

Payment Date: 15th of the following month after it becomes payable.

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

CAPITAL GAINS TAX

Effective 1st July 2014, 30% chargeable on gains arising from the disposal of commercial building.

PRESUMPTIVE TAX

Effective 1st July 2014, there is an increase in the threshold from 1% to 3%. Clinics have been removed from presumptive tax regime. Presumptive Tax payable by drug shops in Kampala whose gross annual turnover exceeds Ushs 10m but does not exceed 20m increased to Ushs 250,000 from Ushs 100,000.

THIN CAPITALISATION RULES

Effective 1st July 2015, a deduction is disallowed for interest paid by the company during the year on that part of debt which exceeds the 1.5 : 1 foreign debt to foreign equity ratio.

TRANSFER PRICING

A Ugandan company with both local and non-resident related party transactions exceeding 500m is required to maintain an appropriate transfer pricing policy based on one of the following methods:

- Comparable uncontrolled price method;
- Cost plus method;
- Resale price method;
- Transactional profit split method; and
- Transnational net margin method.

PENAL TAX FOR FAILURE TO PROVIDE INFORMATION

- A person who, upon request by the Commissioner, fails to provide records in respect of transfer pricing within 30 days after the request, is liable to a penal tax equivalent to UGX 50M.
- A person who fails to provide information other than information referred to in subsection (1), to the Commissioner upon request, is liable to a penal tax of UGX 20M.

PAYMENT OF TAXES – INCOME TAXES

Non Individual

- Provisional income tax

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

The amount of each installment of provisional tax is calculated as follows: $(50\% \times A) - B$

where:

A = estimated tax payable for the year of income

B = amount of tax withheld prior to due date of payment of installment

Individual

Installment tax for individuals is payable in four installments on or before the last day of the 3rd, 6th, 9th and 12th months of the year of income.

The amount of each installment of provisional tax for a year of income is calculated as follows: $(25\% \times A) - B$

FURNISHING OF RETURN OF INCOME

- Every taxpayer shall furnish a return of income for each year of income of the tax payer not later than six months after the end of that year.
- A taxpayer required to furnish a return of income may apply in writing to the commissioner for an extension of time to furnish the return. The application shall be made by the due date for furnishing of the return to which it relates.

ADVANCE TAX FOR TRANSPORT SERVICE

The rate of advance tax under section 123A is:

- (a) for goods vehicles; UGX50,000 per ton per year
- (b) for passenger service vehicle; UGX 20,000 per seat per year

INCOME TAX PENALTIES (SELECTED OFFENCES)

Offence	Penalty/fine
Penal tax for understating provisional tax estimates	20% of (D-C) (D is Tax on 90% accurate chargeable income and C is Tax on Estimated Chargeable income)
Interest on unpaid tax	2% per month

Interest on unpaid tax

If the interest due and payable as at 30th June 2017 exceeds the aggregate of the principle tax, the penal tax shall be waived.

Tax stamp

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

Penal tax relating to tax stamps

- A taxpayer who fails to affix a tax stamp on goods prescribed under section 19A (3) is liable to pay a penal tax equivalent to double the tax due on goods or UGX 50M, whichever is higher.
- A person who prints over or defaces a tax stamp affixed on goods prescribed under section 19A (3) is liable to pay a penal tax equivalent to double the tax due on the goods or UGX 20M whichever is higher.
- A person found in possession of goods prescribed under section 19A (3), on which a tax stamp is not affixed, is liable to pay a penal tax equivalent to double the tax due on the goods or UGX 50M, whichever is higher.
- A person who attempts to acquire or who acquires or sells a tax stamp without the authority of the Commissioner commits an offence and is liable on conviction, to a penalty equivalent to double the tax due on the goods or UGX 10M whichever is higher.

CUSTOMS DUTY

- Customs duties chargeable under the East African Community Customs Management Act for imports outside the EAC region:
 - * Raw materials 0%
 - * Semi-finished goods 10%
 - * Finished goods 25%
- Member countries have powers to levy additional anti-dumping or countervailing duty rates in addition to the normal duty rates.
- Goods imported from COMESA have preferential rates.

