertainment, utilities, cost of living, housing, medical or, any other allowance, the value of any benefit etc. Tax on employment income is payable monthly in form of withholding under respective PAYE regimes for both resident and non-resident individuals.

Collection of tax from employment income

This is collected on a monthly basis through a system known as Pay as You Earn (PAYE).

Current monthly PAYE tax rates

The Income Tax Act obliges employers while making payment of employment income in any month to withhold tax at the prescribed withholding PAYE tax rates and consequently remit it to the URA by the 15th day of the following month.

Below is the extract of the rates applicable to chargeable income of non –residents derived through employment:

| Chargeable income | Rate of tax |
|---|---|
| Not exceeding US\$ 4,020,000 (335,000 pm) | 10% |
| Exceeding US\$ 4,020,000 (335,000 pm) but not exceeding US\$ 4,920,000 (410,000 pm) | US\$ 402,000 (33,500 pm) plus 20% of the amount by which chargeable income exceeds US\$ 4,020,000 (335,000 pm) |
| Exceeding US\$ 4,920,000 (410,000 pm) | <ul style="list-style-type: none"> a) US\$ 582,000 (48,500 pm) plus 30% of the amount by which chargeable income exceeds US\$ 4,920,000 (410,000 pm); and b) Where the chargeable income of an individual exceeds US\$ 120,000,000 (10,000,000 pm) an additional 10% charged on the amount by which chargeable income exceeds US\$ 120,000,000 (10,000,000 pm). |

Below is the extract of the rates applicable to chargeable income of residents derived through employment:

| Chargeable income | Rate of tax |
|---|--|
| Not exceeding US\$ 2,820,000 (235,000 pm) | Nil |
| Exceeding US\$ 2,820,000 (235,000 pm) but not exceeding US\$ 4,020,000 (335,000 pm) | 10% of the amount by which chargeable income exceeds US\$ 2,820,000 (235,000 pm) |
| Exceeding US\$ 4,020,000 (335,000 pm) but not exceeding US\$ 4,920,000 (410,000 pm) | US\$ 120,000 (10,000 pm) plus 20% of the amount by which chargeable income exceeds US\$ 4,020,000 (335,000 pm). |
| Exceeding US\$ 4,920,000 (410,000 pm) | <ul style="list-style-type: none"> a) US\$ 300,000 (25,000 pm) plus 30% of the amount by which chargeable income exceeds US\$ 4,920,000 (410,000 pm); and b) Where the chargeable income of an individual exceeds US\$ 120,000,000 (10,000,000 pm), an additional 10% charged on the amount by which chargeable income exceeds US\$ 120,000,000 (10,000,000 pm). |

Property income

Property income is defined in the Income Tax Act as:

- a) Any dividends, interest, natural resource payments, rents, royalties and any other payments derived by a person from the provision, use or exploitation of property.
- b) The value of any gifts derived by a person in connection with the provision, use or exploitation of property.
- c) The total amount of any contribution made to a retirement fund during a year of income by a tax-exempt employer.
- d) Any other income derived by a person including winnings derived from sports betting and pool betting but does not include an amount which is business, employment, or exempt income.

Exempt income

Certain incomes by law are not taxed and they are referred to as exempt income. Exempt income is listed in section 21 of the Income Tax Act.

Capital allowances

While depreciation of property, plant and equipment and amortisation of pre-paid operating lease rentals and computer software are specifically disallowed expenses, the Income Tax Act prescribes the following capital allowances:

a) Wear and tear allowance

A person is allowed a deduction for the depreciation of the person's depreciable assets during the year of income. Depreciable assets are classified into four classes.

A person's depreciable assets are placed into separate pools for each class of asset, and the depreciation deduction for each pool is calculated according to the following formula $(A+B-C) \times D$

Where –

- A. = the written down value of the pool at the end of the previous year of income.
- B. = the value of any additional assets to the pool during the year of income.
- C. = the value of any disposals from the pool during the year of income.
- D. = the depreciation rate applicable to the pool.

Business with non-resident persons, transfer pricing and anti-tax avoidance provisions

Uganda has entered into double tax treaties with Denmark, India, Italy, Mauritius, the Netherlands, Norway, South Africa, United Kingdom, China and Zambia.

Transfer pricing regulation took effect in July 2011, and in principle follows the OECD guidelines. In addition to transfer pricing documentation for cross-border transactions, Uganda also requires documentation for local (in-country) related party transactions exceeding US\$ 500,000,000 in aggregate.

Stiff penalties are imposed on taxpayers for failure to comply with the transfer pricing regulations.

“Examples of the acceptable Transfer pricing methods are as below:

1. Comparable uncontrolled price method;
2. Cost plus method;
3. Resale price method;
4. Profit split method;
5. Transnational net margin method; and
6. Any other method prescribed by the Commissioner.

All the transfer pricing methods mentioned in the OECD Guidelines are acceptable, but there is no “best method” rule laid out by the regulations i.e. priority among the methods.

As URA carries out transfer pricing audits, taxpayers, tax officers and tax practitioners are expected to gain more insight on whether or not there is an implicit “best method” rule.

The time period within which a taxpayer must submit his transfer pricing documentation when called for by URA is within 30 days.

In respect to the business with non-resident persons, the Income Tax Act provides the following;

1. A withholding tax at 10% is imposed on every non-resident company carrying on business in Uganda through a branch which has repatriated income for the year of income.
2. A tax is withheld at 15% on any payments made to a non-resident person who derives any dividend, interest, royalty, rent, natural resource payment, or management charge from sources in Uganda.
3. A tax is withheld at 15% on payments made to a non-resident entertainer, sports person, or theatrical, musical, or other group of non-resident entertainers or sports persons who derive income from any performance in Uganda as provided under Section 84 of the Income Tax Act.
4. A tax is withheld at 15% on any payment made to a non-resident person deriving income under a Ugandan-source services contract as provided under Section 85 of the Income Tax Act.
5. A tax is withheld at 2% on any payments made to a non-resident person carrying on the business of ship operator, charterer, or air transport operator who derives income from the carriage of passengers who embark, or cargo or mail which is embarked in Uganda and on a road transport operator who derives income from the carriage of cargo or mail which is embarked in Uganda.

TAX RETURNS

Who is required to file a Return of Income?

