



UGANDA TAX GUIDE

2020/2021

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PERSONAL TAX

Resident Individual

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

Resident Individual Income Tax Rates

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

Non-Resident Individual Income Tax Rates

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

Tax Exempt Employment Income

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

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

Taxable Employment Benefits – all employees

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

(a) Motor vehicles

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

Where:

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

(b) Provision of domestic help

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

(c) Housing

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

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

(d) Employee loan benefit in kind

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

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

Where:

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

(e) Waiver of employee obligation

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

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

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

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

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

EMPLOYER'S OTHER OBLIGATIONS

National Social Security Fund (NSSF)

- 15% of gross monthly income, of which 5% is contributed by employee and the other 10% contributed by employer.
- 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 (by 31st October).
- Penalty for late or non-remittance of LST is 50% of the LST payable.



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

Rental income

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

Rental tax imposed

Person	Tax rate
Individual (resident)	30% of chargeable income
Company	30% of chargeable income
Trustee of a trust	30% of chargeable income
Partnership	Individual income tax rates on chargeable income obtained by summing up total rental income and income from other sources.

Section 5 of the income tax act was amended with the introduction of subsection (3a) which requires any person that earns rental income from more than once source to account for both income and expenses and remit the respective rental income tax separately to the URA for each of their rental properties.

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.

Exemption from Income Tax

- A body established by law for the purpose of regulating the conduct of professionals.
- Income of a Savings and Credit Cooperative Society – to 30th June 2027.
- Income of a person derived from letting or leasing facilities whose investment capital is at least USD 50 million for a non-citizen and USD 10 million for a citizen in an industrial park or free zone for a period of 10 years from the date of commencement of the construction or in the case of an existing developer, from the date on which the existing developer makes and additional investment equivalent to USD 50 million for a non-citizen and USD 10 million for a citizen.
- Income of an operator in an industrial park or free zone or other business outside the industrial park for 10 years from the date of commencement of business whose investment capital is at least USD 10 million for a non-citizen or USD 300 thousand for a citizen or USD 150 thousand for a citizen whose investment is placed upcountry who uses at least seventy percent of locally sourced raw materials and employs seventy percent of its employees being citizens earning an aggregate wage of at least seventy percent of the wage bill and:
 - Processes agricultural goods;
 - Manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobile, household appliances;
 - Manufactures furniture, pulp, paper, printing and publishing of instructional materials;
 - Establishes or operates vocational or technical institutes;
 - Carries out business in logistics and warehousing, information technology or commercial farming;
 - Manufactures tyres, footwear, mattress or toothpaste
- Section 2 of the income tax act was amended to include the definition of a citizen as:
 - a) A natural person who is a citizen of a partner state of the East African Community i.e Uganda, Kenya, Rwanda, Burundi, Tanzania and South Sudan or;

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

CAPITAL ALLOWANCES

Wear and Tear Allowances (calculated on cost)	Rate & method
Computers and data handling equipment	40% Reducing balance method
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% Reducing balance method
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% Reducing balance method
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, returnable containers and any depreciable asset not included in another class	20% Reducing balance method

Vehicle Depreciation Ceiling

UGX. 60 million for vehicles other than commercial vehicles

Industrial Buildings

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

$A \times B \times C / D$

Where:

A is 5%

B is the capital expenditure incurred in the construction of the building

C is the number of days in the year of income during which the asset was used or was available for use in the production of income included in the gross income; and

D is the number of days in the year of income

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

Initial Allowance

A person who brings into use an eligible property for the first time outside a radius of 50 kms from the boundaries of Kampala is allowed an additional 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 goods and passenger transport vehicles; appliances of a kind ordinarily used for household purposes; or office or household furniture, fixtures and fittings.

Initial Allowance – Industrial Building

A person who brings into use a new industrial building for the first time is allowed a deduction of 20% of the cost base at the time it was placed in service. An extension qualifies as a separate industrial building.

A new industrial building or extension means a building on which construction commenced on or after 1st July 2000 and does not include an approved commercial building. Commercial building qualifies for building allowances but not initial allowances.

Start-up Costs

A person who has incurred expenditure during the start-up phase or in the initial public offering at the stock market shall be allowed a deduction of 25% of the amount of expenditure in the year of income in which the expenditure was incurred and in the following 3 years of income in which the business is carried on by the person (effective 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.

TRANSFER PRICING

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

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

The TP policy is required for transactions with both local and non-resident related party transactions exceeding UGX. 500 million. The TP policy should be in place prior to the due date of filing the income tax return for that year. Failure to provide the TP policy with 30 days after request by the Commissioner attracts a penalty of up to 25,000 currency points (UGX. 500,000) or an imprisonment of up to 6 months or both.

CAPITAL GAINS TAX

- No specific capital gains tax legislation
- Effective 1st July 2014, 30% chargeable on gains arising from the disposal of commercial building.

MOTOR VEHICLE ADVANCE TAX

The rate of advance tax under Section 123A is:

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

PAYMENT OF TAXES

Non-Individual

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

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

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

where:

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

Individual

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

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

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

where:

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

SELF ASSESSMENT RETURN (SAR)

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

CUSTOMS DUTY

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

Raw materials and certain machinery	0%
Semi-finished goods	10%
Finished goods	25%
- 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.