COMMON REPORTING STANDARDS (CRS)

Once Uganda signs up for CRS and is ratified, the Ugandan government will be able to acquire information relating to the taxpayers from another jurisdiction via the respective tax authorities or bank.

VALUE ADDED TAX

VAT deemed paid

The tax payable on a taxable supply made to a Government ministry, department or agency by a contractor executing an aid-funded project is deemed to have been paid by that ministry, department or agency if the supply is for use solely and exclusively for the aid-funded project.

“Aid-funded project” means a project financed by a foreign government or a development agency through loans, grants and donations.”

Interest on unpaid tax

The interest due and payable on unpaid tax shall not exceed the aggregate of the principal and penal tax.

Where the interest due and payable as at 30th June 2017 exceeds the aggregate of the principal and penal tax, the interest in excess of the aggregate shall be waived.”

VAT imposed on wheat grain

VAT exemption for the following;

- the supply of animal feeds and premises
- the supply of crop extension services
- the supply of irrigation works, sprinklers and ready to use drip lines
- the supply of deep cycle batteries and composite lanterns
- the supply of menstrual cups
- the supply of Agriculture Insurance Premium or Policy

VAT COMPLIANCE

- **Registration threshold** - UGX 150 million turnover p.a.
- **Due date of return and payment** - 15th of the following month
- **Time of supply** –
 1. Where the goods are applied to own use, on the date goods or services are first applied to own use;
 2. where the goods or services are supplied by way of gift, on the date on which ownership changed or completion of service; or
 3. In other cases the earliest of the date on which goods are delivered or made available, or service is performed
 4. A tax invoice is issued.

- **Input VAT – VAT** is not claimable on the supply of passenger cars, repairs and maintenance of passenger cars, restaurant and hotel, accommodation services, entertainment services and telephone services to the extent of 10% of the input tax on those services.

- **VAT refunds** – Occur when input tax credit exceeds output tax (by UGX 5 million or more for non-diplomatic missions), overpayment, proven bad debt, loss of stock through fire, burglary, refund to privileged person.

ZERO-RATED SUPPLIES:

The following supply of goods or services is zero-rated for VAT purposes.

- Supply of goods or services where the goods or services are exported from Uganda as part of the supply;
- Supply of international transport of goods or passengers and tickets for their transport;
- Supply of drugs and medicines;
- Supply of educational materials;
- Supply of seeds, fertilisers, pesticides, and hoes;
- Supply of sanitary towels and tampons and inputs for their manufacture;
- Supply of leased aircraft, aircraft engines, spare engines, spare parts for aircraft and aircraft maintenance equipment;
- Supply of cereals, where the cereals are grown and milled in Uganda; and
- Supply of handling services provided by National Medical Stores in respect of medical supplies, funded by donors

VAT PENALTIES

Offence	Penalty
Related to registration	From UGX 300,000- 500,000 or imprisonment term from 0.5 - 2 years or both
Failure to issue a tax invoice or credit or debit note	From UGX 300,000- 500,000 or imprisonment term from 0.5- 2 years or both
Failure to furnish a return on time	Fine not exceeding UGX 300,000 and imprisonment exceeding 6 months or both
Failure to comply with recovery provision	Fine not exceeding UGX 500,000 or imprisonment for a term not exceeding 2 years
Failure to provide reasonable assistance	Fine not exceeding UGX 300,000 or imprisonment for a term not exceeding 6 months or both
Failure to keep proper books or records	From UGX 300,000- 500,000 or imprisonment term from 0.5- 2 years or both
Making false statements or misleading statement	Fine not exceeding UGX500,000 or imprisonment for a term not exceeding 5 years or both
Obstructing an officer of the URA	Fine not exceeding UGX500,000 or imprisonment for a term not exceeding 5 years or both
Improper use of TIN	Fine not exceeding UGX 500,000 or imprisonment for a term not exceeding 2 years
Penal tax – registration	Double the amount of tax payable



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UGANDA TAX GUIDE 2017-2018



PERSONAL TAX

Resident individual

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

Directors

In accordance with Section 2(z), directors are employees of a company. Directors are required to file income tax returns if they earn income from more than one source or their income is not taxed through the company's payroll. The Income Tax Act (ITA), does not distinguish between resident or non-resident directors.