- (i) Every person who has chargeable income, for the year of income.
- (ii) In the case of a resident company, a return should be filed for all its global income.
- (iii) A partnership is also required to file a return of income in its own right as if it pays tax.

Who is not required to file a return of income?

- (i) A non-resident person whose income is derived from sources in Uganda and is subjected to withholding tax as a final tax. Such as non-resident public entertainers, sports persons, contractors or professionals.
- (ii) A resident individual whose gross income consists exclusively of employment income derived from employment income derived from a single employer and from which tax has been withheld under the PAYE system
- (iii) A resident individual whose total chargeable income for the year of income is subject to zero rate of tax under part 1 of the 3rd schedule to the Act.

Provisional return

A provisional return is a form prescribed by the Commissioner on which estimated tax (provisional tax) is declared. Estimated tax is payable by a person who derives or expects to derive any income during the year of income other than exempt income and which will not be subjected to withholding tax at source as a final tax.

Estimated tax by a company is paid in two instalments on or before the last day of the sixth and twelfth months of the year of income.

Estimated tax for an individual is payable in four instalments on or before the last day of the third, sixth, ninth and twelfth month.

A provisional taxpayer is required to file a provisional return.

Due date for filing returns

Provisional return

A provisional return by an individual should be filed on or before the last day of the 3rd, 6th, 9th and 12 months of the year of income. In the case of non-individuals (companies), a provisional return should be filed on or before the last day of the 6th and 12th month of the return of income i.e. final.

Return of income, i.e. final

The return of income for both individuals and non-individuals including rental income tax, should be on or before the end of the taxpayer's year of income.

Extension of time to file a return of income

A taxpayer may in writing apply to the Commissioner for an extension of time to file a return. This application has to be made by the due date of filing. The taxpayer must give good reasons to justify the extension with reasonable cause such as absence from the Country. The extension if granted will not exceed 90 days and does not alter the due date for payment of the tax due. Interest will therefore accrue on any outstanding tax.

Tax clearance certificate

A Tax clearance certificate is a document issued by the Commissioner on request by the taxpayer certifying that the taxpayer is compliant with his tax obligations. It is required in some of the following circumstances:

1. Providing transport services for passengers and goods,
2. Tendering process with the Government, and
3. Transferring funds abroad in excess of US\$ 50 million.

Personal income tax

Taxation of individual Persons

The chargeable income of a person for a year of income is the gross income of the person for the year less total deductions allowed under the Income Tax Act for the year.

Basis of taxation and tax rates

Refer to the schedules in page 51 – 53 for the applicable tax rates.

Valuation of Benefits

The valuation of benefits for the purposes of Section 19(3) of the income Tax Act is as follows;

A benefit provided by an employer to an employee means a benefit that

1. Is provided by an employer, or by a third party under an arrangement with the employer or an associate of the employer;
2. Is provided to an employee or to an associate of an employee; and
3. Is provided in respect of past, present or prospective employment.

a) Where a benefit provided by an employer to an employee consists of the use, or availability for use, of a motor vehicle wholly or partly for the private purposes of the employee, the value of the benefit is calculated according to the following formula –

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

Where –

A is the market value of the motor vehicle at the time when it was first provided for the private use of the employee;

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 by the employee for all or a part of the day;

C is the number of days in the year of income; and

D is any payment made by the employee for the benefit.

Where a benefit provided by an employer to an employee consists of the provision of a housekeeper, chauffeur, gardener or other domestic assistant, the value of the benefit is the total employment income paid to the domestic assistant in respect of services rendered to the employee, reduced by any payment made by the employee for the benefit.

- b) The provision of any meal, refreshment or entertainment, the value of the benefit is the cost to the employer of providing the meal, refreshment or entertainment, reduced by any consideration paid by the employee for the meal, refreshment or entertainment.
- c) The provision of utilities in respect of the employee's place of residence, the value of the benefit is the cost to the employer of providing the utilities reduced by any consideration paid by the employee for the utilities.
- d) Provision of a loan or loans in total exceeding one million shillings 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.
- e) Provision of a waiver by an employer of an obligation of the employee to pay or repay an amount owing to the employer or to any other person, the value of the benefit is the amount waived.
- f) Where a benefit provided by an employer to an employee 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) Where a benefit provided by an employer to an employee consists of the provision of accommodation or housing, other than where Section 19(1)(a) or (c) applies, the value of the benefit is the lesser of – Substituted by IT (Am) Act 2002
 - a) The market rent of the accommodation or housing reduced by any payment made by the employee for the benefit; or
 - b) 15% of the employment income, including the amount referred to in paragraph (a), paid by the employer to the employee for the year of income in which the accommodation or housing was provided.

Withholding tax

The Income Tax Act specifies the persons who are required to withhold the tax as well as those upon whom the tax should be imposed, depending on the nature of the transaction. This tax is deducted at source by the person making a payment to another person.

A withholding agent is the person making payment and obliged to withhold tax from the recipient of the payment. In addition, withholding of tax is a system of collecting tax by a withholding agent on a specified range of payments. These include:

- (i) Employment income
- (ii) International payments, interest, dividends, royalty, rent, natural resource payments and management charges.
- (iii) Payments to non-resident Contractors or professionals
- (iv) Payments of dividends
- (v) Payment for Goods and services by Government, Government institutions and designated withholding agents
- (vi) Payments on professional fees
- (vii) Payment made in respect of customs clearance of goods at importation

Income tax penalties

Failure to furnish a return

A person who fails to furnish a return or any other document within fifteen days of being so required under this Act commits an offence and is liable on conviction to a fine not exceeding fifteen currency points (see below).

If a person convicted of an offence under subsection (1) fails to furnish the return or document to which the offence relates within the period specified by the Court, that person commits an offence and is liable on conviction to a fine not exceeding twenty currency points as provided under sec 54 of the TPCA.

Failure to maintain proper records

A person who knowingly and/or recklessly fails to maintain proper records under this Act commits an offence and is liable on conviction to –

A fine of not exceeding Uganda shillings 2 million or imprisonment nor exceeding six years or both.

Improper use of TIN

A person who knowingly and/or recklessly uses a false taxpayer identification number on a tax return or any other document prescribed or used for the purposes of a tax law commits an offence and is liable on conviction to a fine of not exceeding Uganda shillings 3 million or imprisonment not exceeding six years or both.

