Taxation in Uganda

At Grant Thornton, we appreciate the unique nature of tax law and the fundamental principles that underlie its interpretation and application. Our team of experts are at hand to offer tax solutions for all business categories.

Tax Administration

Taxes in Uganda are centrally assessed and collected by the Uganda Revenue Authority (URA), headed by a Commissioner General.

Within the organisational structure of URA, two operational departments (Domestic Taxes and Customs) headed by Commissioners are directly responsible for the assessment and collection of revenues resulting from the tax laws below:

1. Customs Tariff Act, Cap. 337;
2. East African Customs Management Act;
3. East African Excise Management Act;
4. Excise Tariff Act, Cap. 338;
5. Income Tax Act, Cap. 340;
6. Stamps Act, Cap. 342;
7. Traffic and Road Safety Act, Cap. 361;
8. Value Added Tax Act, Cap. 349;
9. Finance Acts (Various);
10. Gaming and Pool Betting (Control and Taxation) Act, Cap.292;

Income Tax

In Uganda, income tax applies generally to all types of persons who derive income, whether an individual, bodies of individuals, or corporate entities. Resident persons are taxed on worldwide income, while non-resident persons are taxed only on income derived from sources in Uganda.

Income tax is imposed on three broad categories of income – Business income, Employment income and Property income.

Most of the taxes imposed are self-assessed. The self-assessment system imposes on the taxpayer, in the first instance, responsibility for calculating taxable income and the tax due on that income. The taxpayer's calculations may however be reviewed by revenue officials when returns are filed and may be subject to further audit.

Tax rates for Individuals in Business

The income tax rate for individuals depends on the income bracket in which the individual falls. Resident individuals enjoy a tax free annual income threshold of UGX. 2,820,000 per annum. The balance is taxed at 10%, 20% or 30% depending on the income bracket. Individuals who earn above UGX 120,000,000 pa pay an additional 10% on the income above 120m.

CHARGEABLE INCOME (CY)	**RATE OF TAX**	
UGX (Annual)	**Residents**	**Non-residents**
0 to 2,820,000	Nil	CY x 10%
2,820,000 to 4,020,000	(CY – 2,820,000) x 10%	CY x 10%
4,020,000 to 4,920,000	(CY – 4,020,000) x 20% + (120,000)	(CY – 4,020,000) x 20% + (402,000)
4,920,000 to 120,000,000	(CY – 4,920,000) x 30% + (300,000)	(CY – 4,920,000) x 30% + (582,000)
Above 120,000,000	**[**(CY – 4,920,000) x 30% + (300,000)**]** + **[**(CY – 120,000,000) x 10%**]**	**[**(CY – 4,920,000) x 30% + (582,000)**]** +**[**(CY – 120,000,000) x 10%**]**

Tax rates for Individuals in Employment

Employers are required by law to deduct tax from an employee's salary or else they become personally liable for the tax that should have been deducted. The monthly PAYE (Pay As You Earn)rates are shown below:

CHARGEABLE INCOME (CY)	**RATE OF TAX**	
UGX (MONTHLY)	**RESIDENTS**	**NON-RESIDENTS**
0 to 235,000	Nil	CY x 10%
235,000 to 335,000	(CY – 235,000) x 10%	CY x 10%
335,000 to 410,000	(CY – 335,000) x 20% + (10,000)	(CY – 335,000) x 20% + (33,500)
410,000 to 10,000,000	(CY – 410,000) x 30% + (25,000)	(CY – 410,000) x 30% + (48,500)
Above 10,000,000	**[**(CY – 410,000) x 30% + (25,000)**]** +**[**(CY – 10,000,000) x 10%**]**	**[**(CY – 410,000) x 30% + (48,500)**]** +**[**(CY – 10,000,000) x 10%**]**

Tax rates for Companies

The income tax rate for a company i.e. a body of persons, corporate or unincorporated, created or recognised under any law in Uganda or elsewhere, is 30% of the entity's CHARGEABLE INCOME i.e. gross income less tax allowable deductions.

For non-resident companies, an additional 15% tax may become chargeable on repatriated branch profits.

Tax rates for Small Businesses

Resident persons with a turnover of less than UGX 50m are taxable at Presumptive rates below:

GROSS TURNOVER PER ANNUM (UGX)	TAX (FINAL)
Not exceeding 5 million	NIL
Exceeding 5 million but not exceeding 20	100,000
Exceeding 20 million but not exceeding 30	The lower of 250,000 or 1% of gross turnover.
Exceeding 30 million but not exceeding 40	The lower of 350,000 or 1% of gross turnover.
Exceeding 40 million but not exceeding 50	The lower of 450,000 or 1% of gross turnover.