EXCISE DUTY

Definition of Citizen

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

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

Registration of manufacturers, importers and providers of excisable supplies

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

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

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

Over the Top Tax (OTT)

- Over the top services are defined as the transmission or receipt of voice or messages over the internet protocol network and includes access to virtual private networks.
- A daily charge of UGX. 200 per user per day of access to be collected by telecom service providers.
- A 0.5% levy charge on the value of mobile money transactions on withdrawal of cash.
- Incoming international calls, except calls from the Republic of Kenya, the Republic of Rwanda and the Republic of South Sudan, attract excise duty of USD 0.09 per minute.

Tax stamp

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

Penal tax relating to tax stamps

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

Excise duty is charged on a variety of products:

Item	Duty Rate FY 2020/21
Hinge lid	
(i) locally manufactured	UGX. 80,000 per 1,000 sticks
(ii) imported	UGX. 100,000 per 1,000 sticks
Beer	
Malt beer	60% or UGX. 1,860 per litre, whichever is higher
Beer whose local raw material content, excluding water, is at least 75% by weight of its constituent	30% or UGX. 650 per litre, whichever is higher
Beer produced from barley grown and malted in Uganda	30% or UGX. 950 per litre whichever is higher
Non-alcoholic	
Non-alcoholic beverages not including fruit or vegetable juices	12% or UGX. 200 per litre, whichever is higher
Fruit juice and vegetable juice, except juice made from at least 30% of pulp from fruit and vegetables grown in Uganda	12% or UGX. 250 per litre, whichever is higher
Powder for reconstitution to make juice or dilute-to-taste drinks excluding pulp	15% of the value
Mineral water, bottled water and other water purposely for drinking	10%
Furniture	
Specialised hospital furniture	Nil
Furniture manufactured in Uganda using local materials but excluding furniture which is assembled in Uganda	Nil
Other furniture	20%
Cement	UGX. 500 per 50kgs
Fuel	
Motor spirit (gasoline)	UGX. 1,350 per litre
Gas oil (automotive, light, amber for high speed engine)	UGX. 1,030 per litre
Other gas oils	UGX. 630 per litre
Gas oil for thermal power generation to national grid	Nil
Illuminating kerosene	UGX. 200 per litre
Jet A1 and aviation fuel	UGX. 630 per litre
Jet A1 and aviation fuel imported by registered airlines, companies with designated storage facilities or with contracts to supply airlines	Nil

WITHHOLDING TAX RATES

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

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

Payment Date: 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.

SET-OFF OF TAX

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

STAMP DUTY

Capital duty on nominal share capital or increase of it of any company incorporated in Uganda with limited liability – of the total value	0.5%
Professional licence or certificate	UGX. 100,000
Promissory note	UGX. 15,000
Lease – of the total value	1%
Transfer – of the total value	1.5%
Transfer – of shares in an incorporated company listed on the stock exchange, arising from the trading of those shares on the stock exchange	0.5%
Exchange of property – of the total value	2%
Execution of bank guarantees, insurance performance bonds, indemnity bonds and all similar debt instruments	UGX. 100,000

Exemptions

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

Instruments executed in the implementation of investment projects in industrial parks or free zones, whose operators have a minimum investment capital of at least USD 10 million (for foreigners) and USD 2 million (for Citizens) are exempted from stamp duty.

VALUE ADDED TAX

Rates

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

Due date – 15th of the following month.

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

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

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

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

VAT on imported services – the tax payable on a supply of imported services (*other than a service that would ordinarily be exempted from VAT in Uganda*) is to be paid by the person receiving the supply. It is payable, at the standard rate of 18% on taxable services by the importer. Tax paid on such service is not available for claim as input VAT credit.

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

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

Withholding VAT – 6% of the taxable value to be withheld by a designated person on payment of taxable supplies. The 6% of the taxable value withheld shall be recognised as a payment in the subsequent value added tax return of the tax payer from whom the tax is withheld.

TAX PENALTIES AND INTEREST

Offence	Penalty/Fine
Penal tax for understating provisional tax estimates	20% of (D-C) where; (D) is Tax on 90% of the final chargeable income (<i>final taxable profit</i>) (C) is Tax on the estimated chargeable income (<i>provisional taxable profit</i>)
Interest on unpaid tax	2% per month
Making false or misleading statements	Double the amount of the excess (if the false/misleading statement resulted in lower tax paid)
Failure to apply for registration	Double the amount of tax payable during the period commencing on the last day of the application period until the person files an application for registration with the Commissioner
Failure to provide information	UGX. 20million
Failure to maintain proper records	Double the amount of tax payable for the period to which the failure relates
Default in furnishing a tax return	2% of the tax payable under the return less any credit allowed in the tax return or UGX. 200,000 per month, whichever is higher, for the period the return is outstanding
A person who, upon request by the Commissioner, fails to provide records in respect of transfer pricing within 30 days after the request	Liable to a penal tax equivalent to UGX. 50million
Specific VAT Penalties	
Interest on unpaid tax	2% per month compounded
Penalty for default in furnishing a VAT return	UGX. 200,000

Interest paid

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



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