PENAL TAX

PENAL TAX FOR FAILURE TO FURNISH A RETURN OF INCOME

A person who fails to furnish a return of income for a year of income within the time required under this Act is liable to pay a penal tax equal to two per cent of the tax payable for that year before subtracting any credit allowed to the taxpayer on his or her chargeable income or ten currency points per month, whichever is the greater, for the period the return is outstanding.

PENAL TAX IN RELATION TO RECORDS

A person who knowingly and/or recklessly fails to maintain records as required under any tax law is liable to pay a penal tax not exceeding Uganda Shillings 2 million or imprisonment not exceeding six years or both on conviction.

PENAL TAX FOR UNDERSTATING PROVISIONAL TAX ESTIMATES

A provisional taxpayer whose estimate or revised estimate of chargeable income for a year of income under Section 112 is less than ninety per cent of the taxpayer's actual chargeable income assessed for that year, is liable for penal tax equal to twenty per cent of the difference between the tax calculated in respect of the taxpayer's estimate, as revised, of chargeable income and the tax calculated in respect of ninety per cent of the taxpayer's actual chargeable income for the year of income.

A provisional taxpayer whose estimate or revised estimate of gross turnover for a year of income under Section 112 is less than ninety per cent of the taxpayer's actual gross turnover for that year is liable for penal tax equal to twenty per cent of the difference between the tax calculated in respect of the taxpayer's estimate, as revised, of gross turnover and the tax calculated in respect of ninety per cent of the taxpayer's actual gross turnover for the year of income.

This Section does not apply to a taxpayer who is in the business of agricultural, plantation or horticultural farming.

PLACE OF TRIAL

Any person charged with committing an offence under this Act may be proceeded against, tried, and punished in any place in Uganda in which the person may be in custody for the offence as if the offence had been committed in that place, and the offence shall, for all purpose's incidental to or consequential upon the prosecution, trial, or punishment of the offence, be deemed to have been committed in that place.

INCOME TAX OBJECTION AND APPEALS

A taxpayer who is dissatisfied with an assessment may lodge an objection to the assessment with the Commissioner within forty-five days after service of the notice of assessment for income tax and 30 days for VAT.

Where an objection decision has not been made by the Commissioner within ninety days after the taxpayer lodged the objection with the Commissioner, the taxpayer may, by notice in writing to the Commissioner, elect to treat the Commissioner as having made a decision to allow the objection.

DOUBLE TAXATION AGREEMENTS/ TREATIES

Double taxation agreements, sometimes known as double taxation treaties, are designed to protect against the risk of double taxation i.e. where an individual or a corporate entity is taxed twice by virtue of the same income being taxable in two states. Uganda has double taxation agreements with Denmark, India, Norway, Mauritius, Netherlands, South Africa, United Kingdom, Italy and Zambia; where lower rates apply. East African Community and Egypt treaties are awaiting ratification by parliament.

The main objective of a DTA is to provide certainty regarding when and how tax is to be imposed in the country where the income producing activity is conducted or payment is made.

The agreements are normally two pronged, namely –

- (i) It normally requires that the country where the gain arises deducts taxation at source ("withholding tax") and the taxpayer receives a compensating foreign tax credit in the country of residence to reflect the fact that tax has already been paid; or in some cases, it is provided that the tax is to be paid in the country of residence and be exempt in the country in which it arises or partial relief is granted.
- (ii) It requires the two countries to exchange information about such declarations and investigate any anomalies that might indicate tax evasion

VALUE ADDED TAX

Value Added Tax (VAT) is an indirect tax that is paid by a person who consumes or imports goods and/or services in Uganda. The Tax is charged on the value added at different stages of production or supply of goods and services. VAT was introduced in Uganda in July 1996 to replace Sales Tax and Commercial Transactions Levy (CTL).

VAT is administered under the Value Added Tax (VAT) Act, Laws of Uganda.

Persons required or permitted to register

The annual registration threshold is US\$ 150 Million worth of taxable supplies.

RECORDS, INVOICES, CREDIT AND DEBIT NOTES

TAX INVOICES

A tax invoice as required by Section 29 of the VAT Act should contain the following particulars –

- (a) The words "tax invoice" written in a prominent place;
- (b) The commercial name, address, place of business, and the taxpayer identification and VAT registration numbers of the taxable person making the supply;
- (c) The commercial name, address, place of business, and the taxpayer identification number and VAT registration number of the recipient of the taxable supply;
- (d) The individualised serial number and the date on which the tax invoice is issued;
- (e) A description of the goods or services supplied and the date on which the supply is made;
- (f) The quantity or volume of the goods or services supplied;
- (g) The rate of tax for each category of goods and services described in the invoice.

Effective 1st January 2021, persons making taxable supplies (VAT registered persons) are required to issue electronic receipts and invoices for sales made using the EFRIS platform. All invoices and receipts issued using the EFRIS platform bear a unique identification number referred to as the Fiscal Document Number (FDN).

VAT RETURNS, DUE DATE OF PAYMENT OF VAT AND REFUND OF TAX

RETURNS

A taxable person shall lodge a tax return with the Commissioner General for each tax period within fifteen days after the end of the period.

DUE DATE FOR PAYMENT OF TAX

Tax payable under the value added tax act is due and payable in the case of a taxable supply by a taxable person in respect of a tax period, on the final date the return for the tax period must be lodged.

REFUND OF TAX

If, for any tax period, a taxable person's input tax credit exceeds his or her liability for tax for that period, the Commissioner General shall refund him or her the excess within one month of the due date for the return for the tax period to which the excess relates, or within one month of the date when the return was made if the return was not made by the due date.

A person may claim a refund of any input tax paid in excess of the amount of output tax under this Act for a tax period.

A claim for a refund shall be made in a return within three years after the end of the tax period in which tax was overpaid.

No refund shall be made in relation to a taxable supply that has been made to a person who is not a taxable person, unless the Commissioner General is satisfied that the amount of the excess tax has been repaid by the taxable person to the recipient, whether in cash or as a credit against an amount owing to the taxable person by the recipient.

Effective 1st 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.

VAT PENALTIES

A person who fails to apply for registration is liable to pay a penal tax equal to double the amount of tax payable during the period commencing on the last day of the application.