Tax on Rental income derived by individuals

Tax on rental income derived by an individual is assessed separately from the individual's other business incomes or employment income. The tax is 20% of the rental income amount after deducting –

1) 20% as allowable expenses; and

2) UGX 2,820,000 as a tax free threshold.

Withholding tax on payments to Resident & Non-resident persons

The obligation to withhold tax lies with a withholding agent who is defined under the Act to mean any person required to withhold tax upon making any payment to a payee. A payee is any person who receives a payment from which tax is required to be withheld. The tax rates are subject to existing Double Taxation Agreements. Tax withheld may be final or creditable.

TYPE OF PAYMENT	RESIDENT	NON-RESIDENT
Management, Technical or Professional fees	6%	15%
Dividends	10 or 15%	15%
Rent	Rental income	15%
Interest	15 or 20%	15%
Royalties	Property income	15%
Natural Resource payments	Property income	15%
Annuities	Property income	15%
Ship operators/Charterers	Business income	2%
Air Transport operators/Charterers	Business income	2%
Road Transport operator (cargo)	Business income	2%
Electronic/Television/Internet services	Business income	5%
Imports (Goods)	6%	6%
Supplies to Government or designated WHT agents	6%	6 or 15%

Income Tax reporting obligations

1) Final annual returns by individuals, companies, partnerships and trusts are filed within 6 months after the year end;

2) Provisional annual returns by companies are filed within 6 months after the accounting year; while individuals file the same within 3 months after the accounting year. There's an option to amend the return before the year end.

3) Withholding tax returns, including PAYE (Pay As You Earn) returns are filed by the $15^{th}$of the month following the withholding.

Value Added Tax (VAT)

VAT (also referred to as Goods and Services Tax in other jurisdictions) is a consumption tax charged at a rate of 18% on all supplies made by taxable persons i.e. persons registered or required to register for VAT purposes. The threshold for VAT registration is an annual turnover of UGX 50m or UGX 12.5m within 3 months of trading.

Some transactions are beyond the scope of VAT and these are classified as Exempt supplies. Supplies on which VAT is charged at 0% are classified as zero-rated supplies.

Accounting for VAT

VAT becomes due depending on the time of supply. Under the VAT Act, a supply of goods or services takes place when any of the following takes place first –

1) A tax invoice is issued for the supply;
2) The goods are delivered;
3) The services are rendered;
4) The goods are made available; or
5) The goods or services are paid for in whole or in part.

When any of the above takes place, the difference between VAT incurred by the person (input tax) and the VAT charged by the person (output tax) is paid to, or claimed as an offset or cash refund from the tax authority.

VAT reporting obligations

All taxable persons are required to file a return for every tax period (i.e. month)within 15 days after the end of the month.

Excise Duty

This is a tax that is imposed on specified imported or locally manufactured goods, and services. Essentially it is a tax on "luxury" items. The applicable rates may be specific or ad valorem.

The tax is imposed on the value of the import; and in the case of locally manufactured goods, the duty (local excise duty) is payable on the *ex-factory* price of the manufactured goods.

Exported locally manufactured goods are exempt from excise duty.

Persons supplying excisable goods and services are required to register and file monthly Returns to the tax authority by the 15thday of the month following the month in which delivery of the goods was made.

Stamp Duty

Stamp Duty is imposed by the Stamps Act. It is a duty payable on any instrument (document) which upon being created, transferred, limited, extended, extinguished or recorded, confers upon any person, a right or liability.

The affected instruments (currently about 66) are listed in the Schedules to the Stamps Act. The applicable rates are either fixed or ad valorem.

The most common instruments that attract stamp duty include –

Affidavits

Agreements or Memorandums of Agreement

Company Articles and Article of Association (0.5%)

Caveats

Insurance policies

Powers of Attorney

Promissory Notes

Mortgage Deeds (0.5%)

Debentures (0.5%)

Transfer of immovable property (1%)

Customs Duty

This is a tax levied on goods imported (import duty) or exported (export duty) from Uganda at specific or ad valorem rates. The East African Community Customs Management Act 2004 (EACCMA) is the legal framework for customs operations in Uganda and the region as a whole.

A customs union exists between the East African Community States of Uganda, Kenya, Tanzania, Rwanda and Burundi for the main purpose of promoting international trade between the partner states. The union operates as a single customs territory and trading bloc with a view to harness economic growth through a wider market for goods and services. In order to achieve this, the partner states have agreed to –

1) Eliminate internal tariffs and non-tariff barriers that could hinder trade between the partner states and thus facilitate formation of a single market and investment area. In this regard, movement of goods produced within the constituent customs territories is duty and quota free.