Income tax exemption

- A body established by law for the purpose of regulating the conduct of professionals will be exempt from Income Tax.
- The income of Bujagali Hydro Power Project is exempt up to 30th June 2022.
- The income of a Savings and Credit Cooperative Society is exempt up to 30th June 2027.

Tax Exempt Employment Income

S19(2) ITA details employment income that is exempt from tax and therefore not deemed to be employment income. Such exemptions only apply to full time employees and not directors who are not whole time service directors. A whole time service director is one who qualifies to be a full time employee and is defined to be one required to devote substantially the whole of his or her time to the services of the company in a managerial or technical capacity and does not have an interest of more than 5% in the underlying ownership of the company.

The following employment income including benefits is exempt from tax per the ITA:

- Costs incurred by employer of any passage to and from Uganda in respect of the employee's appointment and termination of employment where the employee i) was recruited or engaged outside Uganda ii) is in Uganda solely for the purpose of serving the employer and is not a citizen of Uganda;
- Re-imbursment of discharge of an employee's medical expenses including a premium or other amounts paid for medical insurance;
- Life insurance premiums paid by taxable employer for the benefit of an employee or his or her dependants. (This changes if employer is an exempt organization that does not pay income tax);
- An allowance or reimbursement or discharge of expenditure incurred by employee on accommodation and travel expenses and on meals and refreshments while travelling in the course of performing duties of employment;
- The value of any meal or refreshment provided by an employer to an employee in say a canteen operated on behalf of the employer solely for the benefit of employees on equal terms i.e. without discrimination;
- Any benefit granted by the employer to the employee during a month that is less than UGX 10,000;
- A (taxable) employer's contribution for the benefit of the employee or any of his or her dependants made to a retirement fund (established by an Act of Parliament);
- The value of a right or option to acquire shares granted to an employee under an employee share acquisition scheme; and

If an employee has been in employment for at least 10 years and his employer makes a payment to him (gratuity) then only 75% of the amount paid is included in employment income and the remaining 25% is actually tax exempt income.

Taxable employment benefits

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

(a) Motor vehicles

(20% x A x B/C) – D

A is the market value of the motor vehicle at the time when it was first provided for the private use of the employee, depreciated on a reducing balance basis at a rate of 35% per annum for the subsequent years.

B is the number of days in the year of income during which the motor vehicle was used or available for use for private purposes 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."

(b) Provision of domestic help

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

(c) Housing

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

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

Workers' Quarters (Boys' Quarters) provided to domestic workers within the same compound as the person they work for have no market value.

(d) Employee loan benefit in kind

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

Loan benefit = (Ra – Rb) x L x Ma/Mb

Where:

Ra = Statutory rate (Bank of Uganda's discount rate at the commencement of the year of income)

Rb = Rate as provided by employer

L = Loan

Ma = Months in the year of income

Mb = Number of months in the year (12 months)

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

(e) Transfer or use of property or provision of service

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

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

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

EMPLOYERS' OTHER OBLIGATIONS

National Social Security Fund (NSSF)

15% of gross monthly income, of which 5% is contributed by employee and the other 10% contributed by employer. NSSF contributions are payable by 15th of following month.

Local Service Tax (LST)

LST withheld by employer and remitted to local authorities of residence of the employee within the first four months of Uganda's financial year.

Penalty for late or non-remittance of LST is 50% of the LST payable.