A person who fails to lodge a return within the required time is liable to pay a penal tax amounting to whichever is the greater of the following:

- (a) Two hundred thousand shillings; or
- (b) An interest charge for the period the return is outstanding calculated according to the formula specified in the Fifth Schedule.

A person who fails to pay tax imposed under this Act on or before the due date is liable to pay a penal tax on the unpaid tax at a rate specified in the Fifth Schedule for the tax which is outstanding.

VAT OBJECTIONS AND APPEALS

Objections to assessment

A person who is dissatisfied with an assessment may, within forty-five days after receipt of the notice of the assessment decision, lodge an objection to the Commissioner General.

Appeals to tax appeals tribunal

A person dissatisfied with an objection decision may, within thirty days after being served with notice of the objection decision, lodge an application with the Tax Appeals Tribunal for review of the objection decision and shall serve a copy of the application on the Commissioner General.

EXCISE DUTY

Excise duty is imposed under the Excise Duty Act, 2014 (previously under the East African Excise Management Act, 1970 – Laws of the East African Community; and the Excise Tariff Act – Repealed).

CUSTOMS DUTY

Uganda applies duties and tariffs of the East African Community (EAC) Common External Tariff.

Customs duty is levied at rates between 0% and 100%, with an average rate of 25%. Imports into Uganda are subject to a standard VAT rate of 18%, levied on the sum of the CIF value, duty, and other applicable taxes.

5. EMPLOYMENT

Uganda's Employment Act, 2006 imposes certain obligations on employers, ranging from tax obligations, insurance obligations and obligations arising out of specific labour laws. The Employment Act also details regulations regarding employment of children, discrimination, disciplinary proceedings, contract termination, working hours, severance payment and leave.

5.1 EMPLOYING A LOCAL OR FOREIGNER IN UGANDA

A person who is not a citizen of Uganda intending to work in Uganda, is required under the Uganda Citizenship and Immigration Control Act to obtain a work entry permit, a certificate of permanent residence or special pass. A special pass is issued while the entry permit is being processed. The work permits once issued is renewed depending on the expiry date.

Foreign employees/work permit process

Before employing an expatriate, the employer must ensure that the expatriate has procured a work permit, however, the process of obtaining a work permit takes time, as a result, an expatriate may secure a special pass to formalise his stay in the country until the work permit is obtained. Vacancies are to be notified to the district labour officer whenever they fall due– Employment Act 2006, Section 35 (this is not being enforced). Foreign employees must have a valid visa, work permit, and employment card issued by the Ministry of Labour. Employers must take care to renew the work permits when they are due to expire.

Under the Uganda Citizenship and Immigration Act, there are 7 classes of work permits issued by the Immigration & Citizenship Board, Classes A, B, C, D, E, F, and G. These classes cover applicants ranging from Government and diplomatic services, Government contractors, agriculture, mining, business and trade, manufacturers, professionals, Volunteers, missionaries and employees. An applicant for a work permit will make an application in one of these classes depending on the nature of activity they will undertake in Uganda.

Where the applicant is an employee, they will make an application under Class G2. Upon entry into Uganda, the intending applicant (expatriate employee) should make an application for a special pass, which allows the employee to work on a short-term basis for a maximum period of 3 months which can be extended if there is an application for a work permit pending. Simultaneously with the application for a special pass, an application should be made for a work permit.

The requirements for a work permit include:

1. Completion of application forms for Work Permit;
2. Official letter from the Employer addressed to the Immigration and Citizenship Board requesting for a work permit; / letter of introduction / cover letter
3. The applicant's worker's CV,
4. 2 Passport size photographs, and
5. Copy of their passport;(the bio – data page)
6. Letter from the Police Authority or Interpol of the applicant's / employee's country confirming that the applicant has no criminal record / letter of good conduct
7. Academic documents and qualifications of the applicant
8. Appointment letter from the employer
9. Proof of failure to employ a Ugandan (By employer)

10. Training opportunities for Ugandans
11. Investment letter
12. Income tax clearance
13. Articles of Memorandum
14. Trading License
15. Company's bank statement
16. Certificate of incorporation

There are official fees payable for a work permit and refundable security bond payable when the expatriate employee leaves Uganda permanently.

Applicants can only enter Uganda after grant and payment of their work permits.

DUAL CITIZENSHIP

The 1995 constitution as amended in 2005 allows both Ugandans and Non-Ugandans to acquire dual citizenship. The Act amended in 2009, (Article 15) by constitutional amendment Pursuant to which the Uganda Citizenship and Immigration Control (Amendments) Act 2009 was enacted providing for dual citizenship in Uganda. According to the Article, a Ugandan of 18 years and above who voluntarily applies for and gets citizenship for another country can retain their Ugandan citizenship and in the same way, a citizen of another country who meets all the requirements of registering for citizenship may retain their citizenship to the mother country as well. This law only allows for 2 citizenships.

UGANDAN CITIZENSHIP

The following persons are considered citizens:

- a) Every person born in Uganda, one of whose parents or grandparents is or was a member of any of the indigenous communities existing and residing within the borders of Uganda as at the first day of February, 1926 and set out in the third schedule of the constitution. (Article 10a of the constitution).
- b) Every person born in or outside Uganda, one of whose parents or grandparents was at the time of birth of that person, a citizen of Uganda by birth.
- c) A child of not more than five years of age found in Uganda whose parents are not known is presumed to be Ugandan
- d) A child under the age of eighteen years neither of whose parents is a citizen of Uganda, who is adopted by a citizen of Uganda upon registration shall be a citizen of Uganda
- e) A person who successfully applies for and is registered as a citizen of Uganda (Article 12 of the Constitution)
- f) A person who has resided in Uganda for an aggregate period of 20 years or has resided in Uganda throughout the period of 24 months immediately preceding the period of application

5.2 LABOUR LAW

Two types of laws which govern employment

Collective labour law-relates to the tripartite relationship between employee, employer and labour union. Employers need to allow employees to form unions, as provided for under the constitution. (Constitution of Uganda especially Article 29 (1) (a))

Individual labour law concerns individual employees' rights through the contract of employment, statutory provisions, common law etc. unlike in the past when trade unions were the custodians of workplace welfare, there has been a steady shift to give individuals more legal rights that they can enforce directly through courts, e.g. right to fair treatment, hours of labour and holiday. These are of two further types, **contract of service**, and **contract for service**.