2) Harmonize policies relating to trade between the partner states and other countries. A common set of import duty rates are applied to goods from non-partner states under a Common External Tariff framework.

The main features of a Customs Union include the following:

a) A common set of import duty rates applied on goods from non-partner states under the Common External Tariff, (CET).

b) Duty-free and quota-free movement of tradable goods among its constituent customs territories.

c) Common safety measures for regulating the importation of goods from third parties such as phyto-sanitary requirements and food standards.

d) A common set of customs rules and procedures including documentation.

e) A common coding and description of tradable goods (Common Tariff Nomenclature (CTN)).

f) A common valuation method for tradable goods for tax (duty) purposes (common valuation system).

g) A structure for collective administration of the Customs Union.

h) A common trade policy that guides the trading relationships with third countries/trading blocs outside the Customs Union i.e. guidelines for entering into preferential trading arrangements such as Free Trade Area's (FTA), with third parties.

Documents for importation of goods

The following import documents may be required for purposes of making a declaration to customs:

1. A Bill of lading or airway bill.
2. An Insurance certificate.
3. Pro-forma invoices.

4. Commercial invoices.
5. A Certificate of Origin.
6. Permits for restricted goods.
7. Purchase order.
8. Parking list
9. Sales contract
10. Any other supporting documents.

Valuation of imported Goods

Goods imported into the country from without the EAC must be valued for taxation purposes i.e. a customs value must be determined. The customs value forms the basis for computation of customs duties which include import duty, Value Added Tax, Withholding tax, Excise duty and other duties e.g. environmental levy. Applicable tax rates are defined in the Customs External Tariff.

Goods are valued using the following methods adopted by GATT (General Agreement on Tariff and Trade) and applied chronologically –

1) Transaction value.
2) Transaction value of identical goods.
3) Transaction value of similar goods.
4) Deductive value.
5) Computed value.
6) Fall back value.

Exemptions from Customs duties

Passengers' Baggage and Personal Effects

In order to qualify for exemption, the following conditions should be met –

- The goods must be the property of the passenger;
- The goods must be in the company of the passenger;
- The goods should be for the personal or household use of the passenger;
- The goods must be of such kinds as permitted by law;
- The goods must be of such quantities as a customs officer may allow in accordance with specified restrictions;

Duty Free Allowance for Passengers of majority age

The items listed below may be imported as duty free items –

- Spirits (including liquors) or wine, not exceeding one litre or wine not exceeding two litres.

- Perfume and toilet water not exceeding in all one half litres, of which not more than a quarter may be perfume.

- Cigarettes, cigars, cheroots, cigarillos, tobacco and snuff not exceeding in all 250 grams in weight.

- Other goods up to a value of US$ 300 imported by a traveler in his/her accompanied baggage or upon his person provided the person has been outside Uganda for a period exceeding 24 hours.

Exemptions for specified categories of people and entities under the 5th Schedule EACCMA

Goods imported by or on behalf of –

- The President.
- Donor agencies with bilateral or multilateral agreements with the partner states.
- International and regional organisations with diplomatic accreditation.
- Disabled, blind and physically handicapped persons.
- Rally drivers (one motor vehicle and parts).

Other general exemptions include –

- Deceased person's effects.
- Passenger's baggage and personal effects of passengers.
- Mosquito nets and materials for the manufacture of mosquito nets.
- Inputs for use in the manufacture of medicaments.
- Educational articles and materials as specified in the Florence Agreement.

Items imported by bona fide persons changing residence/returning residents

- Wearing apparel.

- Personal and household effects of any kind which were in his personal or household use in his former place of residence.

- One motor vehicle, (excluding buses and mini-buses of seating capacity of more than 13 passengers and load carrying vehicles of load carrying capacity exceeding two tonnes), which the passenger has personally owned and used outside a partner state for at least 12 months (excluding the period of the voyage in the case of shipment).

Temporary Visit

The following goods imported as baggage by a person on a temporary visit not exceeding three months to a partner state may be exempted –

- Non-consumable goods imported for personal use and which will be exported at the expiry of the visit.
- Consumable goods and non-alcoholic beverages in such quantities and of such kinds which are, in the opinion of the customs officer, consistent with the visit.
- That the goods are imported by a returning resident being an employee of an international organization the headquarters of which are in a partner state and who has been recalled for consultations at the organization's headquarters.

Rates of duty

Generally, the following rates will apply to an import of goods from outside the community:

Import Duty	-	25%
VAT	-	18%
WHT	-	6%
Excise Duty	-	varies