



Helping you move
forward with
confidence

VALUE ADDED TAX IN UGANDA HIGHLIGHTS

There have been amendments to the Value Added Tax Act, Cap 349 (VATA), over the last six months. We have also observed subtle changes in the way the Uganda Revenue Authority is enforcing the VATA following widespread VAT fraud reported in the press as follows:

Registration

The standard rate for taxable supplies in Uganda is 18%. The revenue threshold to attain to be registered for VAT in Uganda is a turnover of US\$ 37.5 million per quarter or US\$ 150 million turnover per annum – Section 7 VAT Act Cap 349 ("VATA").

In practice, the applicant will be required to demonstrate that he is making taxable supplies at the time of registration. Depending on the circumstances, the tax authority may sometimes not rely on forecasts.

Export of service

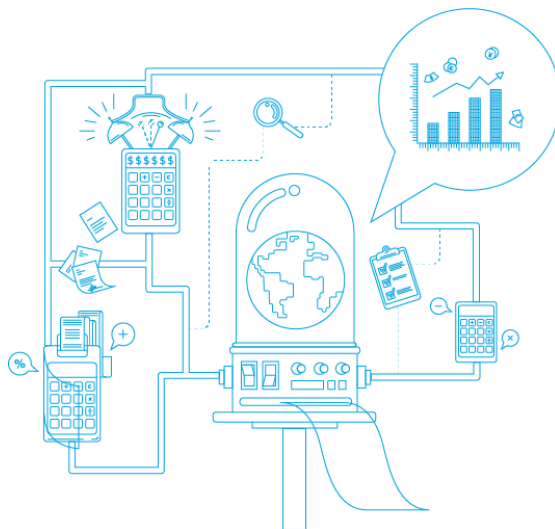
A service would only qualify as an export if the supplier can provide evidence showing that the service is consumed outside Uganda.

In practice, the contract with the foreign purchaser shall clearly specify the place or use or consumption of the service to be outside Uganda.

Refund of overpaid tax

Section 42 (1) states that if for any tax period, a taxable person's input tax 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.

In practice, the tax authority conducts an audit of the tax payer's records before processing the refund. The tax payer's records need to be arranged prior to the audit to ensure a smooth audit process.



Deemed VAT

An aid-funded project is one whose execution is funded by a foreign government or a development agency like DANIDA, USAID, DFID etc. through loans, grants and donations.

The tax payable by supplier to a contractor executing an aid-funded project is deemed to have been paid by the contractor provided it is for use by the contractor strictly for the execution of the aid funded project – Section 24 (6) of the VATA

Similarly, 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 as long as it is solely and exclusively for use in the execution of the aid-funded project – Section 24 (7) of the VATA.

Contractors are advised to seek private rulings/advance tax rulings to ensure that the transactions they enter are done so with certainty of the VAT implications under the above arrangements.

Increasing the period prior to date of registration for which input tax can be claimed

Section 28(3) (b) was amended by inserting the words “or in case of manufacturers, not more than twelve months before the date of registration”

Previously paragraph (b) stated that “all imports of goods, including capital assets, made by the person prior to becoming registered, where the supply or import was for use in the business of the taxable person, provided the goods are on hand at the date of registration and provided that the supply or import occurred not more than six months prior to the date of registration.”

This implies that the window to claim input tax prior to the date of VAT registration has been extended from 6 months to 12 months for manufacturers.

Input tax credit claimable in relation to a commercial building

Section 28 has been amended by inserting immediately after subsection (4) the following—

“(4a) An owner of more than one commercial building shall account for tax for each commercial building separately and shall not claim tax credits on inputs used in the construction of an incomplete building against the tax collected from a completed commercial building.

This implies that taxpayers will have to properly allocate the input tax incurred on each one of their buildings.

Fiscal receipts

E-invoicing has been introduced by the URA with effect from 1 January 2021.

(4b) A taxable person who is allowed a tax credit on purchase of goods and services from a supplier who is designated to use the e-invoicing system, shall only claim a tax credit on expenses supported by e- invoices or e-receipts.”

It is vital that all tax payers ensure that they are currently running and have set up the e-invoice functionality on the URA web portal. They should also ensure that their suppliers issue them with e-invoices from the URA web portal.

For any inquiries, you may contact us on email; tax@ug.rsm-ea.com or telephone; +256 414342780/9

Caveat

This newsletter has been prepared for general guidance, and does not constitute professional advice. Accordingly, RSM (Eastern Africa) Consulting Ltd, its associates and its employees and agents accept no liability for the consequences of anyone acting, or refraining from acting, in reliance on the information contained herein or for any decision based on it. No part of the newsletter may be reproduced or published without prior written consent. RSM (Eastern Africa) Consulting Ltd is a member firm of RSM, a worldwide network of accounting and consulting firms. RSM does not offer professional services in its own name and each member firm of RSM is a legally separate and independent national firm.