Contract for service, is the same as consultancies, whereas **contract of service** is the normal employment, with benefits such as NSSF payment, deduction of PAYE, and other issues.

5.3 EMPLOYMENT CONTRACTS

Engaging under contract for service, or contract for employment

Here, the regulations are to make sure one is clear on the deduction of percentage of payment, for withholding tax to be paid to the revenue service, unless, of course, they prove that they are registered for URA, with a Taxpayer Identification Number. Under this arrangement, you are not vicariously responsible for the contractors, and you do not pay them for worker's compensation in case of injuries at work. You also cannot penalize them, or impose any punitive measures.

Engaging under contract of employment, or contract of service.

This is the situation where an employer employs a worker, either a foreigner or citizen, to work for a given time period, with clear terms of reference. There are issues to consider, including: Employees are entitled to receive written contracts of employment within 12 weeks after the date of the commencement of the employment (refer to section 59(3)).

Written employment particulars

Employment contract is any contract, whether oral or in writing, whether expressed or implied, where a person agrees to work for an employer in return for remuneration. It includes a contract of apprenticeship as well (Section 2 (b))

Ugandan Labour Law requires that contracts of employment should be in writing and a written statement of particulars should be provided to a worker within twelve weeks of the commencement of employment.

Employment contracts must include the following:

1. Full name and addresses of the contracting parties;
2. Date of employment commencement;
3. Job title;
4. Workplace;
5. Wages including payment intervals and other deductions;
6. Rate of overtime pays;
7. Employee's normal hours of work and the shifts or days of week on which such work is to be performed;
8. The number of days' annual leave and wages during the period; terms relating to incapacity for work due to sickness or injury;
9. Length of notice; and
10. Sick leave pays.

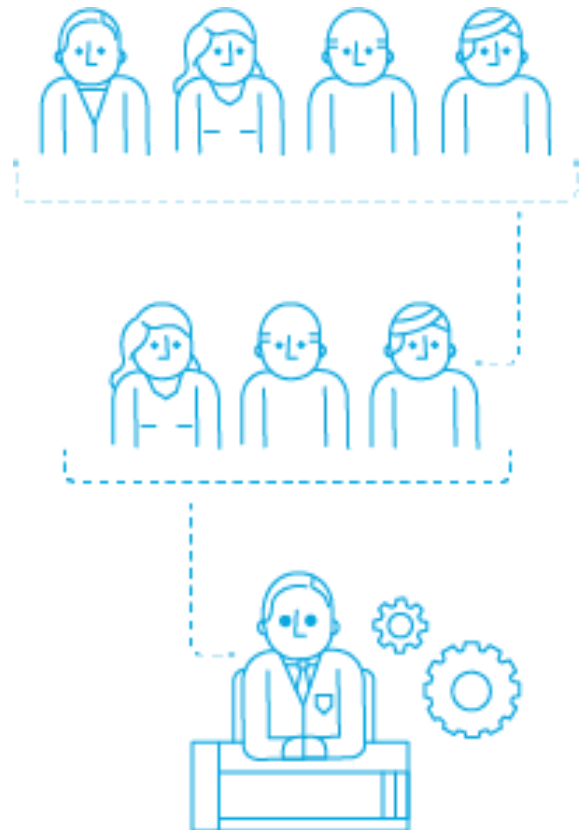
The employer is required to provide the above information in a language that a worker can reasonably be expected to understand. In case of any amendment in the employment contract, the employer must issue a written notice to the worker to inform him/her about the amendment.

The employer may also retain a copy of written particulars and the amendments in them and provide it to the labour officer on demand. (S25 & 59 of the Employment Act 2006).

Working Hours and overtime

The normal working hours are eight hours a day, six days a week totalling to 48hrs per week.

Workers may be required to work overtime, provided that the total working hours, inclusive of overtime, must not exceed 10 hours per day or fifty-six hours per week except when persons are employed in shifts. (Section 53 of the Employment Act 2006).



LEAVE

Annual leave

The Employment Act provides annual leave for all workers on completion of at least six months of service.

A worker working weekly for sixteen or more hours is entitled to 21 working days paid annual leave at the rate of 7 days for each period of continuous 4 months of service on completion of 12 months of continuous service (S54 (4, b) of the Employment Act 2006).

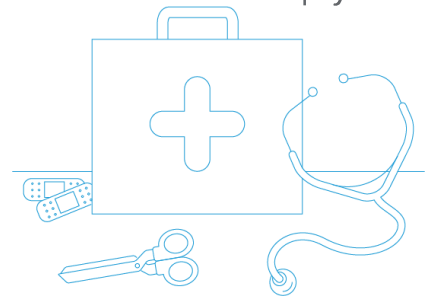
A worker is entitled to paid holidays proportionate to the length of service for which he/she has not received such a holiday or compensation for any of the unused annual leave in the event of employment termination (S54 of the employment Act 2006).

A male employee, after birth of a child or miscarriage of a wife, is entitled to be fully paid 4 working days of paternity leave in a year (S57 of the Employment Act 2006).

Sick leave

Under the Employment Act, an employee who has completed not less than one month's continuous service with an employer and is incapable of work due to sickness or injury is entitled to sick leave with pay as follows;

- Full wages and benefits as stipulated in the employment contract.
- If at the expiration of the second month the sickness of the employee still continues, the employer is entitled to terminate the contract of service on complying with all the terms of the contract of service up to the time of termination of contract.



In order to get this entitlement, the employee is expected to notify the employer of absence and reason for absence and produce a certificate of incapacity to work signed by a duly qualified medical practitioner (S55 of the employment Act 2006).

Maternity leave

Female employees are entitled to 60 working days of fully paid maternity leave of which at least four weeks shall follow the child birth or miscarriage.



The worker must give a written notice of at least 7 days (or even shorter period under certain circumstances) prior to proceeding on maternity leave on a specific date and to return to work thereafter. The worker may also have to provide a certificate of her medical condition from a qualified medical practitioner or midwife, if required by the employer.

Maternity leave may be extended in case of sickness arising out of pregnancy or confinement, affecting either the mother or the baby, and making the mother's return to work inadvisable.,

The maternity leave is granted with full pay and the pay during leave period is financed by the employer (S56 of the Employment Act 2006).