Monthly Income Net of PAYE (UGX)	LST Payable Per Year (UGX)
0 – 100,000	Nil
Exceeding 100,000 but not exceeding 200,000	5,000
Exceeding 200,000 but not exceeding 300,000	10,000
Exceeding 300,000 but not exceeding 400,000	20,000
Exceeding 400,000 but not exceeding 500,000	30,000
Exceeding 500,000 but not exceeding 600,000	40,000
Exceeding 600,000 but not exceeding 700,000	60,000
Exceeding 700,000 but not exceeding 800,000	70,000
Exceeding 800,000 but not exceeding 900,000	80,000
Exceeding 900,000 but not exceeding 1,000,000	90,000
Exceeding 1,000,000	100,000

RENTAL INCOME

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

All rental agreements shall be executed and effected in **Uganda shillings**.

Rental tax imposed

Person	Tax rate
Individual	20% of chargeable income in excess of UGX 2,820,000
Company	30% of chargeable income
Trustee of a trust	30%
Partnership	20% of chargeable income in excess of UGX 2,820,000 on the individual partners

The rent derived by a person shall not be included in the gross income of the person which is subject to tax under ITA for any year of income.

INCOME TAX - CORPORATIONS

Resident Company

A company is a resident company for a year of income if it

- is incorporated or formed under the laws of Uganda
- has its management and control exercised in Uganda at any time during the year of income or
- undertakes the majority of its operations in Uganda during the year of income.

Income Tax Rates Applicable are:

All companies other than mining	30%
Education Institutions (Effective 1st July 2014)	30%
Trustees and retirement funds	30%
Mining companies	70-1500/X

Where X = number of % points represented by ration of the chargeable income of the mining company for the year of income to the gross revenue of the company for that year.

If rate of tax calculated above >45% then rate of tax shall be 45%; if rate of tax calculated is <25% then rate of tax shall be 25%.

- Wear and Tear Allowances** (calculated on cost on a reducing balance basis):

* Petroleum Mining and Expenditure 100%

Computers and data handling equipment	40%
Automobiles, buses and mini-buses (seating capacity of <30 passengers); goods vehicles with a load capacity of < 7 tonnes, construction and earth moving equipment .	35%
Buses with a capacity of at least 30 passengers, goods vehicles of load capacity of >7 tonnes, specialised trucks, tractors, trailers and trailer-mounted containers, plant & machinery used in farming, manufacturing or mining operations.	30%
Rail cars, locomotives and equipment, vessels, barges, tugs and similar water transportation equipment, aircraft, specialised, public utility plant, equipment, & machinery, office furniture, fixtures and equipment, any depreciable asset not included in another class.	20%

- Tax Identification Number (TIN):** Any expenditure on goods or services in one transaction above UGX 5 million from a supplier who does not have a TIN is disallowed when computing corporate Income Tax.
- Vehicle depreciation ceiling** is UGX 60 million for vehicles other than commercial vehicles.
- Initial allowance.** A person who places an item of eligible property into service for the first time outside a radius of 50km from the boundaries of Kampala is allowed a deduction for an amount equal to 50% of the cost base of the property at the time it was placed into service.

"item of eligible property" means plant and machinery wholly used in the production of income included in gross income but does not include—
(a) goods and passenger transport vehicles;
(b) appliances of a kind ordinarily used for household purposes; or
(c) office or household furniture, fixtures and fittings.

Industrial building Allowance

A person who places a new industrial building in service for the first time is allowed a deduction of an amount equal to 20% of the cost base of the industrial building at the time it was placed in service.

Where a person has incurred capital expenditure on the extension of an existing industrial building, this section applies as if the expenditure was capital expenditure incurred on the construction of a separate industrial building.

A new industrial building or extension of an existing industrial building means a building on which construction was commenced on or after 1st July 2000.

In this section, "industrial building" does not include an approved commercial building."transaction."

Start-up costs

A person who has incurred expenditure in starting up a business to produce income included in gross income or in the initial public offering at the stock market shall be allowed a deduction of an amount equal to 25% of the amount of expenditure in the year of income in which the expenditure was incurred and in the following three years of income in which the business is carried on by the person. (Effective 1st July 2014, the start-up costs are limited to non-recurring preliminary costs associated with starting up a business).

Carry forward losses

Assessed loss shall be carried forward and allowed as a deduction in determining the tax payer's chargeable income in the following year of income.

WITHOLDING TAX RATES

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

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

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