Public holidays

Workers are entitled to paid festival (public and religious) holidays. Festival holidays are announced by the Ugandan Government at the start of each calendar year (usually 13 in number).

The public holidays are regulated under the Public Holidays Act, 1965. These are

1. New Year's Day (January 01),
2. Janani Luwum Day (February 16)
3. NRM Day (January 26),
4. Women's Day (March 08),
5. Good Friday (varies from year to year),
6. Easter Monday (Varies from year to year),
7. Labour Day (May 01),
8. Martyrs' Day (June 03),
9. National Heroes Day (June 09),
10. Eid al-Fitr (End of Ramadan),
11. Eid al-Adha (Feast of Sacrifice),
12. Independence Day (09 October)
13. Christmas Day (December 25) and
14. Boxing Day (December 26).

In addition to these holidays, the President may declare any other day to be a public holiday, and may limit the observation of any such public holiday to any area or place in Uganda

5.4 Statutory deductions

National Social Security Fund

The National Social Security Fund Act imposes an obligation on employers to pay a standard monthly contribution of 15% (10% being the employer's contribution and 5% being the employee's contribution) of the total wages of an employee to NSSF.

Pay As You Earn

This is a statutory tax deduction for all employees. The rate of deduction varies for different income groups. This deduction is made from every monthly earning and remitted to the Uganda Revenue Authority by the 15th day of the next month.

6. ACCOUNTING AND AUDIT

6.1 STATUTORY FRAMEWORK GOVERNING FINANCIAL REPORTING IN UGANDA

In Uganda, the main legislation governing companies including financial reporting is the Companies Act, 2012. However, there are other laws that impact on financial reporting. These deal with specialised sectors such as insurance, banks, retirement benefits schemes and listed companies.

The Companies Act requires every company to be keep proper books of account in the English language.

With respect to audits, every company is required at each annual general meeting to appoint an auditor to hold office from the conclusion of that annual general meeting, until the conclusion of the next, annual general meeting.

The Institute of Certified Public Accountants of Uganda (ICPAU) is a national professional accountancy organization established in 1992 by an act of parliament to regulate and maintain the standard of accountancy in Uganda, and to prescribe and regulate the conduct of all professional accountants in Uganda. ICPAU is dedicated to serving the public interest by strengthening the profession and contributing to the growth and development of Uganda's economy. With over 2,000 members, ICPAU's membership represents accountants in public practice, education, government service, industry, and commerce.

6.2 INTELLECTUAL PROPERTY RIGHTS

Intellectual property, means the legal rights which result from intellectual activity in the industrial, scientific, literary and artistic fields. Intellectual property is a product of the mind and human intellect. Intellectual property rights grant the owner of an intellectual creation exclusive rights to exploit and benefit from his/her creation.

Intellectual property is divided into two categories;

- Copyright and Neighbouring rights Act, 2006, which includes literary and artistic works such as novels, poems and plays, movies, musical works, photographs, architectural designs, Computer programs and electronic databases.
- Industrial property which includes inventions (Patents), Trademarks, industrial Designs and Geographic indications (URSB Information Guide 2018). They are intangible properties which include patents, trademark, industrial designs and Geographic indications.

Uganda is a member of the World Intellectual Property Organization (WIPO) the Paris convention (Industrial Property) since June 1965, PCT (Patents), Nairobi Treaty (Olympics Symbol). Uganda is also a member of the African Regional Intellectual Property Organization (ARIPO) and member and a signatory to the TRIPS agreement.

PATENT

A patent is an exclusive right granted by the government for an invention, which is either a product or process that provides, in general, a new way of doing something, or offers a new technical solution to a problem. The exclusive rights help inventors to prevent others from taking advantage of their ideas and inventions.

A patent provides protection for a limited period of time normally 20 years to an inventor for a new product or process in return for the disclosure of their invention. Patent protection means an invention cannot be commercially made, used, distributed or sold without the patent owner's consent. Examples of inventions include; walkie-talkies, light bulbs, memory sticks, chemical formula.

Criteria for granting a patent

In order to be patentable, an invention must meet the following three criteria.

1. It must be **novel** (new). The invention should not be described in any publication anywhere in the world.
2. It must involve an **inventive step** (not obvious to a person skilled in the relevant field of technology).
3. It must be capable of **industrial application** (useful).
4. Patentable subject matter- The subject matter must be accepted as patentable under the national patent law; discoveries, theories, business methods are examples of things that are not patentable

Patent application process

1. Applicant submits request for examination of application, this should be within 3 years from the filing date
2. Application is examined by a patent examiner or other competent authority
3. Examiner or other competent authority compiles an examination report
4. Upon notification of grant of patent, applicant shall pay grant fees.
5. A granted patent shall as soon as practicable be published in the gazette.

A complete patent application at filing should have:

- 1) A letter requesting for patent protection,
- 2) Filled patent application form (gives information about applicant) and
- 3) A patent document (gives information about the invention).

One can file a patent application with either **URSB** or with the Regional Office–**ARIPO** which receives applications and grants patents on behalf of its member states.

Fees for Patent Registration

| | |
|---|---|
| Application | UShs. 180,000 |
| Grant | UShs. 300,000 |
| Maintenance fees | UShs. 48,000 for 1 st annuity (Additional USH 12,000 for each subsequent year) |
| Conversion of patent application to utility model application | UShs. 12,000 |

Law governing the grant of patents in Uganda

The governing law is the Industrial Property Act, 2014.

7. TRADEMARKS

The two main characteristics of a trademark are that it must be distinctive (it must by its very nature be able to distinguish goods and services) and it should not be deceptive (misleading).

A trademark must also not be descriptive. It is descriptive if it describes the nature or identity of the goods or services for which it is used.

Therefore, a trademark is a sign that individualizes the goods and services of a given enterprise and distinguishes them from the goods and services of its competitors. A trademark may consist of any word, symbol, design, slogan, logo, sound, smell, colour, label, name, signature, letter, numeral or any combination of them and should be capable of being represented graphically. A trademark protects goods whereas a service mark protects services.

The registration is for a period of seven years and upon expiry is renewed every ten years.

What are the steps for registering a trademark in Uganda?

1. Request for Search:

A person who intends to apply for the registration of a trademark shall carry out a search to ascertain whether the trademark exists in the register upon payment of a prescribed fee.

2. Filing of Application by Applicant:

A trademark application is then filed upon payment of application fees. The application should contain the mark proposed to be used, the goods or services, the name, address and the signature of applicant.

If the applicant is a foreign company, a Power of Attorney or Form of Authorization (TM NO. 1) to an agent (Advocate of High Court) will be required.

3.The application is then examined to determine if it is capable of distinguishing the goods or services from others and whether use of the trademark is likely to cause confusion

4.Publication of Application: If accepted, the application will be advertised in the Official Government Gazette for 60 days.

5.Certificate of 'Registration: If there is no opposition after the expiration of 60 days of the advertisement in the gazette, the Registrar shall upon payment of the prescribed fee by the applicant enter the trademark in the register and issue a certificate of Registration.

COPYRIGHTS

Copyright protects creative works like musical compositions, audio recordings, movies, books, articles, diagrams, photos, website content and software code.

Copyright gives the creator/ copyright owner exclusive rights to stop others from using their work without his/her permission. This includes the right to copy, distribute, use and adopt the work. Copyright owners can license or permanently transfer or assign their exclusive rights to others.

What can be protected by the copyright law?

1. Literary works (e.g. articles, novels, pamphlets, books)
2. Dramatic works (e.g. scripts for films and dramas)
3. Musical works (e.g. melodies)
4. Artistic works (e.g. paintings, photographs, drawings, architecture, sculpture)
5. Sound recordings
6. Films
7. Television and radio broadcasts
8. Cable programs
9. Performances
10. Computer programs

What is the procedure for registering a copyright?

1. An application for registration must be made to the Registrar of copyright and an application fee paid.
2. The application form must be published in the Uganda Gazette for 60 days.
3. If no objection is made to the registration of the said right, a certificate of registration will be issued to the applicant.

How long does copyright protection last?

Copyright protection generally lasts for the life of the creator and 50 years after the creator's death. This means that it is not only the creators that benefit from their works, but also their heirs.



8. LISTING RULES

8.1 THE CAPITAL MARKETS AUTHORITY

The Capital Markets Authority (CMA) is a semi-autonomous body that was established in 1996, following the enactment of the Capital Markets Authority Act. The Authority is responsible for promoting, developing and regulating the capital markets industry in Uganda, with the overall objectives of investor protection and market efficiency.

The CMA is governed by a Board of Directors comprising a Chair person and representatives from the private and public sector. The day-to-day operations of the Authority are handled by the Chief Executive Officer and a team of professionals.

8.2 LISTED COMPANIES

Currently, there are eight domestic companies listed on the Uganda Securities Exchange.

These are:

1. [Uganda Clays Ltd, listed in January 2000](#)
2. [British American Tobacco \(BAT\) Uganda Ltd, listed in October 2000](#)
3. [Bank of Baroda \(U\) Ltd, listed in November 2002](#)
4. [DFCU Ltd, listed in October 2004](#)
5. [New Vision Printing and Publishing Co Ltd, listed in December 2004](#)
6. [Stanbic Bank Uganda Ltd, listed in January 2007](#)
7. [National Insurance Corporation, listed in 2010](#)
8. [JMEME Limited, listed in 2012](#)

And eight cross border listings; these are:

1. [East African Breweries Ltd, listed in March 2001](#)
2. [Kenya Airways, listed in March 2002](#)
3. [Jubilee Holdings Ltd, listed in February 2006](#)
4. [Equity Bank Ltd, listed in June 2009](#)
5. [Kenya Commercial Bank Ltd, listed in November 2008](#)
6. [Nation Media Group, listed in 2010](#)
7. [Centum, listed in 2011](#)
8. [UCHUMI listed in 2013](#)

8.3 THE UGANDA SECURITIES EXCHANGE

The Uganda Securities Exchange (USE) was established in 1997 as a company limited by guarantee, and was licensed in 1998 by the Capital Markets Authority to operate as an approved securities exchange.

The Exchange is governed by a Governing Council whose membership includes licensed broker/dealer firms, investment advisors, a representative of investors and a representative of issuers.\

The Exchange is a central place for trading of securities by licensed brokers/dealers. It provides a credible platform for raising of capital; through the issue of appropriate debt, equity and other instruments to the investing public. In this way, the Exchange provides essential facilities for the private sector and government to raise money for business expansion and enables the public to own shares in companies listed on the Exchange.

The Uganda Securities Exchange operates through 3 market segments i.e.

1. The Main Investment Market Segment

The MIMS is the main market for established and large companies looking to raise funding. The eligibility criteria on this segment are stringent. Companies on this segment must have a minimum share capital of US\$ 1 billion and net assets of US\$ 2 billion. Examples of companies listed on this segment include Stanbic Bank, DFCU Group and, more recently, Umeme Limited.

The Main Investment Market Segment of the USE currently has 16 listed equities comprising of 8 Locally Listed equities;

2. The Fixed Income Securities Market Segment

It was introduced as a platform for fixed income securities. It aims at providing a separate independent market for companies wishing to raise financing through issue and listing of fixed income securities such as treasury bonds, corporate bonds, preference shares and debenture stocks. It also provides the market for investors wishing to trade the above securities at the exchange. The segment also lists other short-term financial instruments such as treasury bills and commercial papers.

The Fixed Income Market Segment currently has 6 corporate bonds and 39 Government of Uganda Treasury Bonds listed.

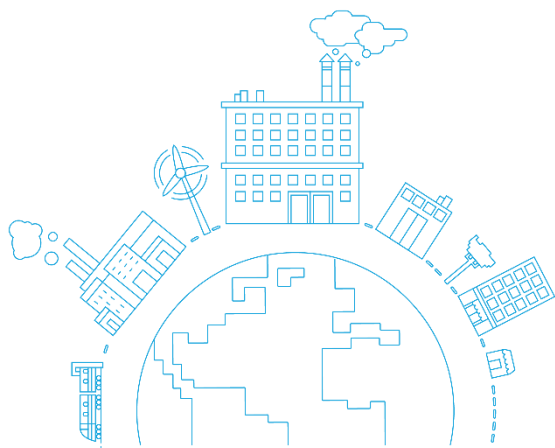
3. The Growth Enterprises Market Segment

The Uganda Securities Exchange launched the Growth Enterprise Market Segment (GEMS) in recognition of the fundamental role of "Small and Medium-Sized Enterprises" (SMEs) as a major driver of Uganda's economy and ultimately the overall financial system of Uganda. The GEMS platform enables SMEs to raise substantial initial and ongoing capital, while benefiting from increased profile and liquidity within a regulatory environment designed specifically to meet their needs. The eligibility criteria for raising financing through the GEMS are significantly less stringent compared to those on the main investment market segment above.

9. INVESTING IN UGANDA

Uganda Investment Authority (UIA) set up under the [Investment Code](#) 1991 is a statutory agency mandated to initiate and support measures that enhance investment in Uganda and advise Government on appropriate policies conducive for investment promotion and growth. The changing investment environment and Government priorities have necessitated the modification of UIA's mandate.

Uganda Investment Authority is a semi-autonomous government agency which drives national economic growth and development in partnership with the private sector. As an Investment Promotion Agency, UIA mainly: markets investment opportunities; promotes packaged investment projects; ensures local and foreign investors have access to information, especially about the business environment so as to make more informed business decisions; and offers business support, advisory and advocacy services.



In order to set-up an attractive business environment that gives investors the ease to register, set up and start operations in the shortest possible time, with the least amount of administrative and bureaucratic procedures, a physical "One-stop centre" (osc) was also established at the UIA head office. Services from the following agencies can be accessed at the UIA One stop centre.

Investment opportunities include; Agriculture & Agribusiness, mineral beneficiation, tourism, packaging, ICT and other opportunities.

9.1 INVESTMENT CLIMATE

Features of Uganda's investment climate include:

1. Uganda attained and has had political and social stability since 1986.
2. Effective macro-economic policies that maintained economic growth at an average of 6.5% and enabled the country to withstand external economic shocks during the global economic downturn from 2008 to 2011 during which the economy still grew by 3%.
3. Natural resource rich country (Human and Minerals).
4. Totally liberalized foreign exchange regime.
5. Consistently improving infrastructures.
6. Trainable and fast adaptable workforce from over 30 universities.
7. Welcoming population.
8. No labour tensions.
9. Dedicated Commercial and Industrial courts for quick resolution of business disputes.
10. A unique multi climate varies from winter on the snow-capped Rwenzori mountains in the west, to the temperate highlands of Western Uganda and tropical forests of the Central region as well as the semi-arid North Eastern Uganda.

9.2 MARKET ACCESS THROUGH TREATIES AND AGREEMENTS

1. The Common Market for Eastern and Southern African (COMESA), a region with a market of about 400 million people in 19 countries.
2. The East African Community (EAC) population of over 140 million people.
3. Uganda is part of the Free Trade Area of EAC, COMESA and SADC.
4. Uganda has a population of 35 million people with a growing middle-income class with reasonable expendable income.



9.3 UGANDA IS A SIGNATORY TO MAJOR INTERNATIONAL INVESTMENT AND BUSINESS PROTOCOLS

1. Multi-lateral Investment Guarantee Agency (MIGA)
2. Overseas Private Investment Corporation (OPIC) of USA
3. Convention on the Recognition and Enforcement of Foreign Arbitral Award (CREFAA)
4. Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)
5. International Centre for Settlement of Investment Disputes (ICSID)
6. Agreement on Trade Related Investment Measures (TRIMS)
7. General Agreement of Trade in Services (GATS)
8. Agreement on Trade related Aspects of Intellectual Property Rights (TRIPS)
9. Duty and quota free access into China (quota free access for over 650 products)
10. The USA African Growth and Opportunity Act (AGOA)
11. Generalized System of Preferences (GSP) scheme with European Commission
12. EU (Everything but Arms) markets.

9.4 TAX-RELATED INCENTIVES FOR INVESTING IN UGANDA

Income Tax exemptions

| Who qualifies | Conditions for granting exemption |
|---|---|
| Collective Investment scheme | <p>Must be licensed to operate as a Collective Investment Scheme.</p> <p>Participants in the scheme must not have day to day control over the management of the property in question.</p> <p>Participants' contributions and ultimate income/profits must be pooled.</p> <p>Property must be managed as a whole by the operator of the scheme.</p> |
| Aircraft operators | <p>As long as the income is for domestic and international traffic or leasing of the aircraft</p> |
| Exporters of finished consumer and capital goods | <p>Apply to the Commissioner of Domestic Taxes to be issued with a certificate of exemption valid for 10 years' tax holiday, but must export at least 80% of his/her production of goods. The exemption is valid from the beginning of the investment.</p> |
| Agro – Processors | <p>Apply to the commissioner in writing for a certificate of exemption which the commissioner may issue within 60 days of receiving the application</p> <p>Applicant or associate of applicant has not previously carried on agro processing of a similar or related agricultural product in Uganda</p> <p>Applicant must invest in plant and machinery that has not previously been used in Uganda by any person to process agricultural products for final consumption.</p> <p>Process agricultural products grown or produced in Uganda.</p> <p>Person regularly files returns and fulfils all his/her tax obligations under the Income Tax Act.</p> <p>Certificate of exemption issued is valid for one year and may be renewed annually.</p> |

| Who qualifies | Conditions for granting exemption |
|--|--|
| <p>Operator in an Industrial Park or Free Zone who invests in processing agricultural products; manufacturing or assembling medical appliances, medical sundries or pharmaceuticals, building materials, automobiles and house hold appliances; manufacturing furniture, pulp, paper, printing and publishing of instructional materials; establishing or operating vocational or technical institutes; or carrying on business in logistics and warehousing, information technology or commercial farming.</p> | <p>Must invest a minimum of USD 10 million for foreign investors and USD 300,000 for EAC citizens, incentive takes effect from the date of commencement of the specified business, same incentives apply to an existing operator in an Industrial Park or Free Zone. The income tax exemption is valid for a period of 10 years.</p> |
| <p>Non-profit making Organisations</p> | <p>Where the Commissioner has issued a written ruling stating that the income of the non-profit making organisation is exempt.</p> <p>Certificate of exemption issued is valid for one year and may be renewed annually.</p> |
| <p>Private employers of persons with disabilities (PWDs)</p> | <p>Deduction of 2% income tax for employers that employ PWDs provided 5% of employees are PWDs.</p> |

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